SKECHERS USA INC
Form 8-K
July 26, 2006

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 8-K

CURRENT REPORT

Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

Date of Report (Date of Earliest Event Reported): July 26, 2006

SKECHERS U.S.A., INC.

(Exact name of registrant as specified in its charter)

Delaware	001-14429	95-4376145
(State or other jurisdiction of incorporation)	(Commission File Number)	(I.R.S. Employer Identification No.)
228 Manhattan Beach Boulevard, Manhattan Beach, California		90266
(Address of principal executive offices)		(Zip Code)

Registrant s telephone number, including area code: (310) 318-3100

Not Applicable

Former name or former address, if changed since last report

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

[ ] Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
[ ] Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
[ ] Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
[ ] Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

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Item 2.02 Results of Operations and Financial Condition.

On July 26, 2006, Skechers U.S.A., Inc. issued a press release announcing its results of operations and financial condition for the three months and six months ended June 30, 2006. A copy of the press release is attached as exhibit 99.1 and incorporated herein by reference.

Item 9.01 Financial Statements and Exhibits.

(c) Exhibits

The following exhibit is furnished as part of this report:

99.1 Press Release dated July 26, 2006.

The information in this current report and the exhibit attached hereto is being furnished and shall not be deemed "filed" for the purposes of Section 18 of the Securities and Exchange Act of 1934, as amended, or otherwise subject to the liabilities of that Section. The information in this current report shall not be incorporated by reference into any registration statement or other document pursuant to the Securities Act of 1933, as amended. The furnishing of the information in this current report is not intended to, and does not, constitute a representation that such furnishing is required by Regulation FD or that the information this current report contains is material investor information that is not otherwise publicly available.

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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 hereunto duly authorized.

	SKECHERS U.S.A., INC.
July 26, 2006	*By: /s/ David Weinberg*
	Name: David Weinberg *Title: Chief Operating Officer*

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Exhibit Index

Exhibit No.	Description
99.1	Press Release dated July 26, 2006.

ALIGN="bottom"> 4,888 4,888 4,888

Amortization of actuarial net loss included in net periodic pension cost, net of tax of $(318)

502 502 502

Amortization of prior service cost included in net periodic pension cost, net of tax of $0

768 768 768

Settlement loss, net of tax of $(1,401)

2,109 2,109 2,109

Other comprehensive income

7,268

Comprehensive loss

$(20,413)

Balance as of December 31, 2009

144,068,541 $1,825 (11,973) $(136) $(17) $1,050,373 $(627,688) $(37,199) $387,158

The accompanying notes are an integral part of these financial statements

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SENSATA TECHNOLOGIES N.V.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(In thousands except share amounts, per share amounts, or unless otherwise noted)

1. Basis of Presentation

Description of Business

The consolidated and combined financial statements presented herein reflect the financial position, results of operations and cash flows of Sensata Technologies Holding N.V. (Sensata Technologies Holding) and its wholly-owned subsidiaries, including Sensata Technologies Intermediate Holding B.V. (Sensata Intermediate Holding) and Sensata Technologies B.V. (Sensata Technologies), collectively referred to as the Company . Sensata Technologies Holding is a 99% owned subsidiary of Sensata Investment Company S.C.A. (the Parent). The share capital of the Parent is 100% owned by entities associated with Bain Capital Partners, LLC (Bain Capital), a leading global private investment firm, co-investors (Bain Capital and co-investors are collectively referred to as the Sponsors) and certain members of the Company s senior management.

On April 27, 2006 (inception), investment funds associated with the Sponsors completed the acquisition of the Sensors and Controls business (S&C or the Predecessor) of Texas Instruments Incorporated (TI) for aggregate consideration of $3.0 billion in cash and transaction fees and expenses of $31.4 million (the 2006 Acquisition). The 2006 Acquisition was financed by a cash investment from the Sponsors of approximately $985.0 million and the issuance of approximately $2.1 billion of indebtedness.

Sensata Technologies Holding was acquired by the Parent in 2006 to facilitate the Sensata Acquisition. Sensata Technologies Holding currently conducts its business through subsidiary companies which operate business and product development centers in the United States (U.S.), the Netherlands and Japan; and manufacturing operations in Brazil, China, South Korea, Malaysia, Mexico, the Dominican Republic and the U.S. Many of these companies are the successors to businesses that have been engaged in the sensing and control business since 1931. TI first acquired an ownership interest in S&C in 1959 through a merger between TI and the former Metals and Controls Corporation.

The sensors business includes pressure sensors and transducers for the automotive, heating, ventilation, air-conditioning (HVAC) and industrial markets. These products improve operating performance, for example, by making a car s heating and air-conditioning systems work more efficiently. Pressure sensors for vehicle stability and fuel injection improve safety and performance by reducing vehicle emissions and improving gas mileage.

The controls business includes motor protectors, circuit breakers and thermostats. These products help prevent damage from overheating and fires in a wide variety of applications, including commercial heating and air-conditioning systems, refrigerators, aircraft, cars, lighting and other industrial applications. The controls business also includes DC to AC power inverters, which enable the operation of electrical equipment when grid power is not available.

All dollar amounts in the financial statements and tables in the notes, except share and per share amounts, are stated in thousands of U.S. dollars unless otherwise indicated.

Basis of Presentation

The accompanying consolidated financial statements have been prepared in accordance with U.S. generally accepted accounting principles (U.S. GAAP). The accompanying consolidated financial statements present separately the financial position, results of operations, cash flows and changes in shareholders equity for the Company.

The consolidated financial statements include the accounts of the Company and all of its subsidiaries. All intercompany balances and transactions have been eliminated.

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Reclassification

Certain reclassifications have been made to prior periods to conform to current period presentation.

2. Significant Accounting Policies

Use of Estimates

The preparation of consolidated financial statements in accordance with U.S. GAAP requires management to exercise its judgment in the process of applying the Company s accounting policies. It also requires that management make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingencies at the date of the financial statements and the reported amounts of revenue and expense during the reporting periods.

Estimates are used when accounting for certain items such as allowances for doubtful accounts and sales returns, depreciation and amortization, inventory obsolescence, asset impairments (including goodwill and other intangible assets), contingencies, the value of share-based compensation, the determination of accrued expenses, certain asset valuations including deferred tax asset valuations, the useful lives of property and equipment, post-retirement obligations and the accounting for business combinations. The accounting estimates used in the preparation of the consolidated financial statements will change as new events occur, as more experience is acquired, as additional information is obtained and as the operating environment changes. Actual results could differ from those estimates.

Cash and Cash Equivalents

Cash comprises cash on hand. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and that are subject to an insignificant risk of change in value, and have original maturities of three months or less.

Revenue Recognition

The Company recognizes revenue in accordance with Staff Accounting Bulletin (SAB) No. 101, *Revenue Recognition in Financial Statements*, as amended by SAB No. 104, *Revenue Recognition*. Revenue and related cost of sales from product sales is recognized when the significant risks and rewards of ownership have been transferred, title to the product and risk of loss transfers to the Company s customers and collection of sales proceeds is reasonably assured. Based on the above criteria, revenue is generally recognized when the product is shipped from the Company s warehouse or, in limited instances, when it is received by the customer depending on the specific terms of the arrangement. Product sales are recorded net of trade discounts (including volume and early payment incentives), sales returns, value-added tax and similar taxes. Shipping and handling costs are included in cost of revenue. Sales to customers generally include a right of return. Sales returns have not historically been significant to the Company s revenue and have been within estimates made by management.

Many of the Company s products are designed and engineered to meet customer specifications. These activities and the testing of the Company s products to determine compliance with those specifications occur prior to any revenue being recognized. Products are then manufactured and sold to customers. Customer arrangements do not involve post-installation or post-sale testing and acceptance.

Share-Based Compensation

Accounting Standards Codification (ASC) Topic 718, *Compensation Stock Compensation* (ASC 718), requires that a company measure at fair value any new or modified share-based compensation arrangements with employees and recognize as compensation expense that fair value over the requisite service period.

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The fair value of the Tranche 1 options was estimated on the date of grant using the Black-Scholes-Merton option-pricing model. Key assumptions used in estimating the grant-date fair value of these options were as follows: the fair value of the ordinary shares, dividend yield/interest yield, expected volatility, risk-free interest rate and expected term. The expected term of the time vesting options was based on the simplified methodology prescribed by SAB No. 107 (SAB 107). The expected term is determined by computing the mathematical mean of the average vesting period and the contractual life of the options. The Company utilizes the simplified method for options granted due to the lack of historical exercise data necessary to provide a reasonable basis upon which to estimate the term. The Company considers the historical and implied volatility of publicly-traded companies within the Company s peer group when selecting the appropriate volatility to apply to the options. Ultimately, the Company utilizes the implied volatility to calculate the fair value of the options as it provides a forward-looking indication and may provide insight into expected industry volatility. The risk-free interest rate is based on the yield for a U.S. Treasury security having a maturity similar to the expected life of the related grant. The dividend yield is based on management s judgment with input from the Company s Board of Directors.

The Company performs contemporaneous valuations to estimate the fair value of the Company s ordinary shares in connection with the issuance of share-based payment awards. The Company relies on these valuation analyses in determining the fair value of the share-based payment awards. The assumptions required by these valuation analyses involve the use of significant judgments and estimates on the part of management.

For significant awards, the valuation analysis of the ordinary shares of the Company utilizes a combination of the discounted cash flow method and the guideline company method. For less significant awards, the Company relies solely on the discounted cash flow method. For the discounted cash flow method, the Company prepares detailed annual projections of future cash flows over a period of five fiscal years (the Discrete Projection Period). The Company estimates the total value of the cash flow beyond the final fiscal year (the Terminal Year) by applying a multiple to the final projected fiscal year net earnings before interest, taxes, depreciation and amortization (EBITDA). The cash flows from the Discrete Projection Period and the Terminal Year are discounted at an estimated weighted-average cost of capital. The estimated weighted-average cost of capital is derived, in part, from the median capital structure of comparable companies within similar industries. The Company believes that its procedures for estimating discounted future cash flows, including the Terminal Year valuation, were reasonable and consistent with accepted valuation practices. For the guideline company method, the Company performs an analysis to identify a group of publicly-traded companies that are comparable to the Company. Many of the Company s competitors are smaller, privately-held companies or divisions within large publicly-traded companies. Therefore, in order to develop market-based multiples, the Company uses data from publicly-traded companies that operate in similar industries in which the Company competes. The Company calculates an implied EBITDA multiple (enterprise value/EBITDA) for each of the guideline companies and selects an EBITDA multiple from within the range of the multiples calculated. Because the resulting enterprise value under this guideline company method have generally been within 10% of the enterprise value under the discounted cash flow method, the Company utilizes the average of the two methods to determine the fair value of the ordinary shares. The Company believes that this approach is consistent with the principles and guidance set forth in the 2004 AICPA Practice Aid on *Valuation of Privately-Held-Company Equity Securities Issued as Compensation.*

The fair value of the Tranche 2 and 3 options was estimated on the date of grant using the Monte Carlo Simulation Approach. Key assumptions used include those described above for determining the fair value of Tranche 1 options in addition to assumed time to liquidity and probability of an initial public offering versus a disposition. The assumed time to liquidity and probability of an initial public offering versus a disposition were based on management s judgment with input from the Company s Board of Directors.

Under the fair value recognition provisions of ASC 718, the Company recognizes share-based compensation expense net of an estimated forfeiture rate and therefore only recognizes compensation cost over the service period of the awards expected to vest. The Company estimates its forfeiture rate as of December 31, 2009 at 11%. The expense recognized under ASC 718 was $2,233, $2,108 and $2,015 for the years ended December 31, 2009, 2008 and 2007, respectively.

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Share-based compensation expense is recognized as a component of selling, general and administrative expense which is consistent with where the related employee costs are recorded. Refer to further discussion of share-based payments in Note 14.

Financial Instruments

The Company accounts for its derivative financial instruments in accordance with ASC Topic 820, *Fair Value Measurements and Disclosures* (ASC 820) and with ASC Topic 815, *Derivatives and Hedging* (ASC 815). In accordance with ASC 815, the Company records all derivatives on the balance sheet at fair value. The accounting for the change in the fair value of derivatives depends on the intended use of the derivative, whether the Company has elected to designate a derivative in a hedging relationship and apply hedge accounting and whether the hedging relationship has satisfied the criteria necessary to apply hedge accounting. In addition, ASC 815 provides that, for derivative instruments that qualify for hedge accounting, changes in the fair value are either (a) offset against the change in fair value of the hedged assets, liabilities, or firm commitments through earnings or (b) recognized in equity until the hedged item is recognized in earnings, depending on whether the derivative is being used to hedge changes in fair value or cash flows. The ineffective portion of a derivative s change in fair value is immediately recognized in earnings. The Company does not use derivative financial instruments for trading or speculation purposes.

The Company reports cash flows arising from the Company s derivative financial instruments consistent with the classification of cash flows from the underlying hedged items that the derivatives are hedging. Accordingly, cash flows associated with the Company s interest rate swaps, interest rate collars, interest rate caps and commodity forward contracts are classified in cash flows from operating activities in the consolidated statements of cash flows. Cash flows associated with the Company s foreign currency call options are classified in cash flows from investing activities in the consolidated statements of cash flows.

The fair value of interest rate derivatives is based upon valuation models that use as inputs swaps and zero coupon rates that are obtained from independent data sources that are readily available to market participants. Interest rate swaps are valued using the market standard methodology of netting the discounted future fixed cash payments and the discounted expected variable cash receipts. The variable cash receipts are based on an expectation of future interest rates derived from observable market interest rate curves. Interest rate collars are valued using the market standard methodology of discounting the future expected cash flows that would occur if variable interest rates fell below or exceeded the strike rates of the collars. The variable interest rates used in the calculation of projected cash flows on the collars are based on an expectation of future interest rates derived from observable market interest rate curves and volatilities. Interest rate caps are valued using the market standard methodology of discounting the future expected cash flows that would occur if variable interest rates exceed the strike rate of the caps. The variable interest rates used in the calculation of projected cash flows on the caps are based on an expectation of future interest rates derived from observable market interest rate curves and volatilities.

The Company enters into foreign currency call options to reduce its exposure to variability in cash flows on its outstanding debt. Foreign currency call options are valued using the market standard methodology of discounting future expected cash flows based on the forward curve, option market volatility and probability of the option strike resetting in-the-money.

The Company enters into forward contracts with a third party to offset a portion of its exposure to the potential change in prices associated with certain commodities, including silver, gold, nickel, aluminum and copper, used in the manufacturing of its products. The terms of these forward contracts fix the price at a future date for various notional amounts associated with these commodities. Currently, the hedges have not been designated as accounting hedges. In accordance with ASC 815, the Company recognizes changes in the fair value of these derivatives as a gain or loss as a component of Currency translation gain/(loss) and other, net in the consolidated statement of operations. The fair value of these forward contracts is determined by reference to the forward curves associated with commodity hedges.

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The Company does not offset fair value amounts recognized for derivative instruments against fair value amounts recognized for the right to reclaim cash collateral.

Refer to further discussion on financial instruments in Note 18.

Advertising Costs

Advertising and other promotional costs are expensed as incurred, and were $304, $1,035 and $1,233 for the years ended December 31, 2009, 2008 and 2007, respectively. As of December 31, 2009 and 2008, no advertising costs were reported as assets in the Company s consolidated balance sheets.

Goodwill and Other Intangible Assets

Companies acquired in purchase transactions are recorded at their fair value on the date of acquisition with the excess of the purchase price over the fair value of assets acquired and liabilities assumed recognized as goodwill. In accordance with ASC Topic 350, *Intangibles Goodwill and Other* (ASC 350), goodwill and intangible assets determined to have an indefinite useful life are not amortized, instead these assets are evaluated for impairment on an annual basis and whenever events or business conditions warrant. The Company evaluates goodwill and other intangible assets for impairment at the reporting unit level in the fourth quarter of each fiscal year. The Company establishes its reporting units based on an analysis of the components that comprise each of its operating segments. Components of an operating segment are aggregated to form one reporting unit if the components have similar economic characteristics. Goodwill is assigned to reporting units as of the date of the related acquisition. If goodwill is assigned to more than one reporting unit, the Company utilizes an allocation methodology that is consistent with the manner in which the amount of goodwill in a business combination is determined.

Goodwill: The Company performs an annual impairment review of goodwill in the fourth quarter of each fiscal year, unless events occur which trigger the need for earlier impairment review. Management s judgments regarding the existence of impairment indicators are based on legal factors, market conditions, the operational performance and the financial forecasts of the business. Management estimates the fair value of reporting units using discounted cash flow models based on the Company s most recent long-range plan giving consideration to valuation multiples (e.g., Invested Capital/EBITDA) for peer companies. Management then compares the estimated fair value to the net book value of each reporting unit, including goodwill. Preparation of forecasts of revenue growth and profitability for use in the long-range plan, the selection of the discount rate and the terminal year multiple involve significant judgments. Changes to the forecasts, the discount rate selected or the terminal year multiple could affect the estimated fair value of one or more of the reporting units and could result in a goodwill impairment charge in a future period.

If the carrying amount of a reporting unit exceeds its estimated fair value, the Company conducts a second step, which comprises additional factors in assessing the fair value of goodwill. If the carrying amount of the reporting unit s goodwill exceeds the implied fair value of that goodwill, an impairment loss is recognized in an amount equal to that excess. The implied fair value of goodwill is determined in the same manner as the amount of goodwill recognized in a business combination. That is, the fair value of the reporting unit is allocated to all of the assets and liabilities of that unit (including any unrecognized intangible assets) as if the reporting unit had been acquired in a business combination and the fair value of the reporting unit was the purchase price paid to acquire the reporting unit.

Intangible assets: Identified intangible assets, other than indefinite-lived intangible assets, are amortized over the useful life of the asset using a method of amortization that reflects the pattern in which the economic benefits of the intangible asset are consumed over its estimated useful life. If that pattern cannot be reliably determined, then the Company amortizes the intangible asset using the straight-line method. Capitalized software licenses are amortized on a straight-line basis over the term of the license. Costs incurred to renew or extend the term of an intangible asset are capitalized and amortized over the remaining useful life of the intangible asset. No such costs were incurred during the years ended December 31, 2009, 2008 and 2007.

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Impairment of definite-lived intangible assets: Reviews are regularly performed to determine whether facts or circumstances exist that indicate the carrying values of the Company s definite-lived intangible assets to be held and used are impaired. The recoverability of these assets is assessed by comparing the projected undiscounted net cash flows associated with those assets to their respective carrying amounts. Impairment, if any, is based on the excess of the carrying amount over the fair value of those assets. Fair value is determined by using the appropriate income approach valuation methodology.

Impairment of indefinite-lived intangible assets: The Company performs an annual impairment review of its indefinite-lived intangible assets unless events occur which trigger the need for an earlier impairment review. The impairment review requires Management to make assumptions about future conditions impacting the value of the indefinite-lived intangible assets, including projected growth rates, cost of capital, effective tax rates, royalty rates, market share and other items. The recoverability of these assets is assessed by comparing the projected undiscounted net cash flows associated with those assets to their respective carrying amounts. Impairment, if any, is based on the excess of the carrying amount over the fair value of those assets. Fair value is determined by using the appropriate income approach methodology.

As a result of the annual goodwill impairment review in the fourth quarter of 2008, the Company determined that the goodwill associated with the Interconnection reporting unit was impaired and, therefore, recorded a charge of $13,173 in the consolidated statement of operations for the year ended December 31, 2008. During the first quarter of 2009, the Company again performed a review of goodwill and definite-lived intangible assets for potential impairment since indicators were present and concluded that goodwill and definite-lived intangible assets associated with the Interconnection reporting unit were impaired and recorded a charge of $19,867, of which $5,293 related to goodwill and $14,574 related to definite-lived intangible assets. The Company believes that the global economic crisis, economic conditions within the semiconductor end-market and an increase in the competitive landscape surrounding suppliers to the semiconductor end-market were all factors that led to the impairment of goodwill (refer to Note 8).

Deferred Financing Costs

Expenses associated with the issuance of debt instruments are capitalized and are amortized over the terms of the respective financing arrangement using the effective interest method (periods ranging from 6 to 10 years). In connection with the original issuance of the term loans under the Company s Senior Secured Credit Facility and the Senior Notes and Senior Subordinated Notes, the Company recorded deferred financing costs of $78,590. Additional financing costs of $527 and $3,758 were incurred in connection with the acquisitions of First Technology Automotive and Special Products (First Technology Automotive) and Airpax Holdings, Inc. (Airpax), respectively. In 2008, the Company issued 141.0 million of Senior Subordinated Notes to refinance amounts outstanding under its existing Senior Subordinated Term Loan, originally issued as bridge financing in July 2007 for the acquisition of Airpax. In connection with this issuance, the Company recorded additional deferred financing costs of $4,723. In 2008, the Company entered into a financing arrangement associated with its manufacturing facility in Subang Jaya, Malaysia. In connection with this arrangement, the Company recorded deferred financing costs of $488. Amortization of these costs is included as a component of interest expense in the consolidated statements of operations and amounted to $9,055, $10,698, and $9,640 for the years ended December 31, 2009, 2008, and 2007, respectively.

During the year ended December 31, 2009, the Company repurchased $110.0 million of its outstanding Senior Notes and 54.3 million (or $72.5 million) of it outstanding 9% and 11.25% Senior Subordinated Notes. Additionally, during the year ended December 31, 2008, the Company repurchased 17.4 million (or $22.4 million) of its outstanding 9% Senior Subordinated Notes. As a result of these repurchases, the Company incurred charges for the write-off of deferred financing costs of $5.3 million and $0.7 million for the years ended December 31, 2009 and 2008, respectively. The charges were included in Currency translation gain/(loss) and other, net. Deferred financing costs recognized in the consolidated balance sheets were $41,147 and $55,520 as of December 31, 2009 and 2008, respectively.

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Income Taxes

The Company provides for income taxes utilizing the asset and liability method. Under this method, deferred income taxes are recorded to reflect the tax consequences in future years of differences between the tax bases of assets and liabilities and their financial reporting amounts at each balance sheet date, based on enacted tax laws and statutory tax rates applicable to the periods in which the differences are expected to reverse or settle. If it is determined that it is more likely than not that future tax benefits associated with a deferred tax asset will not be realized, a valuation allowance is provided. The effect on deferred tax assets and liabilities of a change in statutory tax rates is recognized in the consolidated statements of operations as an adjustment to income tax expense in the period that includes the enactment date.

Pension and Other Post-Retirement Benefit Plans

The Company sponsors various pension and other post-retirement benefit plans covering its employees in several countries. The estimates of the obligations and related expense of these plans recorded in the financial statements are based on certain assumptions. The most significant assumptions relate to discount rate, expected return on plan assets and rate of increase in healthcare costs. Other assumptions used include employee demographic factors such as compensation rate increases, retirement patterns, employee turnover rates and mortality rates. These assumptions are updated annually by the Company. The difference between these assumptions and actual experience results in the recognition of an asset or liability based upon a net actuarial (gain)/loss. If the total net actuarial (gain)/loss included in Accumulated other comprehensive loss exceeds a threshold of 10% of the greater of the projected benefit obligation or the market related value of plan assets, it is subject to amortization and recorded as a component of net periodic pension cost over the average remaining service lives of the employees participating in the pension plan.

The discount rate reflects the current rate at which the pension and other post-retirement liabilities could be effectively settled considering the timing of expected payments for plan participants. It is used to discount the estimated future obligations of the plans to the present value of the liability reflected in the financial statements. In estimating this rate, the Company considers rates of return on high-quality fixed-income investments included in various bond indexes, adjusted to eliminate the effect of call provisions and differences in the timing and amounts of cash outflows related to the bonds.

To determine the expected return on plan assets, the Company considered the historical returns earned by similarly invested assets, the rates of return expected on plan assets in the future and the Company s investment strategy and asset mix with respect to the plans funds.

The rate of increase in healthcare costs directly impacts the estimate of the Company s future obligations in connection with its post-employment medical benefits. The Company s estimate of healthcare cost trends is based on historical increases in healthcare costs under similarly designed plans, the level of increase in healthcare costs expected in the future and the design features of the underlying plans.

Allowance for Losses on Receivables

The allowance for losses on receivables is used to provide for potential impairment of receivables. The allowance represents an estimate of probable but unconfirmed losses in the receivable portfolio. The Company estimates the allowance on the basis of specifically identified receivables that are evaluated individually for impairment, and a statistical analysis of the remaining receivables determined by reference to past default experience. Customers are generally not required to provide collateral for purchases.

During the years ended December 31, 2009, 2008 and 2007, provisions to the allowance for losses on receivables recognized within selling, general and administrative expense, totaled $3,764, $1,411 and $2,565, respectively.

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Prepaid Expenses and Other Current Assets

Prepaid expenses and other current assets as of December 31, 2009 and 2008 consist of the following:

	December 31, 2009	December 31, 2008
Prepaid value-added tax	$ 4,270	$ 3,589
Non-trade receivables	1,465	1,498
Prepaid interest		7,824
Prepaid offering costs	3,401	
Other	10,491	13,266
	$ 19,627	$ 26,177

Inventories

Inventories are stated at the lower of cost or estimated net realizable value. Cost for raw materials, work-in-process and finished goods is determined based on a first-in, first-out basis and includes material, labor and applicable manufacturing overhead as well as transportation and handling costs. The Company conducts quarterly inventory reviews for salability and obsolescence, and inventory considered unlikely to be sold is adjusted to net realizable value.

Property, Plant and Equipment and Other Capitalized Costs

Property, plant and equipment are stated at cost and depreciated on a straight-line basis over their estimated economic useful lives. Depreciable lives of plant and equipment are as follows:

Building and improvement	2	40 years
Machinery and equipment	2	10 years

Leasehold improvements are amortized using the straight-line method over the shorter of the remaining lease term or the estimated economic useful lives of the improvements. Assets held under capital leases are recorded at the lower of the present value of the minimum lease payments or the fair value of the leased asset at the inception of the lease. Amortization expense associated with capital leases is computed using the straight-line method over the shorter of the estimated useful lives of the assets or the period of the related lease.

Expenditures for maintenance and repairs are charged to expense as incurred, whereas major improvements are capitalized.

Accumulated Other Comprehensive Loss

Accumulated other comprehensive loss as of December 31, 2009 and 2008 consists of the following:

	December 31, 2009	December 31, 2008
Net unrealized loss on derivatives	$ (11,805)	$ (10,806)
Defined benefit pension and retiree healthcare plans	(25,394)	(33,661)
	$ (37,199)	$ (44,467)

Amounts recorded in accumulated other comprehensive loss are net of tax expense/(benefit) of $4,353 and $(1,004) as of December 31, 2009 and 2008, respectively.

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Foreign Currency

For financial reporting purposes, the functional currency of the Company and each of its subsidiaries is the U.S. dollar because of the significant influence of the U.S. dollar on its operations. In certain instances, the Company enters into transactions that are denominated in a currency other than the U.S. dollar. At the date the transaction is recognized, each asset, liability, revenue, expense, gain or loss arising from the transaction is measured and recorded in U.S. dollars using the exchange rate in effect at that date. At each balance sheet date, recorded monetary balances denominated in a currency other than the U.S. dollar are adjusted to the U.S. dollar using the current exchange rate with gains or losses recorded in Currency translation gain/(loss) and other, net in the consolidated statements of operations. The Company has recorded currency (losses)/gains of $(13,212), $48,222 and $(105,060) for the years ended December 31, 2009, 2008 and 2007, respectively.

Currency translation gain/(loss) and other, net

Currency translation gain/(loss) and other, net for the years ended December 31, 2009, 2008 and 2007 consists of the following:

	For the year ended December 31,		
	2009	**2008**	**2007**
Currency translation (loss)/gain on debt	$ (13,559)	$ 53,209	$ (111,946)
Currency translation gain/(loss) on net monetary assets	347	(4,987)	6,886
Gain on repurchases of outstanding Senior and Senior Subordinated Notes, net of write-off of deferred financing costs	120,123	14,961	
Gain/(loss) on commodity forward contracts	2,590	(8,250)	(634)
Loss on Euro call option	(82)		
Other	(1,724)	534	245
	$ 107,695	$ 55,467	$ (105,449)

3. New Accounting Standards

In October 2009, the FASB issued Accounting Standards Update (ASU) No. 2009-13, *Multiple-Delivery Revenue Arrangements* (ASU 2009-13). ASU 2009-13 establishes the accounting and reporting guidance for arrangements including multiple revenue-generating activities, and provides amendments to the criteria for separating deliverables, and measuring and allocating arrangement consideration to one or more units of accounting. The amendments of ASU 2009-13 also establish a selling price hierarchy for determining the selling price of a deliverable. Significantly enhanced disclosures are also required to provide information about a vendors s multiple-deliverable revenue arrangements, including information about the nature and terms, significant deliverables, and its performance within arrangements. The amendments also require providing information about the significant judgments made and changes to those judgments and about how the application of the relative selling-price method affects the timing or amount of revenue recognition. The amendments in ASU 2009-13 are effective prospectively for revenue arrangements entered into or materially modified in fiscal years beginning on or after June 15, 2010, or January 1, 2011 for the Company. Early application is permitted. The Company is currently evaluating the potential effect, if any, the adoption of ASU 2009-13 will have on its financial position or results of operations.

In June 2009, the FASB issued guidance now codified within ASC Topic 810, *Consolidation* (ASC 810). ASC 810 requires entities to perform an analysis to determine whether the enterprise s variable interest or interests give it a controlling financial interest in a variable interest entity. This analysis identifies the primary beneficiary of a variable interest entity as one with the power to direct the activities of a variable interest entity that most significantly impact the entity s economic performance and obligation to absorb losses of the entity that could potentially be significant to the variable interest. The guidance is effective as of the beginning of the annual reporting period commencing after November 15, 2009, or January 1, 2010 for the Company, with early adoption prohibited. The Company does not expect its adoption to have a material effect on its financial position or results of operations.

The Company adopted the following accounting standards during the year ended December 31, 2009:

In August 2009, the FASB issued ASU 2009-05, *Measuring Liabilities at Fair Value* (ASU 2009-05). ASU 2009-5 provides guidance on measuring the fair value of liabilities under ASC Topic 820, *Fair Value Measurement and Disclosure* (ASC 820). ASU 2009-05 describes various valuation methods that can be applied to estimating the fair value of liabilities, requires the use of observable inputs and minimizes the use of unobservable valuation inputs. ASU 2009-05 is effective for the first interim or annual reporting period commencing after August 27, 2009, which was October 1, 2009 for the Company. The adoption of ASU 2009-05 did not have any effect on the Company s financial position or results of operations.

In June 2009, the FASB issued guidance now codified within ASC Topic 105, *Generally Accepted Accounting Principles* (ASC 105). ASC 105 establishes the FASB Accounting Standards Codification (the Codification) as the single source of authoritative non-governmental U.S. GAAP. ASC 105 does not change current U.S. GAAP, but is intended to simplify user access to all authoritative U.S. GAAP by providing all authoritative literature related to a particular topic in one place. Rules and interpretative releases of the Securities and Exchange Commission (SEC) under authority of federal securities laws are also sources of authoritative U.S. GAAP for SEC registrants. All guidance contained in the Codification carries an equal level of authority. The Codification superseded all existing non-SEC accounting and reporting standards, and all other non-grandfathered, non-SEC accounting literature not included in the Codification became non-authoritative. The provisions of ASC 105 are effective for interim and annual reporting periods ending after September 15, 2009. The Company adopted ASC 105 in its interim reporting for the period ended September 30, 2009. The adoption of ASC 105 is for disclosure purposes only and did not have any effect on the Company s financial position or results of operations.

In May 2009, the FASB issued guidance now codified within ASC Topic 855, *Subsequent Events* (ASC 855). ASC 855 establishes standards for accounting and disclosing subsequent events (events which occur after the balance sheet date but before financial statements are issued or are available to be issued). ASC 855 requires an entity to disclose the date subsequent events were evaluated and whether that evaluation took place on the date financial statements were issued or were available to be issued. The Company adopted these amendments within its interim reporting for the period ended June 30, 2009. The adoption of ASC 855 did not have a material effect on the Company s financial position or results of operations.

In April 2009, the FASB issued guidance now codified within ASC 820. ASC 820 removes leasing transactions and related guidance from its scope. These amendments delay the effective date for nonfinancial assets and nonfinancial liabilities, except for items recognized or disclosed at fair value in the financial statements on a recurring basis (at least annually), to fiscal years beginning after November 15, 2008, or January 1, 2009 for the Company. The Company adopted these amendments on January 1, 2009. The adoption did not have a material effect on the Company s financial position or results of operations. In addition, ASC 820 provides further guidance for estimating fair value when the volume and level of activity for the asset or liability have significantly decreased and for identifying circumstances that indicate a transaction is not orderly. ASC 820 requires disclosure in interim and annual reporting periods of the inputs and valuation techniques used to measure fair value and a discussion of changes in valuation techniques and related inputs. These amendments are effective for interim reporting periods ending after June 15, 2009, or June 30, 2009 for the Company, and shall be applied prospectively, with early adoption permitted. The Company adopted these amendments in its interim reporting for the period ended June 30, 2009. The adoption did not have a material effect on the Company s financial position or results of operations.

In April 2009, the FASB issued guidance now codified within ASC Topic 825, *Financial Instruments* (ASC 825). ASC 825 requires disclosure about the fair value of financial instruments for interim reporting

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periods as well as in annual financial statements in a form that makes it clear whether the fair value and carrying amounts represent assets or liabilities and how the carrying amounts are classified within the statement of financial position. These amendments are effective for the interim reporting periods ending after June 15, 2009, or June 30, 2009 for the Company, with early adoption permitted, and do not require disclosures for earlier periods presented for comparative purposes at adoption. The Company adopted these amendments in its interim reporting for the period ended June 30, 2009. Adoption of the guidance did not have a material effect on the Company s financial position or results of operation.

In December 2008, the FASB issued guidance codified within ASC Topic 715, *Compensation Retirement Benefits* (ASC 715). ASC 715 provides guidance on an employer s disclosures about plan assets of a defined benefit plan or other post-retirement plans, enabling users of the financial statements to assess the inputs and valuation techniques used to develop fair value measurements of plan assets at the annual reporting date. Disclosures shall provide users an understanding of significant concentrations of risk in plan assets. The guidance shall be applied prospectively for fiscal years ending after December 15, 2009, with early application permitted. The Company adopted the guidance in its annual reporting for the year ended December 31, 2009. The adoption is for disclosure purposes only and did not have any effect on the Company s financial position or results of operation.

In April 2008, the FASB issued guidance now codified within ASC 350. ASC 350 outlines the factors that should be considered in developing renewal or extension assumptions used to determine the useful life of recognized intangible assets. The intent of this guidance is to improve the consistency between the useful life of a recognized intangible asset and the period of expected cash flows used to measure the fair value of the asset in accordance with ASC 350 and other U.S. GAAP authoritative literature. These amendments shall be applied prospectively to all intangible assets acquired after its effective date. The Company adopted these amendments effective January 1, 2009. The adoption did not have a material effect on the Company s financial position or results of operations.

In March 2008, the FASB issued guidance now codified within ASC 815. ASC 815 expands the disclosure requirements for derivative instruments and hedging activities requiring enhanced disclosure of how derivative instruments impact a company s financial statements, why companies engage in such transactions and a tabular disclosure of the effects of such instruments and related hedged items on a company s financial position, results of operations and cash flows. The Company adopted these amendments on January 1, 2009 on a prospective basis. The adoption did not have a material effect on the Company s financial position or results of operations.

In December 2007, the FASB issued guidance now codified within ASC 810. ASC 810 requires entities to report non-controlling minority interests in subsidiaries as equity in consolidated financial statements. The amendments are effective for fiscal years beginning on or after December 15, 2008 and were adopted by the Company on January 1, 2009 on a prospective basis. The adoption did not have a material effect on the Company s financial position or results of operations.

In December 2007, the FASB issued guidance now codified within ASC Topic 805, *Business Combinations* (ASC 805). ASC 805 requires the acquiring entity in a business combination to record all assets acquired and liabilities assumed at their respective acquisition-date fair value and also changes other practices under ASC 805. ASC 805 also changed the definition of a business to exclude consideration of certain resulting outputs used to generate revenue. ASC 805 is effective for fiscal years beginning after December 15, 2008, or January 1, 2009 for the Company, and should be applied prospectively to business combinations for which the acquisition date is on or after January 1, 2009. The Company adopted ASC 805 on January 1, 2009. The adoption did not have a material effect on the Company s financial position or results of operations.

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4. Net Loss Per Share

The Company computes net loss per share in accordance with ASC 260.

Basic net loss per ordinary share is calculated by dividing net (loss) by the weighted-average number of ordinary shares outstanding during the period. The following table sets forth the calculation of basic and diluted net (loss) per share:

	For the year ended December 31, 2009	December 31, 2008	December 31, 2007
Numerator:			
Loss from continuing operations	$ (27,286)	$ (114,449)	$ (234,237)
Loss from discontinued operations	(395)	(20,082)	(18,260)
Net loss	$ (27,681)	$ (134,531)	$ (252,497)
Denominator:			
Weighted-average common shares outstanding	144,056,568	144,065,549	144,054,046
Net loss per share:			
Loss per share from continuing operations basic and diluted	$ (0.19)	$ (0.79)	$ (1.62)
Loss per share from discontinued operations basic and diluted		(0.14)	(0.13)
Net loss per share basic and diluted	$ (0.19)	$ (0.93)	$ (1.75)

The following share-based awards have been excluded from the computation of all diluted loss per share calculations for the periods presented because a loss was incurred in those periods, and including the share-based awards in the calculations would be anti-dilutive. In addition, the Company has excluded share-based awards associated with its Tranche 2 and 3 option plans as these options are contingently issuable and the contingency had not been satisfied as of the end of each of the reported periods. See Note 14 for further discussion of the Company s share-based payment plans.

	For the year ended December 31, 2009	December 31, 2008	December 31, 2007
Options to purchase ordinary shares	12,925,148	12,151,438	12,193,438
Unvested restricted stock	433,018	52,118	52,118

5. Discontinued Operations

In December 2008, the Company announced its intent to sell the automotive vision sensing business (the Vision business), which includes the assets and operations of SMaL Camera Technologies, Inc. (SMaL Camera). The Company purchased SMaL Camera for $12.0 million in March 2007. The economic climate and slower than expected demand for these products were the primary factors in the decision to sell the business. The Company completed the sale of the Vision business during the three months ended June 30, 2009.

Results of operations of the Vision business included within loss from discontinued operations for the years ended December 31, 2009, 2008 and 2007 are as follows:

	For the year ended December 31,		
	2009	**2008**	**2007**
Net revenue	$ 726	$ 2,661	$ 759
Loss from operations before income tax	$ (395)	$ (12,199)	$ (18,260)

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The Company recognized a $7,883 loss during the year ended December 31, 2008 associated with measuring the net assets at fair value less cost to sell and other exit costs associated with this business. This amount is reported within the loss from discontinued operations in the consolidated statement of operations. The estimated fair value was based on indicators of value implied from discussions with potential buyers of the business. Included in the $7,883 loss were charges of $3,995 and $1,439 for the write-off of goodwill and intangible assets, respectively, associated with the Vision business.

The net assets of the Vision business reported within Assets held for sale as of December 31, 2009 and 2008 consist of the following:

	December 31, 2009	December 31, 2008
Inventory	$	$ 439
	$	$ 439

The Vision business was previously reported within the Sensors segment.

6. Property, Plant and Equipment

Property, plant and equipment as of December 31, 2009 and 2008 consists of the following:

	Depreciable Lives	December 31, 2009	December 31, 2008
Land		$ 19,779	$ 19,779
Buildings and improvements	2 40 years	130,330	122,904
Machinery and equipment	2 10 years	250,352	247,732
		400,461	390,415
Less accumulated depreciation		(180,523)	(135,251)
Total		$ 219,938	$ 255,164

Depreciation expense for property, plant and equipment, including amortization of capitalized leases, totaled $48,427, $51,361 and $58,204 for the years ended December 31, 2009, 2008 and 2007, respectively.

At the date of the 2006 Acquisition, the acquisition of First Technology Automotive and the acquisition of Airpax, the Company recognized property, plant and equipment at fair value totaling $236,085, $8,933 and $19,795, respectively. Furthermore, the depreciable lives of certain of the Company s tangible assets were adjusted to reflect their respective estimated economic useful lives as of the date of the acquisitions.

Property, plant and equipment is identified as held for sale when it meets the held for sale criteria of ASC Topic 360, *Property, Plant and Equipment.* The Company ceases recording depreciation on assets that are classified as held for sale. The net carrying values of the assets which have been classified as Assets held for sale as of December 31, 2009 and 2008 are as follows:

	December 31, 2009	December 31, 2008
Grand Blanc, Michigan facility	$	$ 950
Standish, Maine facility	238	1,440
Vision business		439
	$ 238	$ 2,829

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During the years ended December 31, 2009 and 2008, the Company recognized impairment charges related to its Grand Blanc facility of $459 and $684, respectively, in response to the decline in real estate values in Grand Blanc, Michigan. The losses were recognized as a component of Currency translation gain/(loss) and other, net in the consolidated statements of operations. During 2009, the Company completed the sale of the Grand Blanc facility. The Grand Blanc facility was part of the sensors business reporting segment.

Additionally, during the year ended December 31, 2009, the Company recognized an impairment charge of $1,202 related to its Standish facility. The loss was recognized as a component of Currency translation gain/(loss) and other, net. As of December 31, 2009, the Company continued to hold for sale its Standish, Maine facility. The Standish facility is part of the sensors business reporting segment.

Property, plant and equipment as of December 31, 2009 and 2008 includes the following assets under capital leases:

	December 31, 2009	December 31, 2008
Property under capital leases	$ 31,882	$ 30,766
Accumulated amortization	(5,907)	(4,290)
Net property under capital leases	$ 25,975	$ 26,476

7. Inventories

Inventories as of December 31, 2009 and 2008 consist of the following:

	December 31, 2009	December 31, 2008
Finished goods	$ 41,931	$ 48,454
Work-in-process	20,627	20,084
Raw materials	62,817	70,690
Total	$ 125,375	$ 139,228

In connection with the 2006 Acquisition, the acquisition of First Technology Automotive and the acquisition of Airpax, the Company recorded inventory fair value adjustments of $24,571, $2,604 and $2,296, respectively. During the year ended December 31, 2007, the effect of the inventory purchase accounting adjustments of $4,454 was charged to cost of revenue. There were no effects of inventory purchase accounting adjustments recognized during the years ended December 31, 2009 or 2008. As of December 31, 2009 and 2008, inventories totaling $2,360 and $3,074, respectively, had been consigned to others.

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8. Goodwill and Other Intangible Assets

The following table outlines the changes in goodwill, by segment:

	Sensors			Controls			Total		
	Gross Goodwill	**Accumulated Impairment**	**Net Goodwill**	**Gross Goodwill**	**Accumulated Impairment**	**Net Goodwill**	**Gross Goodwill**	**Accumulated Impairment**	**Net Goodwill**
Balance as of December 31, 2006	$ 1,153,784	$	$ 1,153,784	$ 288,942	$	$ 288,942	$ 1,442,726	$	$ 1,442,726
2006 Acquisition purchase accounting adjustments	(5,190)		(5,190)	(1,226)		(1,226)	(6,416)		(6,416)
First Technology Automotive acquisition purchase accounting adjustments	468		468	540		540	1,008		1,008
Airpax acquisition purchase accounting adjustments	17,505		17,505	101,179		101,179	118,684		118,684
Balance as of December 31, 2007	1,166,567		1,166,567	389,435		389,435	1,556,002		1,556,002
Airpax acquisition purchase accounting adjustments				(6,056)		(6,056)	(6,056)		(6,056)
Impairment					(13,173)	(13,173)		(13,173)	(13,173)
Balance as of December 31, 2008	1,166,567		1,166,567	383,379	(13,173)	370,206	1,549,946	(13,173)	1,536,773
First Technology Automotive acquisition purchase accounting adjustments	(209)		(209)				(209)		(209)
Airpax acquisition purchase accounting adjustments				(701)		(701)	(701)		(701)
Impairment					(5,293)	(5,293)		(5,293)	(5,293)
	$ 1,166,358	$	$ 1,166,358	$ 382,678	$ (18,466)	$ 364,212	$ 1,549,036	$ (18,466)	$ 1,530,570

Goodwill attributed to the acquisitions above reflect the Company s allocation of purchase price to the estimated fair value of certain assets acquired and liabilities assumed. The purchase accounting adjustments above reflect changes in estimates associated with exit and severance restructuring reserves as well as revisions in fair value estimates of acquired intangible assets and property, plant and equipment.

As discussed in Note 2, during the three months ended December 31, 2008 and March 31, 2009, the Company determined that goodwill and definite-lived intangible assets associated with the Interconnection reporting unit were impaired and recorded charges totaling $13,173 (goodwill) and $19,867 (goodwill of $5,293 and definite-lived intangible assets of $14,574), respectively, in the consolidated statements of operations. The Company believes that the current global economic crisis, economic conditions within the semiconductor end-market and an increase in the competitive landscape surrounding suppliers to the semiconductor end-market were all factors that lead to the impairment of goodwill. The Company utilized a discounted cash flow analysis to estimate the fair value of the Interconnection reporting unit. Key assumptions that were used in the development of the fair value of the Interconnection reporting unit include management s forecast of revenue and earnings, the long-term expected growth rate for the reporting unit, the discount rate, and management s forecast of capital expenditures and required working capital investment. The Company s revenue and earnings forecasts for this business depend on many factors, including the ability to project customer spending, particularly within the semiconductor industry. Changes in the level of spending in the industry and/or by the Company s customers could result in a change to its forecasts, which, in turn, could result in a future impairment of goodwill and/or intangible assets.

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As of October 1, 2009, the Company evaluated its goodwill and indefinite-lived intangible assets for impairment at the reporting unit level and determined that the fair value exceeded the carrying value on that date. Should certain assumptions used in the development of the fair value of its reporting units change, the Company may be required to recognize additional goodwill or intangible asset impairments.

As discussed in Note 9, during the year ended December 31, 2009, the Company revised its accrual related to facility exit and other costs established through purchase accounting for First Technology Automotive and Airpax. As a result, the Company reduced goodwill by a corresponding amount of $209 related to First Technology Automotive and $701 related to Airpax.

Definite-lived intangible assets have been amortized on an accelerated or economic benefit basis over their estimated lives. The following table outlines the components of other acquisition-related intangible assets, excluding goodwill, that are subject to amortization as of December 31, 2009 and 2008:

		December 31, 2009				December 31, 2008		
	Weighted-Average Life (Years)	Gross Carrying Amount	Accumulated Amortization	Impairment	Net Carrying Value	Gross Carrying Amount	Accumulated Amortization	Net Carrying Value
Completed technologies	16	$ 268,170	$ 85,233	$ (2,430)	$ 180,507	$ 268,170	$ 60,409	$ 207,761
Customer relationships	10	1,026,840	420,811	(12,144)	593,885	1,026,840	297,244	729,596
Non-compete agreements	6	23,400	4,711		18,689	24,230	2,636	21,594
Tradename	10	720	338		382	720	207	513
	11	$ 1,319,130	$ 511,093	$ (14,574)	$ 793,463	$ 1,319,960	$ 360,496	$ 959,464

During the years ended December 31, 2009, 2008 and 2007, the Company recorded amortization expense on its definite-lived intangible assets of $151,427, $147,644 and $130,328, respectively. Amortization of these acquisition-related intangible assets is estimated to be $143,082 in 2010, $131,609 in 2011, $119,983 in 2012, $105,098 in 2013 and $93,323 in 2014.

In connection with the 2006 Acquisition, the Company concluded that its Klixon® brand name is an indefinite-lived intangible asset, as the brand has been in continuous use since 1927, and the Company has no plans to discontinue using the Klixon® name. An amount of $59,100 was assigned to the brand name in the Company s purchase price allocation.

In connection with the Airpax Acquisition, the Company concluded that its Airpax® brandname is an indefinite-lived intangible asset, as the brand has been in continuous use since 1948 and the Company has no plans to discontinue using the Airpax® name. An amount of $9,370 was assigned to the brand name in the Company s purchase price allocation.

In addition, other intangible assets recognized on the consolidated balance sheets include capitalized software licenses with gross carrying amounts of $6,849 and $7,133 and net carrying amounts of $3,598 and $5,417 as of December 31, 2009 and 2008, respectively. The weighted-average life for the capitalized software is 3.6 years. During the years ended December 31, 2009, 2008 and 2007, the Company recorded amortization expense on its capitalized software of $1,654, $1,118 and $736, respectively.

9. Restructuring Costs

The Company s restructuring programs consist of the First Technology Automotive Plan, the Airpax Plan and the 2008 Plan. Each of these restructuring programs is described in more detail below.

First Technology Automotive Plan

In December 2006, the Company acquired First Technology Automotive from Honeywell. In January 2007, the Company announced plans (the First Technology Automotive Plan) to close the manufacturing facilities in

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Standish, Maine and Grand Blanc, Michigan, and to downsize the facility in Farnborough, United Kingdom. Manufacturing at the Maine, Michigan and United Kingdom sites was moved to the Dominican Republic and other Sensata sites. Restructuring liabilities related to these actions relate primarily to exit and related severance costs and affected 143 employees. The actions described above associated with the First Technology Automotive Plan were completed in 2008, and the Company anticipates remaining payments to be paid through 2014 due primarily to contractual lease obligations.

Total cumulative costs incurred to date and expected to be incurred in connection with the First Technology Automotive Plan are $10,776 (severance costs $4,350, facility exit and other costs $6,426). The following table outlines the rollforward of the restructuring liabilities associated with the First Technology Automotive Plan:

	Severance	Facility Exit and Other Costs	Total
Balance as of December 31, 2006	$ 3,067	$ 2,291	$ 5,358
Purchase accounting adjustments	1,283	3,468	4,751
Payments	(1,069)	(1,158)	(2,227)
Balance as of December 31, 2007	3,281	4,601	7,882
Charges		1,111	1,111
Payments	(2,898)	(1,908)	(4,806)
Balance as of December 31, 2008	383	3,804	4,187
Purchase accounting adjustments		(209)	(209)
Reversal of charges		(235)	(235)
Payments	(320)	(828)	(1,148)
Balance as of December 31, 2009	$ 63	$ 2,532	$ 2,595
Employees terminated as of December 31, 2009	143		

Total cumulative costs incurred to date and expected to be incurred in connection with the First Technology Automotive Plan are $10,776 (sensors $5,092, controls $2,476, corporate $3,208). The following table outlines the rollforward of the restructuring liabilities by segment, as well as corporate, associated with the First Technology Automotive Plan.

	Sensors	Controls	Corporate	Total
Balance as of December 31, 2006	$ 1,870	$ 1,556	$ 1,932	$ 5,358
Purchase accounting adjustments	3,491		1,260	4,751
Reclassification of charges	(599)	920	(321)	
Payments	(1,545)		(682)	(2,227)
Balance as of December 31, 2007	3,217	2,476	2,189	7,882
Charges	330		781	1,111
Payments	(744)	(2,142)	(1,920)	(4,806)
Balance as of December 31, 2008	2,803	334	1,050	4,187
Purchase accounting adjustments			(209)	(209)
Reversal of charges			(235)	(235)
Payments	(273)	(271)	(604)	(1,148)
Balance as of December 31, 2009	$ 2,530	$ 63	$ 2	$ 2,595

The reclassification of charges between segments during 2007 as noted above relates primarily to severance and reflected the Company s estimate based on the finalized restructuring plan.

During the year ended December 31, 2009, the Company revised its accrual related to facility exit and other costs. As a result, the Company reduced goodwill by a corresponding amount of $209 related to the portion of the reserve established through purchase accounting and also recognized a credit of $235 in its consolidated statement of operations.

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Airpax Plan

In July 2007, the Company acquired Airpax from William Blair. In 2007, the Company announced plans (the Airpax Plan) to close the facility in Frederick, Maryland and to relocate certain manufacturing lines to existing Sensata and Airpax facilities in Cambridge, Maryland; Shanghai, China and Mexico, and to terminate certain employees at the Cambridge, Maryland facility. In 2008, the Company announced plans to close the Airpax facility in Shanghai, China. Restructuring liabilities related to these actions relate primarily to exit and related severance costs and affected 331 employees. The actions described above associated with the Airpax Plan were completed in 2009, and the Company anticipates remaining payments to be paid through 2010.

Total cumulative costs incurred to date and expected to be incurred in connection with the Airpax Plan, excluding the impact of changes in foreign currency exchange rates, are $6,494 (severance costs $5,073, facility exit and other costs $1,421). The following table outlines the rollforward of the restructuring liabilities associated with the Airpax Plan:

	Severance	Facility Exit and Other Costs	Total
Balance as of December 31, 2006	$	$	$
Purchase accounting adjustments	8,942	2,092	11,034
Payments			
Balance as of December 31, 2007	8,942	2,092	11,034
Purchase accounting adjustments	(3,681)	(158)	(3,839)
Payments	(4,298)	(839)	(5,137)
Impact of changes in foreign currency exchange rates	(227)	(9)	(236)
Balance as of December 31, 2008	736	1,086	1,822
Purchase accounting adjustments	(188)	(513)	(701)
Payments	(375)	(47)	(422)
Balance as of December 31, 2009	$ 173	$ 526	$ 699
Employees terminated as of December 31, 2009	331		

Total cumulative costs incurred to date and expected to be incurred in connection with the Airpax Plan, excluding the impact of changes in foreign currency exchange rates, are $6,494 (controls $5,026, corporate $1,468). The following table outlines the rollforward of the restructuring liabilities by segment, as well as corporate, associated with the Airpax Plan:

	Controls	Corporate	Total
Balance as of December 31, 2006	$	$	$
Purchase accounting adjustments	9,801	1,233	11,034
Payments			
Balance as of December 31, 2007	9,801	1,233	11,034
Purchase accounting adjustments	(4,129)	290	(3,839)
Payments	(3,797)	(1,340)	(5,137)
Impact of changes in foreign currency exchange rates	(236)		(236)

Balance as of December 31, 2008	1,639	183	1,822
Purchase accounting adjustments	(646)	(55)	(701)
Payments	(297)	(125)	(422)
Balance as of December 31, 2009	$ 696	$ 3	$ 699

During the year ended December 31, 2008, the Company reversed a portion of its previously established restructuring reserves through goodwill because certain aspects of the Airpax Plan were not finalized prior to the one-year anniversary of the Airpax Acquisition. Charges resulting from further restructuring activities have been included as a component of the 2008 Plan.

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During the year ended December 31, 2009, the Company revised its accrual related to severance and facility exit and other costs established through purchase accounting. As a result, the Company reduced goodwill by a corresponding amount of $701.

2008 Plan

During fiscal years 2008 and 2009, in response to global economic conditions, the Company announced various actions to reduce the workforce in several business centers and manufacturing facilities throughout the world, and to move certain manufacturing operations to low-cost countries (the 2008 Plan). During the year ended December 31, 2008, the Company recognized charges totaling $23,013, of which $16,211 relates to severance, $1,300 relates to a pension enhancement provided to certain eligible employees under a voluntary retirement program (refer to Note 13 for further discussion), $3,588 relates to pension curtailment and settlement charges and $1,914 relates to facility exit and other costs. During the year ended December 31, 2009, the Company recognized charges totaling $18,321, of which $12,930 relates to severance, $4,828 relates to pension curtailment, settlement and other related charges and $563 relates to facility exit and other costs. The total cost of these actions is expected to be $41,634, excluding the impact of changes in foreign currency exchange rates, and affect 1,979 employees. The Company anticipates the actions described above associated with the 2008 Plan to be completed during 2010 and the remaining payments to be paid through 2014 due primarily to contractual lease obligations.

Total cumulative costs incurred to date in connection with the 2008 Plan, excluding the impact of changes in foreign currency exchange rates, are $41,334 (severance costs $29,141, pension-related costs $9,716, facility exit and other costs $2,477). The following table outlines the rollforward of the restructuring liabilities, excluding the costs related to pension, associated with the 2008 Plan:

	Severance	Facility Exit and Other Costs	Total
Balance as of December 31, 2007	$	$	$
Charges	16,211	1,914	18,125
Payments	(4,589)	(80)	(4,669)
Impact of changes in foreign currency exchange rates	(95)	(70)	(165)
Balance as of December 31, 2008	11,527	1,764	13,291
Charges	12,930	563	13,493
Payments	(21,343)	(2,133)	(23,476)
Impact of changes in foreign currency exchange rates	(150)	(85)	(235)
Balance as of December 31, 2009	$ 2,964	$ 109	$ 3,073
Employees terminated as of December 31, 2009	1,914		

Total cumulative costs incurred to date in connection with the 2008 Plan, excluding the impact of changes in foreign currency exchange rates, are $41,334 (sensors $1,801, controls $4,578, corporate $34,955). The following table outlines the rollforward of the restructuring liabilities, excluding the costs related to pension, by segment, as well as corporate, associated with the 2008 Plan.

	Sensors	Controls	Corporate	Total
Balance as of December 31, 2007	$	$	$	$
Charges	1,760	4,091	12,274	18,125

Payments	(686)	(1,130)	(2,853)	(4,669)
Impact of changes in foreign currency exchange rates	(105)	(60)		(165)
Balance as of December 31, 2008	969	2,901	9,421	13,291
Charges	11	465	13,017	13,493
Payments	(871)	(3,048)	(19,557)	(23,476)
Impact of changes in foreign currency exchange rates	22	(203)	(54)	(235)
Balance as of December 31, 2009	$ 131	$ 115	$ 2,827	$ 3,073

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Summary of Restructuring Programs

The following tables outline amounts associated with all of the Company s restructuring programs described above, including the costs related to pension, and where in the consolidated statements of operations these amounts were recognized for the years ended December 31, 2009 and 2008.

	First Technology Automotive Plan	Airpax Plan	2008 Plan	Total
For the year ended December 31, 2009				
Restructuring	$ (235)	$	$ 18,321	$ 18,086
Currency translation (gain)/loss and other, net			(235)	(235)
Total	$ (235)	$	$ 18,086	$ 17,851

	First Technology Automotive Plan	Airpax Plan	2008 Plan	Total
For the year ended December 31, 2008				
Restructuring	$ 1,111	$	$ 23,013	$ 24,124
Currency translation (gain)/loss and other, net		(236)	(165)	(401)
Total	$ 1,111	$ (236)	$ 22,848	$ 23,723

Additionally, during fiscal year 2007, the Company implemented voluntary early retirement programs in its foreign operations. These programs offered eligible employees special termination benefits, including severance and outplacement service, in exchange for their early retirement from the Company. As a result of these programs, sixty-four employees chose to leave the Company, opting for voluntary early retirement which resulted in a charge of $5,166 related to severance costs during the year ended December 31, 2007. No curtailment or settlement gain or loss was recognized as the Company s retirement obligation was not significantly impacted as a result of the Plan.

The following table outlines the current and long-term components of the restructuring liabilities for all plans recognized in the consolidated balance sheets as of December 31, 2009 and 2008:

	December 31, 2009	December 31, 2008
Current liabilities	$ 4,219	$ 17,642
Long-term liabilities	2,148	1,658
	$ 6,367	$ 19,300

10. Accrued expenses and other current liabilities

Accrued expenses and other current liabilities as of December 31, 2009 and 2008 consist of the following:

	December 31, 2009	December 31, 2008
Accrued interest	$ 27,595	$ 11,708
Accrued bonuses	5,503	1,048
Accrued salaries, wages and vacation pay	14,795	17,183
Accrued taxes	7,911	6,296
Accrued restructuring expenses	4,219	17,642
Accrued professional fees	2,818	4,708
Accrued offering costs	2,090	
Accrued freight, utility and insurance charges	7,055	5,376
Current portion of pension and post-retirement benefit obligations	832	3,165
Deferred income	2,262	6,296
Other accrued expenses and current liabilities	16,661	13,314
Total	$ 91,741	$ 86,736

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11. Debt

The Company s debt as of December 31, 2009 and 2008 consists of the following:

	Weighted-Average Interest Rate for the year ended December 31, 2009	December 31, 2009	December 31, 2008
Senior secured term loan facility (denominated in U.S. dollars)	2.75%	$ 916,750	$ 926,250
Senior secured term loan facility (384.4 million)	3.56%	551,350	547,665
Revolving credit facility (denominated in U.S. dollars)	4.25%		25,000
Senior Notes (denominated in U.S. dollars)	8.00%	340,006	450,000
Senior Subordinated Notes (177.3 million)	9.00%	254,303	320,939
Senior Subordinated Notes (137.0 million)	11.25%	196,483	198,810
Less: current portion		(15,206)	(226,670)
Long-term portion of debt		$ 2,243,686	$ 2,241,994
Capital lease and other financing obligations	8.61%	$ 41,934	$ 42,523
Less: current portion		(1,933)	(1,690)
Long-term portion of capital lease and other financing obligations		$ 40,001	$ 40,833

Senior Secured Credit Facility

On April 27, 2006 (inception), two of the Company s subsidiaries, Sensata Technologies and Sensata Technologies Finance Company, LLC, entered into a multi-currency $1,500.0 million senior secured credit facility with Morgan Stanley Senior Funding, Inc., Banc of America Securities LLC and Goldman Sachs Credit Partners, L.P., as joint lead arrangers (the Senior Secured Credit Facility). The Senior Secured Credit Facility consists of a $150.0 million revolving credit facility; a $950.0 million U.S. dollar term loan facility; and a 325.0 million Euro term loan facility ($400.1 million, at issuance).

Under the $150.0 million revolving credit facility, there is $131.1 million of availability (net of $18.9 million in letters of credit) as of December 31, 2009, and $118.9 million of availability (net of $25.0 million in borrowings and $6.1 million in letters of credit) as of December 31, 2008. Outstanding letters of credit are issued primarily for the benefit of certain operating activities. As of December 31, 2009, no amounts had been drawn against these outstanding letters of credit. These outstanding letters of credit are stated to expire in June 2010.

Revolving loans may be borrowed, repaid and re-borrowed to fund the Company s working capital needs. Term loans may only be borrowed on the closing date and no amount of term loans once repaid may be reborrowed.

The Senior Secured Credit Facility also provides for an incremental term loan facility and/or incremental revolving credit facility in an aggregate principal amount of $250.0 million. Sensata Technologies issued 73.0 million ($95.4 million, at issuance) on December 19, 2006 to finance the purchase of First Technology Automotive, reducing the amount which may be borrowed under the incremental facility to $154.6 million. The incremental facilities rank pari passu in right of payment and security with the other Senior Secured Credit Facilities and mature at the final maturity of the term loan facility and the revolving credit facility, respectively. The incremental borrowing facilities may be activated at any time up to a maximum of three times during the term of the Senior Secured Credit Facility with consent required only from those lenders that agree, at their sole discretion, to participate in such incremental facility and subject to certain conditions, including pro forma compliance with all financial covenants as of the date of incurrence and for the most recent determination period after giving effect to the incurrence of such incremental facility.

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All obligations under the Senior Secured Credit Facility are unconditionally guaranteed by certain of the Company s indirectly wholly-owned subsidiaries in the U.S. (with the exception of those subsidiaries acquired in the First Technology Automotive acquisition) and certain subsidiaries located in certain non-U.S. jurisdictions including the Netherlands, Mexico, Brazil, Japan, South Korea and Malaysia (with the exception of those subsidiaries acquired in the Airpax acquisition) (collectively, the Guarantors). The collateral for such borrowings under the Senior Secured Credit Facility consists of all shares of capital stock, intercompany debt and substantially all present and future property and assets of the Guarantors.

The Senior Secured Credit Facility contains financial covenants that, among other things, limit the Company s maximum total leverage ratio (total indebtedness to Earnings Before Interest, Taxes, Depreciation and Amortization and certain other adjustments (Adjusted EBITDA), as defined by the terms of the Senior Secured Credit Facility) and requires Sensata Technologies to maintain a minimum interest coverage ratio (Adjusted EBITDA to total interest expense, as defined by the terms of the Senior Secured Credit Facility). All of the financial covenants are calculated on a pro forma basis and for each consecutive four fiscal quarter periods ending with the most recent fiscal quarter. The financial covenants get more restrictive in the fourth quarter of fiscal year 2010. In addition, non-financial covenants confer limitations on Sensata Technologies ability to incur subsequent indebtedness, incur liens, prepay subordinated debt, make loans and investments, merge or consolidate, sell assets, change its business or amend the terms of its subordinated debt and limit the payment of dividends.

The Senior Secured Credit Facility also stipulates certain events and conditions which may require Sensata Technologies to use excess cash flow, as defined by the terms of the agreement, generated by operating, investing or financing activities, to prepay some or all of the outstanding borrowings under the Senior Secured Credit Facility beginning in 2008.

As per the terms of the Senior Secured Credit Facility, Restricted Subsidiaries are also subject to restrictive covenants. As of December 31, 2009 and 2008, for purposes of the Senior Secured Credit Facility, all of the subsidiaries of Sensata Technologies were Restricted Subsidiaries. Under certain circumstances, Sensata Technologies will be permitted to designate subsidiaries as Unrestricted Subsidiaries. Unrestricted Subsidiaries will not be subject to the restrictive covenants of the credit agreement.

The final maturity of the revolving credit facility is on April 27, 2012. Loans made pursuant to the revolving credit facility must be repaid in full on or prior to such date and are pre-payable at Sensata Technologies option at par. All letters of credit issued thereunder will terminate at final maturity unless cash collateralized prior to such time. The final maturity of the term loan facility is on April 27, 2013. The term loan must be repaid during the final year of the term loan facility in equal quarterly amounts, subject to amortization of approximately 1% per year prior to such final year.

The Senior Secured Credit Facility provides the Company with the ability to draw funds for ongoing working capital and other general corporate purposes under a revolving facility (the Revolving Credit Facility), which includes a subfacility for swingline loans. The Revolving Credit Facility bears interest (i) for amounts drawn in U.S. dollars, at the borrower s option, (x) at LIBOR plus a 200 basis point spread subject to a pricing grid based on our leverage ratio (the spreads range from 125 basis points to 200 basis points) or (y) at the greater of the Prime rate as published by the *Wall Street Journal* or $^{1}/2$ of 1% per annum above the Federal Funds rate plus a 100 basis point spread subject to a pricing grid based on our leverage ratio (the spreads range from 25 basis points to 100 basis points) (all amounts drawn under the swingline subfacility are subject to interest calculated under this clause (i)(y)), and (ii) for amounts drawn in Euros, at EURIBOR plus a 200 basis point spread. The Company is subject to a 50 basis point commitment fee on the unused portion of the Revolving Credit Facility. This commitment fee is also subject to a pricing grid based on our leverage ratio. The spreads on the commitment fee range from 37.5 basis points to 50 basis points. The maximum that can be drawn under the swingline subfacility is $25.0 million, and is part of, not in addition to, the total Revolving Credit Facility amount of $150.0 million. Amounts drawn under the Revolving Credit Facility can be prepaid at any time without premium or penalty, subject to certain restrictions, including advance notice. Amounts drawn under the Revolving Credit Facility must be paid in full at the final maturity date of April 27, 2012.

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The term loan facility bears interest at LIBOR plus 175 basis points in the case of borrowings denominated in U.S. dollars and EURIBOR plus 200 basis points in the case of borrowings denominated in Euros. The interest payments on the Senior Secured Credit Facility are due quarterly.

Pursuant to the Senior Secured Credit Facility, Sensata Technologies is required to pay to its lender on a quarterly basis a commitment fee on the undrawn line of credit. For the years ended December 31, 2009, 2008 and 2007, the Company paid $614, $668 and $601, respectively, to its lender.

During 2009, Sensata Technologies borrowed and repaid amounts under its revolving credit facility. As of December 31, 2009 and 2008, Sensata Technologies had $0 and $25.0 million, respectively, outstanding under its revolving credit facility.

Senior Notes

The outstanding senior notes (the Senior Notes) were issued under an indenture dated as of April 27, 2006 (inception) among the Company, as issuer, The Bank of New York, as trustee, and the Guarantors (the Senior Notes Indenture). The Senior Notes mature on May 1, 2014. Interest is payable semi-annually (at 8% per annum) in cash to holders of Senior Notes of record at the close of business on April 15 or October 15 immediately preceding the interest payment date, on May 1 and November 1 of each year. Interest is paid on the basis of a 360-day year consisting of twelve 30-day months.

The Senior Notes were issued in an aggregate principal amount of $450.0 million. Proceeds from the issuance of the Senior Notes were used to fund a portion of the 2006 Acquisition of the S&C business from TI.

The Senior Notes Indenture limits, under certain circumstances, the borrowers ability and the ability of its Restricted Subsidiaries to: incur additional indebtedness, create liens, pay dividends and make other distributions in respect of the capital stock of Sensata Technologies, redeem the capital stock of Sensata Technologies, make certain investments or certain restricted payments, sell certain kinds of assets, enter into certain types of transactions with affiliates and effect mergers or consolidations. These covenants are subject to a number of important exceptions and qualifications.

As per the terms of the Senior Notes, Restricted Subsidiaries are also subject to restrictive covenants. As of December 31, 2009 and December 31, 2008, all of the subsidiaries of Sensata Technologies were Restricted Subsidiaries. Under certain circumstances, the Company will be permitted to designate subsidiaries as Unrestricted Subsidiaries. Unrestricted Subsidiaries will not be subject to the restrictive covenants of the Senior Notes Indenture. Unrestricted Subsidiaries will not guarantee any of the Senior Notes.

Additional securities may be issued under the Senior Notes Indenture in one or more series from time to time, subject to certain limitations.

The Senior Notes are general unsecured obligations of the borrowers and are effectively subordinated to all secured indebtedness of the Company to the extent of the value of the assets securing such secured indebtedness and to all indebtedness and other liabilities (including trade payables) of Sensata Technologies subsidiaries that are not Guarantors.

The guarantees of each Guarantor with respect to the Senior Notes are general unsecured obligations of such Guarantor.

Sensata Technologies may redeem some or all of the Senior Notes on or after May 1, 2010 at the redemption prices listed below, plus accrued interest.

For the year ending December 31,	**Percentage**
2010	104.0
2011	102.0
2012 and thereafter	100.0

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Sensata Technologies may also redeem any of the Senior Notes at any time prior to May 1, 2010, at a redemption price equal to 100% of the principal amount of the notes to be redeemed, plus the applicable premium, which is the greater of (a) 1% of the then outstanding principal amount of Senior Notes and (b) the excess of the sum of the present value of the Senior Notes on such redemption date and all required interest payments due on such notes through May 1, 2011, over the then outstanding principal amount of the Senior Notes.

If certain changes in the law of any relevant taxing jurisdiction become effective that would impose withholding taxes or other deductions on the payments on the Senior Notes or the guarantees, Sensata Technologies may redeem the Senior Notes of that series in whole, but not in part, at any time, at a redemption price of 100% of the principal amount, plus accrued and unpaid interest, if any, and additional amounts, if any, to the date of redemption.

Upon a change of control, Sensata Technologies will be required to make an offer to purchase the Senior Notes then outstanding at a purchase price equal to 101% of their principal amount, plus accrued interest to the date of repurchase. In the event of a change of control, the Senior Notes will be subject to repurchase prior to the Senior Subordinated Notes.

Senior Subordinated Notes

The Company has 9% and 11.25% Senior Subordinated Notes.

9% Senior Subordinated Notes

The outstanding 9% Senior Subordinated Notes (the 9% Senior Subordinated Notes) were issued under an indenture dated as of April 27, 2006 (inception) among Sensata Technologies, as issuer, The Bank of New York, as trustee, The Bank of New York (Luxembourg) S.A., as Luxembourg paying agent, and the Guarantors (the 9% Senior Subordinated Notes Indenture). The 9% Senior Subordinated Notes mature on May 1, 2016, and interest of 9% annually is payable semi-annually in cash to holders of the 9% Senior Subordinated Notes of record at the close of business on April 15 or October 15 immediately preceding the interest payment date, on May 1 and November 1 of each year, commencing November 1, 2006. Interest is paid on the basis of a 360-day year consisting of twelve 30-day months.

The 9% Senior Subordinated Notes were issued initially in an aggregate principal amount of 245.0 million ($301.6 million, at issuance). Proceeds from the issuance of the 9% Senior Subordinated Notes were used to fund a portion of the acquisition of the S&C business from TI.

Sensata Technologies B.V. may redeem some or all of the 9% Senior Subordinated Notes beginning on or after May 1, 2011, at the redemption prices listed below, plus accrued and unpaid interest.

Year	**Percentage**
2011	104.5

2012	103.0
2013	101.5
2014 and thereafter	100.0

Sensata Technologies may also redeem any of the 9% Senior Subordinated Notes at any time prior to May 1, 2011, at a redemption price equal to 100% of the principal amount of the notes to be redeemed, plus the applicable premium, which is the greater of (a) 1% of the then outstanding principal amount of the 9% Senior Subordinated Notes and (b) the excess of the sum of the present value of the 9% Senior Subordinated Notes on such redemption date and all required interest payments due on such notes through May 1, 2011, over the then outstanding principal amount of the 9% Senior Subordinated Notes.

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The 9% Senior Subordinated Notes Indenture limits, under certain circumstances, the borrowers ability and the ability of its Restricted Subsidiaries to: incur additional indebtedness, create liens, pay dividends and make other distributions in respect of the capital stock of Sensata Technologies, redeem the capital stock of Sensata Technologies, make certain investments or certain restricted payments, sell certain kinds of assets, enter into certain types of transactions with affiliates and effect mergers or consolidations. These covenants are subject to a number of important exceptions and qualifications.

If certain changes in the law of any relevant taxing jurisdiction become effective that would impose withholding taxes or other deductions on the payments on the 9% Senior Subordinated Notes or the guarantees, Sensata Technologies may redeem the notes of that series in whole, but not in part, at any time, at a redemption price of 100% of the principal amount, plus accrued and unpaid interest, if any, and additional amounts, if any, to the date of redemption.

Upon a change in control, Sensata Technologies will be required to make an offer to purchase the 9% Senior Subordinated Notes at a purchase price equal to 101% of their principal amount, plus accrued interest to the date of repurchase.

As per the terms of the 9% Senior Subordinated Notes, Restricted Subsidiaries are also subject to restrictive covenants. As of December 31, 2009 and 2008, all of the subsidiaries of Sensata Technologies were Restricted Subsidiaries. Under certain circumstances, Sensata Technologies will be permitted to designate subsidiaries as Unrestricted Subsidiaries. Unrestricted Subsidiaries will not be subject to the restrictive covenants of the 9% Senior Subordinated Notes Indenture. Unrestricted Subsidiaries will not guarantee any of the 9% Senior Subordinated Notes.

Additional securities may be issued under the 9% Senior Subordinated Notes Indenture in one or more series from time to time, subject to certain limitations.

The 9% Senior Subordinated Notes are general unsecured obligations of Sensata Technologies and are subordinated in right of payment to all existing and future senior debt of Sensata Technologies, including its obligations under the Senior Notes and the Senior Secured Credit Facility, and to all indebtedness and other liabilities (including trade payables) of Sensata s subsidiaries that are not Guarantors.

The guarantees of each Guarantor with respect to the 9% Senior Subordinated Notes are general unsecured obligations of such Guarantor.

11.25% Senior Subordinated Notes

The outstanding 11.25% Senior Subordinated Notes (the 11.25% Senior Subordinated Notes) were issued under an indenture dated as of July 23, 2008 among Sensata Technologies B.V., as issuer, The Bank of New York Mellon, as trustee, The Bank of New York (Luxembourg) S.A., as Luxembourg paying agent, and the Guarantors (the 11.25% Senior Subordinated Notes Indenture). The 11.25% Senior Subordinated Notes mature on January 15, 2014. Interest is payable semi-annually in cash to holders of 11.25% Senior Subordinated Notes of record at the close of business on January 1 or July 1 immediately preceding the interest payment date, on January 15 and July 15 of each year, commencing on January 15, 2009. Interest is paid on the basis of a 360-day year consisting of twelve 30-day months.

The 11.25% Senior Subordinated Notes were issued in an aggregate principal amount of 141.0 million. Proceeds from the issuance of the 11.25% Senior Subordinated Notes were used to refinance amounts outstanding under an existing Senior Subordinated Term Loan, originally issued as bridge financing in July 2007 for the acquisition of Airpax. The 11.25% Senior Subordinated Notes were issued and the Senior Subordinated Term Loan was retired in a non-cash transaction.

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The 11.25% Senior Subordinated Notes Indenture limits, under certain circumstances, Sensata Technologies ability and the ability of its Restricted Subsidiaries to: incur additional indebtedness, create liens, pay dividends and make other distributions in respect of the capital stock of Sensata Technologies, redeem the capital stock of Sensata Technologies, make certain investments or certain restricted payments, sell certain kinds of assets, enter into certain types of transactions with affiliates and effect mergers or consolidations. These covenants are subject to a number of important exceptions and qualifications.

Sensata Technologies B.V. may redeem some or all of the 11.25% Senior Subordinated Notes beginning on or after January 15, 2010 at the redemption prices listed below, plus accrued interest.

Year	Percentage
2010	105.625
2011	102.813
2012 and thereafter	100.000

Sensata Technologies may also redeem any of the 11.25% Senior Subordinated Notes at any time prior to January 15, 2010, at a redemption price equal to 100% of the principal amount of the notes to be redeemed, plus the applicable premium, which is the greater of (a) 1% of the then outstanding principal amount of 11.25% Senior Subordinated Notes and (b) the excess of the sum of the present value of the 11.25% Senior Subordinated Notes on such redemption date and all required interest payments due on such notes through January 15, 2010, over the then outstanding principal amount of the 11.25% Senior Subordinated Notes.

If certain changes in the law of any relevant taxing jurisdiction become effective that would impose withholding taxes or other deductions on the payments on the 11.25% Senior Subordinated Notes or the guarantees, Sensata Technologies may redeem the notes of that series in whole, but not in part, at any time, at a redemption price of 100% of the principal amount, plus accrued and unpaid interest, if any, and additional amounts, if any, to the date of redemption.

Upon a change in control, Sensata Technologies will be required to make an offer to purchase the 11.25% Senior Subordinated Notes then outstanding at a purchase price equal to 101% of their principal amount, plus accrued interest to the date of purchase.

As per the terms of the 11.25% Senior Subordinated Notes, Restricted Subsidiaries are also subject to restrictive covenants. As of December 31, 2009 and 2008, all of the subsidiaries of Sensata Technologies were Restricted Subsidiaries. Under certain circumstances, the Company will be permitted to designate subsidiaries as Unrestricted Subsidiaries. Unrestricted Subsidiaries will not be subject to the restrictive covenants of the 11.25% Senior Subordinated Notes Indenture. Unrestricted Subsidiaries will not guarantee any of the 11.25% Senior Subordinated Notes.

Additional securities may be issued under the 11.25% Senior Subordinated Notes Indenture in one or more series from time to time, subject to certain limitations.

The 11.25% Senior Subordinated Notes are general unsecured obligations of Sensata and are subordinated in right of payment to all existing and future senior debt of Sensata Technologies, including Sensata Technologies obligations under the Senior Notes and the Senior Secured Credit Facility, and to all indebtedness and other liabilities (including trade payables) of the Company s subsidiaries that are not Guarantors.

The guarantees of each Guarantor with respect to the 11.25% Senior Subordinated Notes are general unsecured obligations of such Guarantor.

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Restrictions on Dividends

The Senior Secured Credit Facility prohibits the Company from paying dividends or making any distributions to its parent companies except for limited purposes, including, but not limited to: (i) customary and reasonable out-of-pocket expenses, legal and accounting fees and expenses and overhead of such parent companies incurred in the ordinary course of business to the extent attributable to the business of the Company and its subsidiaries and in the aggregate not to exceed $5 million in any fiscal year, plus reasonable and customary indemnification claims made by directors or officers of the parent attributable to the ownership of the Company and its Restricted Subsidiaries, (ii) franchise taxes, general corporate and operating expenses, certain advisory fees and customary compensation of officers and employees of such parent companies, (iii) tax liabilities to the extent attributable to the business of the Company and its subsidiaries, (iv) repurchase, retirement or other acquisition of equity interests of the parent from certain present, future and former employees, directors, managers, consultants of the parent companies, the Company or its subsidiaries in an aggregate amount not to exceed $7.5 million in any fiscal year, plus the amount of cash proceeds from certain equity issuances to such persons, the amount of equity interests subject to a certain deferred compensation plan and the amount of certain key-man life insurance proceeds, (v) payment of dividends or distributions with proceeds from the disposition of certain assets (net of mandatory prepayments) in an amount not to exceed $200 million and (vi) dividends and other distributions in an aggregate amount not to exceed $25 million (subject to increase to $35 million if the leverage ratio is less than 5.0 to 1.0 and to $50 million if the leverage ratio is less than 4.0 to 1.0, plus, if the leverage ratio is less than 5.0 to 1.0, the amount of excess cash flow not otherwise applied).

The Senior Notes Indenture, 9% Senior Subordinated Notes Indenture and 11.25% Senior Subordinated Notes Indenture (collectively, the Indentures) generally provide that the Company can pay dividends and make other distributions to its parent companies in an amount not to exceed (i) 50% of the Company s consolidated net income for the period beginning March 31, 2006 and ending as of the end of the last fiscal quarter before the proposed payment, plus (ii) 100% of the aggregate amount of cash and the fair market value of property and marketable securities received by the Company after April 27, 2006 from the issuance and sale of equity interests of the Company (subject to certain exceptions), plus (iii) 100% of the aggregate amount of cash and the fair market value of property and marketable securities contributed to the capital of the Company after April 27, 2006, plus (iv) 100% of the aggregate amount received in cash and the fair market value of property and marketable securities received after April 27, 2007 from the sale of certain investments or the sale of certain subsidiaries, provided that certain conditions are satisfied, including that the Company has a consolidated interest coverage ratio of greater than 2.0 to 1.0. The restrictions on dividends and other distributions contained in the Indentures are subject to certain exceptions, including (i) the payment of dividends following the first public offering of the common stock of any of its direct or indirect parent companies in an amount up to 6.0% per annum of the net cash proceeds contributed to the Company in any such offering, (ii) the payment of dividends to permit any of its parent companies to pay taxes, general corporate and operating expenses, certain advisory fees and customary compensation of officers and employees of such parent companies and (iii) dividends and other distributions in an aggregate amount not to exceed $75 million.

Lines of Credit

Sensata Technologies also has uncommitted local lines of credit with commercial lenders at certain of its subsidiaries in the amount of $15.0 million. No amounts were drawn on these lines as of December 31, 2009.

Extinguishment of Debt

On March 3, 2009, Sensata Technologies announced the commencement of two separate cash tender offers related to its Senior Notes and its 9% Senior Subordinated Notes and its 11.25% Senior Subordinated Notes (together the Senior Subordinated Notes). These cash tender offers settled during the three months ended June 30, 2009. The aggregate principal amount of the Senior Notes validly tendered was $110.0 million, representing approximately 24.4% of the outstanding Senior Notes. The aggregate principal amount of the Senior Subordinated Notes tendered was 72.1 million, representing approximately 19.6% of the outstanding Senior

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Subordinated Notes. The tender offer related to the Senior Subordinated Notes was oversubscribed and Sensata Technologies accepted for purchase a pro rata portion of the Senior Subordinated Notes tendered. The aggregate principal amount accepted for repurchase totaled 44.3 million ($58.4 million at the closing foreign exchange rate of $1.317 to 1.00) representing approximately 12.0% of the outstanding Senior Subordinated Notes. Sensata Technologies paid $50.7 million ($40.7 million for the Senior Notes and 7.6 million for the Senior Subordinated Notes) to settle the tender offers and retire the debt on April 1, 2009.

In addition, during the three months ended June 30, 2009, Sensata Technologies agreed to purchase certain 9% Senior Subordinated Notes having a principal value of 10.0 million ($14.1 million at the closing exchange rate of $1.41 to 1.00). Sensata Technologies paid $5.1 million (3.6 million) to settle the transaction and retire the debt on May 25, 2009.

In conjunction with these transactions, during the three months ended June 30, 2009, Sensata Technologies wrote off debt issuance costs of $5.3 million and recorded a gain in Currency translation gain/(loss) and other, net of $120.1 million.

During 2008, Sensata Technologies repurchased outstanding 9% Senior Subordinated Notes totaling 17.4 million (or $22.4 million at the date of repurchase). Sensata Technologies paid $6.7 million (5.3 million) to settle the transactions and retire the debt. In conjunction with these transactions, Sensata Technologies wrote off $0.7 million of debt issuance costs during 2008 and recorded a net gain in Currency translation gain/(loss) and other, net of $15.0 million.

Capital Lease and Other Financing Obligations

The Company operates in leased facilities with terms generally ranging up to ten years. The lease agreements frequently include options to renew for additional periods or to purchase the leased assets and generally require that the Company pay taxes, insurance and maintenance costs. Depending on the specific terms of the leases, the Company s obligations are in two forms: capital leases and operating leases. Rent and operating lease expense was $4,719, $7,462 and $6,383 for the years ended December 31, 2009, 2008 and 2007, respectively.

In December 2005, the Predecessor completed a sale-leaseback of its facility in Attleboro, Massachusetts. The term included a 20-year lease agreement for a new facility at the site to be used to consolidate operations remaining in Attleboro and was recorded as a capital lease. The capital lease will mature in 2026. The capital lease obligation outstanding is $29,258 and $29,860 as of December 31, 2009 and 2008, respectively.

In February 2008, the Company s Malaysian operating subsidiary signed a series of agreements to sell and leaseback the land, building and certain equipment associated with its manufacturing facility in Subang Jaya, Malaysia. The transaction, which was valued at 41.0 million Malaysian Ringgit (or $12.6 million based on the closing date exchange rate), closed during the three months ended June 30, 2008 and was accounted for as a financing transaction. Accordingly, the land, building and equipment remains on the consolidated balance sheet and the cash received was recorded as a liability as a component of Capital lease and other financing obligations. As of December 31, 2009 and 2008, the outstanding liability is $11,006 and $11,432, respectively.

In February 2009, the Company entered into a lease amendment for the factory building and facilities located in Changzhou, China. The amendment resulted in a new lease which was classified as a capital lease as of the modification date. The capital lease will mature in October 2016, at which time the title will transfer to the Company. The capital lease obligation outstanding as of December 31, 2009 is $1,001.

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Debt Maturities

Remaining mandatory principal repayments of long-term debt, excluding capital lease, other financing obligations and discretionary repurchases of debt, in each of the years ending December 31, 2010 through 2014 and thereafter are as follows:

For the year ending December 31,	Aggregate Maturities
2010	$ 15,208
2011	15,208
2012	722,383
2013	715,302
2014	536,489
Thereafter	254,302
Total long-term debt principal payments	$ 2,258,892

Compliance with Financial and Non-Financial Covenants

During fiscal year 2009 and as of December 31, 2009, the Company was in compliance with all of the covenants and default provisions associated with its indebtedness.

12. Income Taxes

Effective April 27, 2006 (inception) and concurrent with the 2006 Acquisition, the Company commenced filing tax returns in the Netherlands as a stand-alone entity. Several of the Company s Dutch resident subsidiaries are taxable entities in the Netherlands and file tax returns under Dutch fiscal unity (i.e., consolidation). On April 30, 2008, the Company s United States subsidiaries executed a separation and distribution agreement that divided its U.S. sensors and controls businesses currently requiring two separate U.S. consolidated federal income tax returns. Prior to April 30, 2008, the Company filed one consolidated tax return in the United States. The remaining subsidiaries of the Company will file income tax returns, generally on a separate company basis, in the countries in which they are incorporated and/or operate, including the Netherlands, Japan, China, Brazil, South Korea, Malaysia and Mexico. The 2006 Acquisition purchase accounting and the related debt and equity capitalization of the various subsidiaries of the consolidated Company, and the realignment of the functions performed and risks assumed by the various subsidiaries are of significant consequence to the determination of future book and taxable income of the respective subsidiaries and Sensata as a whole.

Since its inception, the Company has incurred tax losses in several jurisdictions including the United States, Japan and the Netherlands, resulting in allowable tax net operating loss carry-forwards. In measuring the related deferred tax assets, the Company considered all available evidence, both positive and negative, to determine whether, based on the weight of that evidence, a valuation allowance is needed for some portion or all of the deferred tax assets. Judgment is required in considering the relative impact of negative and positive evidence. The weight given to the potential effect of negative and positive evidence is commensurate with the extent to which it can be objectively verified. The more negative evidence that exists, the more positive evidence is necessary and the more difficult it is to support a conclusion that a valuation allowance is not needed. Additionally, the Company utilizes the more likely than not criteria established in ASC Topic 740, *Income Taxes* (ASC 740), to determine whether the future benefit from the deferred tax assets should be recognized. As a result, the Company established a full valuation allowance on the net operating losses in jurisdictions in which it is more likely than not that such losses will not be utilized in the foreseeable future. The resulting changes in the Company s valuation allowance is reflected in the rate reconciliation as losses not tax benefited.

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Income/(loss) from continuing operations before taxes for the years ended December 31, 2009, 2008 and 2007 is as follows:

	U.S.	Non-U.S.	Total
For the year ended December 31,			
2009	$ (141,437)	$ 157,198	$ 15,761
2008	$ (122,497)	$ 61,579	$ (60,918)
2007	$ (82,244)	$ (89,489)	$ (171,733)

Provision for income taxes for the years ended December 31, 2009, 2008 and 2007 is as follows:

	U.S. Federal	Non-U.S.	U.S. State	Total
For the year ended December 31,				
2009:				
Current	$	$ 17,159	$ 300	$ 17,459
Deferred	13,679	12,447	(538)	25,588
Total	$ 13,679	$ 29,606	$ (238)	$ 43,047
2008:				
Current	$	$ 23,106	$ 445	$ 23,551
Deferred	14,252	14,738	990	29,980
Total	$ 14,252	$ 37,844	$ 1,435	$ 53,531
2007:				
Current	$	$ 16,040	$ 338	$ 16,378
Deferred	14,618	30,043	1,465	46,126
Total	$ 14,618	$ 46,083	$ 1,803	$ 62,504

Principal reconciling items from income tax computed at the U.S. statutory tax rate for the years ended December 31, 2009, 2008 and 2007 are as follows:

	For the year ended December 31,		
	2009	2008	2007
Tax computed at statutory rate of 35%	$ 5,517	$ (21,321)	$ (60,107)
Foreign rate tax differential	(24,187)	(7,607)	9,589
Unrealized foreign exchange gains and losses	(16,337)	25,900	5,368
Change in tax law or rates	6,096	(8,603)	8,084
Withholding taxes not creditable	4,162	2,238	4,514
Non taxable gain on repurchases of debt	(16,857)		
Losses not tax benefited	80,601	58,640	88,967
State taxes, net of federal benefit	(154)	1,206	1,131
Non-deductible in-process research and development			1,995
Other	4,206	3,078	2,963

	$ 43,047	$ 53,531	$ 62,504

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The primary components of deferred income tax assets and liabilities as of December 31, 2009 and 2008 are as follows:

	December 31, 2009	December 31, 2008
Deferred tax assets:		
Inventories and related reserves	$ 4,763	$ 5,450
Accrued expenses	32,881	25,782
Property, plant and equipment	5,673	4,215
Intangible assets	56,295	19,149
NOL and interest expense carryforwards	264,235	208,927
Pension liability	10,468	15,916
Other	3,351	2,607
Total deferred tax assets	377,666	282,046
Valuation allowance	(314,180)	(224,214)
Net deferred tax asset	63,486	57,832
Deferred tax liabilities:		
Property, plant and equipment	(14,042)	(18,705)
Intangible assets and goodwill	(185,847)	(150,901)
Unrealized foreign exchange gain	(1,485)	(1,475)
Tax on undistributed earnings of subsidiaries	(10,450)	(3,969)
Total deferred tax liabilities	(211,824)	(175,050)
Net deferred tax liability	$ (148,338)	$ (117,218)

Subsequently reported tax benefits relating to the valuation allowance for deferred tax assets as of December 31, 2009 and 2008 will be allocated as follows:

	December 31, 2009	December 31, 2008
Income tax benefit recognized in the consolidated statement of operations	$ (304,555)	$ (205,496)
Other comprehensive loss	(9,625)	(14,912)
Goodwill		(3,806)
	$ (314,180)	$ (224,214)

After the effective date of ASC 805, all changes in the carrying amount of a valuation allowance for an acquired deferred income tax asset or in a liability for an assumed income tax uncertainty will be recognized in income tax expense, even if the deferred tax asset or income tax uncertainty was initially recognized as a result of a business combination with an acquisition date prior to the effective date of ASC 805.

A full valuation allowance has been established on the net deferred tax assets in jurisdictions that have incurred net operating losses, in which it is more likely than not that such losses will not be utilized in the foreseeable future. For tax purposes, goodwill and indefinite-lived intangible assets are generally amortizable over 6 to 20 years. For book purposes, goodwill and indefinite-lived intangible assets are not amortized, but tested for impairment annually. The tax amortization of goodwill and indefinite-lived intangible assets will result in a taxable temporary difference which will not reverse unless the related book goodwill and/or intangible asset is impaired or written off. As a result, the Company must recognize a deferred tax liability. This liability may not be offset by deductible temporary differences, such as net operating loss carryforwards, which may expire within a definite period. The net change in the total valuation allowance for the years ended December 31, 2009 and 2008 is an increase of $89,966 and $69,613, respectively.

In April 2007, the Company s subsidiary in Malaysia was granted a five-year tax exemption, retroactive to April 2006. The tax exemption is conditional upon the subsidiary meeting certain local investment requirements over the exemption period, as established by the Ministry of Finance. The current exemption will end in

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April 2011, but the subsidiary may petition the Ministry of Finance for an additional exemption period at that time. The Company s subsidiary in Changzhou, China, is eligible for a five-year tax holiday beginning in 2008. The impact of the holidays on the Company s effective rate is included in the foreign tax rate differential in the reconciliation of the statutory rate to effective rate.

On October 1, 2007, Mexico enacted a new flat tax regime which became effective January 1, 2008. In accordance with ASC 740, the effect of the new tax law on deferred taxes must be included in tax expense in the period that includes the enactment date.

Withholding taxes generally apply to intercompany interest, royalty and management fees and certain payments to third parties. Such taxes are expensed if they cannot be credited against the recipient s tax liability in its country of residence. Additional consideration also has been given to the withholding taxes associated with the remittance of presently unremitted earnings and the recipient corporation s ability to obtain a tax credit for such taxes. Earnings are not considered to be indefinitely reinvested in the jurisdictions in which they were earned.

As of December 31, 2009, the Company has U.S. federal and state net operating loss carryforwards of $190,331 and non-U.S. net operating loss carryforwards of $371,721. The U.S. federal net operating loss carryforward will expire from 2026 to 2029 and the state net operating loss carryforward will expire from 2012 to 2029. The non-U.S. net operating loss carryforward will expire from 2012 to 2018.

The Company adopted guidance included within ASC 740 (originally issued as FASB Interpretation No. 48, *Accounting for Uncertainty in Income Taxes*) effective January 1, 2007, and recognized an increase of $664 in the liability for unrecognized tax benefits and $5 of related interest and penalties, the total of which was accounted for as an increase to the January 1, 2007 balance of accumulated deficit. At adoption, the Company recorded $7,832 of unrecognized tax benefits relating to income tax uncertainties acquired in business combinations. The total liability for unrecognized tax benefits was $8,496 at January 1, 2007.

A reconciliation of the amount of unrecognized tax benefits is as follows:

Balance as of January 1, 2007	$ 8,496
Increases related to current year tax positions	1,525
Balance as of December 31, 2007	10,021
Increases related to current year tax positions	1,044
Decreases related to lapse of applicable statute of limitations	(3,030)
Balance as of December 31, 2008	8,035
Increases related to prior year tax positions	2,308
Increases related to current year tax positions	1,413
Decreases related to lapse of applicable statute of limitations	(230)
Balance as of December 31, 2009	$ 11,526

The Company has accrued potential interest and penalties relating to unrecognized tax benefits. The Company classifies interest on tax deficiencies as interest expense and income tax penalties as selling, general and administrative expense. For the year ended December 31, 2009, the Company recognized interest and penalties of approximately $823 and $407, respectively, in the consolidated statement of operations and as of December 31, 2009, the Company recognized interest and penalties of approximately $2,784 and $2,208, respectively, in the consolidated balance sheet. For the year ended December 31, 2008, the Company recognized interest and penalties of approximately $43 and $655, respectively, in the consolidated statement of operations and as of December 31, 2008, the Company recognized interest and penalties of approximately $1,961 and $1,801, respectively, in the consolidated balance sheet. For the year ended December 31, 2007, the Company recognized interest and penalties of approximately $1,747 and $78, respectively, in the consolidated statement of operations and as of December 31, 2007, the Company recognized interest and penalties of approximately $2,190 and $1,752, respectively, in the consolidated balance sheet.

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Due to the expiration of certain statutes of limitation or the settlement of examinations by taxing authorities, it is reasonably possible that the Company s total liability for unrecognized tax benefits may decrease within the next twelve months by a range of zero to $3,500. The liability for unrecognized tax benefit relates to the allocations of taxable income to the various jurisdictions where the Company is subject to tax.

The Company s major tax jurisdictions include the Netherlands, United States, Japan, Mexico, Brazil, China, South Korea, and Malaysia. Tax returns previously filed in these jurisdictions generally remain open to examination by the relevant tax authority for the tax years 2003 through 2008.

The Company has various indemnification provisions in place with TI, Honeywell and William Blair. These provisions provide for the reimbursement by TI, Honeywell and William Blair of future tax liabilities paid by the Company which relate to the pre-acquisition periods of the acquired businesses including the S&C business, First Technology Automotive and Airpax, respectively.

13. Pension and Other Post-Retirement Benefits

The Company provides various retirement plans for employees including defined benefit, defined contribution and retiree healthcare benefit plans.

U.S. Benefit Plans

The principal retirement plans in the U.S. include a) a qualified defined benefit pension plan, b) a defined contribution plan and c) an enhanced defined contribution plan. In addition, the Company provides post-retirement medical coverage and nonqualified benefits to certain employees.

Qualified Defined Benefit Pension Plan

The benefits under the qualified defined benefit pension plan are determined using a formula based upon years of service and the highest five consecutive years of compensation.

TI closed the qualified defined benefit pension plan to participants hired after November 1997. In addition, participants eligible to retire under the TI plan as of April 26, 2006 were given the option of continuing to participate in the qualified defined benefit pension plan or retiring under the qualified defined benefit pension plan and thereafter participating in the enhanced defined contribution plan.

The Company intends to contribute amounts to the qualified defined benefit plan in order to meet the minimum funding requirements of federal laws and regulations, plus such additional amounts as the Company deems appropriate. During the year ended December 31, 2009, the Company contributed $4,223 to the qualified defined benefit plan. Additionally, the Company expects to contribute approximately $3,500 to the qualified defined benefit plan during 2010.

The Company also sponsors a non-qualified defined benefit plan, which is closed to new participants and is unfunded. During the year ended December 31, 2009, the Company made payments of $59 related to the non-qualified defined benefit plan.

Defined Contribution Plans

The Company offers two defined contribution plans. Both defined contribution plans offer an employer-matching savings option that allows employees to make pre-tax contributions to various investment choices.

Employees who elected not to remain in the defined benefit pension plan, and new employees hired after November 1997, may participate in the enhanced defined contribution plan, where employer-matching contributions are provided for up to 4% of the employee s annual eligible earnings. In addition, this plan provides for an additional fixed employer contribution of 2% of the employee s annual eligible earnings for employees who elected not to remain in the defined benefit pension plan and employees hired after November 1997 and before December 31, 2003. Employees who remain in the qualified defined benefit plan may

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participate in a defined contribution plan, where 50% employer-matching contributions are provided for up to 2% of the employee s annual eligible earnings. Beginning in 2009, the Company s matching of employees contributions under the above defined contribution plans will be discretionary and based on the Company s assessment of its financial performance.

The aggregate expense related to the defined contribution plans for U.S. employees was $2,302, $4,143 and $3,282 for the years ended December 31, 2009, 2008 and 2007, respectively.

Retiree Healthcare Benefit Plan

The Company offers access to group medical coverage during retirement to some of its U.S. employees. The Company makes contributions toward the cost of those retiree medical benefits for certain retirees. The contribution rates are based upon varying factors, the most important of which are an employee s date of hire, date of retirement, years of service and eligibility for Medicare benefits. The balance of the cost is borne by the participants in the plan. Employees hired after January 1, 2001, are responsible for the full cost of their medical benefits during retirement. Prescription drug benefits provided by the plan have been determined to be at least actuarially equivalent to Medicare Part D. For the year ended December 31, 2009, the Company did not, and does not expect to, receive any amount of Federal subsidy. For the year ended December 31, 2009, the Company contributed $236 toward the cost of retiree medical benefits. Obligations to the U.S. Retiree Healthcare Benefit Plan for employees that retired prior to the 2006 Acquisition have been assumed by TI.

Retiree health benefits were partially funded through a Voluntary Employee Benefit Association (VEBA) trust. During the three months ended June 30, 2008, the Company amended the terms of the Sensata Technologies Welfare Benefit Trust agreement to allow for the assets held by the trust to be used for medical and dental costs of both active and retired employees. The Company received cash totaling $4,630 from the trust to pay for active employee medical and dental costs. As a result of the withdrawal of cash from the trust, during the year ended December 31, 2008, the Company increased the retiree healthcare benefit liability by $4,630.

Non-U.S. Benefit Plans

Retirement coverage for non-U.S. employees is provided through separate defined benefit and defined contribution plans. Retirement benefits are generally based on an employee s years of service and compensation. Funding requirements are determined on an individual country and plan basis and subject to local country practices and market circumstances. For the years ended December 31, 2009, 2008 and 2007, the Company contributed $7,292, $5,115 and $4,159, respectively, to non-U.S. defined benefit plans. The Company expects to contribute approximately $1,781 to non-U.S. defined benefit plans during 2010.

Impact on Financial Statements

Net periodic benefit cost of the defined benefit and retiree healthcare benefit plans for the years ended December 31, 2009, 2008 and 2007 is as follows:

	For the year ended December 31,								
	2009			2008			2007		
	U.S. Plans		Non-U.S. Plans	U.S. Plans		Non-U.S. Plans	U.S. Plans		Non-U.S. Plans
	Defined Benefit	Retiree Healthcare	Defined Benefit	Defined Benefit	Retiree Healthcare	Defined Benefit	Defined Benefit	Retiree Healthcare	Defined Benefit
Service cost	$ 1,976	$ 244	$ 2,860	$ 2,449	$ 269	$ 3,111	$ 2,265	$ 326	$ 2,730
Interest cost	2,969	566	1,020	3,173	536	1,038	2,836	509	641
Expected return on plan assets	(2,408)		(786)	(2,515)	(80)	(913)	(2,380)	(156)	(1,136)
Amortization of net loss	237	28	555	212		10	109		
Amortization of prior service cost			768						
Loss on settlement	1,283		2,228	591		772			
Loss on curtailment			563			2,604			
Loss on special termination benefits				1,300					
Net periodic benefit cost	$ 4,057	$ 838	$ 7,208	$ 5,210	$ 725	$ 6,622	$ 2,830	$ 679	$ 2,235

During fiscal years 2008 and 2009, in response to global economic conditions, the Company announced various actions to reduce the workforce in several business centers and manufacturing facilities throughout the world, and to move certain manufacturing operations to low-cost countries. As a result of these restructuring actions, the Company recognized a settlement loss of $1,283 associated with the termination of STI employees in Attleboro, Massachusetts, and curtailment and settlement losses of $563 and $2,228, respectively, associated with the termination of employees at various foreign subsidiaries.

During fiscal year 2008, the Company announced a voluntary early retirement programs for eligible STI employees in Attleboro, Massachusetts. Twenty-eight employees accepted the voluntary early retirement program. In accordance with ASC 715, the Company recognized a charge for special termination benefits associated with a pension enhancement provided to certain eligible employees (refer to Note 8 for further discussion) of $1,300 and a charge for settlement of the Company s benefit obligation of $591 during the year ended December 31, 2008.

During fiscal year 2008, the Company terminated the employment of 324 employees at one of its foreign subsidiaries. In accordance with ASC 715, the Company recognized a curtailment loss of $2,604 and a settlement loss of $393 associated with this event (refer to Note 9 for further discussion). Additionally, the Company recognized settlement losses of $379 associated with the termination of employees at other foreign subsidiaries.

The following table outlines the rollforward of the benefit obligation and plan assets for the defined benefit and retiree healthcare benefit plans for the years ended December 31, 2009 and 2008:

	For the year ended December 31,					
	2009			2008		
	U.S. Plans		Non-U.S. Plans	U.S. Plans		Non-U.S. Plans
	Defined Benefit	Retiree Healthcare	Defined Benefit	Defined Benefit	Retiree Healthcare	Defined Benefit
Change in Benefit Obligation						
Beginning balance	$ 61,685	$ 10,835	$ 46,393	$ 56,382	$ 9,688	$ 34,593
Service cost	1,976	244	2,860	2,449	269	3,111
Interest cost	2,969	566	1,020	3,173	536	1,038
Plan participants contributions			70			111
Transfer						887
Plan amendment			768			
Actuarial loss/(gain)	1,257	146	(4,189)	5,942	342	2,824
Settlements			(12,789)			(2,986)
Curtailments	(1,552)		(966)	(2,063)		2,604
Special termination benefits				1,300		
Benefits paid	(5,136)	(236)	(168)	(5,498)		(339)
Foreign currency exchange rate changes			(497)			4,550
Ending balance	$ 61,199	$ 11,555	$ 32,502	$ 61,685	$ 10,835	$ 46,393
Change in Plan Assets						
Beginning balance	$ 25,053	$	$ 34,334	$ 35,873	$ 4,831	$ 30,612
Actual return on plan assets	5,310	134	1,177	(10,245)	(201)	(4,639)
Employer contribution	4,282	236	7,292	4,923		5,115
Plan participants contributions			70			111
Transfer		(134)			(4,630)	

Settlements			(12,789)			(2,986)
Benefits paid	(5,136)	(236)	(168)	(5,498)		(339)
Foreign currency exchange rate changes			(693)			6,460
Ending balance	$ 29,509	$	$ 29,223	$ 25,053	$	$ 34,334
Funded status at end of year	$ (31,690)	$ (11,555)	$ (3,279)	$ (36,632)	$ (10,835)	$ (12,059)
Accumulated benefit obligation at end of year	$ 46,746	$	$ 26,075	$ 47,077	$	$ 36,107

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The following table outlines the funded status amounts recognized in the consolidated balance sheets as of December 31, 2009 and 2008:

	December 31, 2009			December 31, 2008		
	U.S. Plans		Non-U.S. Plans	U.S. Plans		Non-U.S. Plans
	Defined Benefit	Retiree Healthcare	Defined Benefit	Defined Benefit	Retiree Healthcare	Defined Benefit
Noncurrent assets	$	$	$ 3,833	$	$	$
Current liabilities	(137)	(313)	(382)	(82)	(82)	(3,001)
Noncurrent liabilities	(31,553)	(11,242)	(6,730)	(36,550)	(10,753)	(9,058)
	$ (31,690)	$ (11,555)	$ (3,279)	$ (36,632)	$ (10,835)	$ (12,059)

Balances recognized within accumulated other comprehensive loss that have not been recognized as components of net periodic benefit costs as of December 31, 2009, 2008 and 2007 are as follows:

	2009			2008			2007		
	U.S. Plans		Non-U.S. Plans	U.S. Plans		Non-U.S. Plans	U.S. Plans		Non-U.S. Plans
	Defined Benefit	Retiree Healthcare	Defined Benefit	Defined Benefit	Retiree Healthcare	Defined Benefit	Defined Benefit	Retiree Healthcare	Defined Benefit
Net loss	$ 17,830	$ 1,312	$ 6,252	$ 20,796	$ 1,328	$ 11,537	$ 4,961	$ 706	$ 4,946

The Company expects to amortize $733 from accumulated other comprehensive loss to net periodic benefit costs during 2010.

Information for defined benefit plans with an accumulated benefit obligation in excess of plan assets as of December 31, 2009 and 2008 is as follows:

	December 31, 2009		December 31, 2008	
	U.S. Plans	Non-U.S. Plans	U.S. Plans	Non-U.S. Plans
Projected benefit obligation	$ 61,199	$ 9,964	$ 61,685	$ 17,285
Accumulated benefit obligation	$ 46,746	$ 8,720	$ 47,077	$ 15,952
Plan assets	$ 29,509	$ 2,852	$ 25,053	$ 6,522

Information for defined benefit plans with a projected benefit obligation in excess of plan assets as of December 31, 2009 and 2008 is as follows:

December 31, 2009		December 31, 2008	
U.S. Plans	Non-U.S. Plans	U.S. Plans	Non-U.S. Plans

Projected benefit obligation	$ 61,199	$ 9,964	$ 61,685	$ 46,393
Plan assets	$ 29,509	$ 2,852	$ 25,053	$ 34,334

Other changes in plan assets and benefit obligations, net of tax, recognized in other comprehensive loss for the years ended December 31, 2009, 2008 and 2007 are as follows:

	For the year ended December 31,								
	2009			2008			2007		
	U.S. Plans		Non-U.S. Plans	U.S. Plans		Non-U.S. Plans	U.S. Plans		Non-U.S. Plans
	Defined Benefit	Retiree Healthcare	Defined Benefit	Defined Benefit	Retiree Healthcare	Defined Benefit	Defined Benefit	Retiree Healthcare	Defined Benefit
Net (gain)/loss	$ (2,019)	$ 12	$ (2,881)	$ 16,638	$ 622	$ 7,343	$ 966	$ 78	$ 2,536
Amortization of net loss	(139)	(28)	(335)	(212)		(9)	(109)		
Amortization of prior service cost			(768)						
Settlement loss	(808)		(1,301)	(591)		(743)			
Total recognized in other comprehensive loss	$ (2,966)	$ (16)	$ (5,285)	$ 15,835	$ 622	$ 6,591	$ 857	$ 78	$ 2,536

Assumptions and Investment Policies

Weighted-average assumptions used to calculate the projected benefit obligations of the Company s defined benefit pension and retiree healthcare plans as of December 31, 2009 and 2008 are as follows:

	December 31, 2009		December 31, 2008	
	Defined Benefit	Retiree Healthcare	Defined Benefit	Retiree Healthcare
U.S. assumed discount rate	4.75%	5.25%	5.25%	5.25%
Non-U.S. assumed discount rate	3.12%		2.66%	
U.S. average long-term pay progression	4.00%	(1)	4.00%	(1)
Non-U.S. average long-term pay progression	3.20%	(1)	3.23%	(1)

(1) Rate of compensation increase is not applicable to the Company s retiree healthcare benefits as compensation levels do not impact earned benefits.

Weighted-average assumptions used to calculate the net periodic benefit cost of the Company s defined benefit pension and retiree healthcare plans for the years ended December 31, 2009, 2008 and 2007 are as follows:

	For the year ended December 31,					
	2009		2008		2007	
	Defined Benefit	Retiree Healthcare	Defined Benefit	Retiree Healthcare	Defined Benefit	Retiree Healthcare
U.S. assumed discount rate	5.25%	5.25%	5.50%	5.75%	5.50%	5.75%

Non-U.S. assumed discount rate	2.66%		3.14%		2.76%	
U.S. average long-term rate of return on plan assets	7.00%		7.00%	3.25%	7.00%	3.25%
Non-U.S. average long-term rate of return on plan assets	2.58%		2.92%		4.20%	
U.S. average long-term pay progression	4.00%	[1]	4.00%	[1]	4.00%	[1]
Non-U.S. average long-term pay progression	3.23%	[1]	3.12%	[1]	2.88%	[1]

(1) Rate of compensation increase is not applicable to the Company s retiree healthcare benefits as compensation levels do not impact earned benefits.

In order to select a discount rate for purposes of valuing the plan obligations the Company uses returns of long-term investment grade bonds. For non-U.S. plans, available indices are adjusted as needed to fit the estimated duration of the plan liabilities. For the U.S. plans an analysis is performed in which the projected cash flows from the defined benefit and retiree healthcare plans are matched with a yield curve based on an

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appropriate universe of high-quality corporate bonds. The results of the yield curve analysis are used to select the discount rate that matches the payment stream of the benefits in each plan. Each rate is rounded to the nearest quarter of a percent.

Assumed healthcare cost trend rates for the Retiree Healthcare Benefit Plan as of December 31, 2009, 2008 and 2007 are as follows:

		Retiree Healthcare	
	December 31, 2009	**December 31, 2008**	**December 31, 2007**
Assumed healthcare trend rate for next year:			
Attributed to less than age 65	7.00%	8.00%	9.00%
Attributed to age 65 or greater	8.00%	9.00%	10.00%
Ultimate trend rate	5.00%	5.00%	5.00%
Year in which ultimate trend rate is reached:			
Attributed to less than age 65	2015	2011	2011
Attributed to age 65 or greater	2016	2012	2012

Assumed healthcare trend rates could have a significant effect on the amounts reported for healthcare plans. A one percentage point change in the assumed healthcare trend rates for the year ended December 31, 2009 would have the following effect:

	1 percentage point increase	**1 percentage point decrease**
Effect on total service and interest cost components	$ 4	$ (6)
Effect on post-retirement benefit obligations	$ 69	$ (96)

The table below outlines the benefits expected to be paid to participants from the plans in each of the following years, which reflect expected future service, as appropriate. The majority of the payments will be paid from plan assets and not company assets.

Expected Benefit Payments	**U.S. Defined Benefit**	**U.S. Retiree Healthcare**	**U.S. Medicare Part D Reimbursement**	**Non-U.S. Defined Benefit**
For the year ending December 31,				
2010	$ 3,481	$ 313	$ (3)	$ 841
2011	4,188	416	(4)	829
2012	4,879	557	(5)	945
2013	5,858	725	(7)	1,072
2014	6,394	895	(9)	1,148
2015 2019	41,079	5,890	(114)	9,708

Plan Assets

The Company holds assets for its defined benefit plans in the U.S., Japan and the Netherlands. Information about the plan assets and the Company s investment policies and strategies for each jurisdiction is detailed below.

U.S. Plan Assets

The target asset allocation of the U.S. defined benefit plan is 57% equity and 43% fixed income. To arrive at the targeted asset allocation, the Company and its investment adviser collaboratively reviewed market opportunities using historic and statistical data, as well as the actuarial valuation report for the plan, to ensure that the levels of acceptable return and risk are well-defined and monitored. Currently, the Company s management believes that there are no significant concentrations of risk associated with the plan assets.

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To determine the long-term rate of return on plan assets, the Company considered actual historical returns, future expectations for each asset class and the effect of periodic target asset allocation rebalancing. The results are adjusted for the payments of reasonable expense of the plan from plan assets. The Company believes that these assumptions are appropriate based upon the mix of the investments and the long-term nature of the plan s investments.

The following table presents information about the plan s target asset allocation, as well as the actual allocation, as of December 31, 2009:

Asset Class	Target Allocation	Actual Allocation as of December 31, 2009
U.S. large cap equity	33%	33%
U.S. small cap equity	10%	11%
International (non-U.S.) equity	14%	14%
Fixed income (U.S. investment grade)	35%	34%
High-yield fixed income	4%	4%
International (non-U.S.) fixed income	4%	4%

The portfolio is monitored for automatic rebalancing on a monthly basis to a 2% tolerance.

For the year ended December 31, 2008, the Company set a target allocation rate of 50% to 60% for equity securities and 40% to 50% for fixed income securities. As of December 31, 2008, the actual allocation of the U.S. defined benefit plan assets was 52% equity and 48% fixed income.

The following table presents information about the plan assets measured at fair value as of December 31, 2009, aggregated by the level in the fair value hierarchy within which those measurements fall:

Asset Class	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	December 31, 2009
U.S. large cap equity	$ 9,630	$	$	$ 9,630
U.S. small cap equity	3,138			3,138
International (non-U.S.) equity	4,132			4,132
Total equity mutual funds	16,900			16,900
Fixed income (U.S. investment grade)	10,046			10,046
High-yield fixed income	1,308			1,308
International (non-U.S.) fixed income	1,255			1,255
Total fixed income mutual funds	12,609			12,609
Total	$ 29,509	$	$	$ 29,509

Investments in mutual funds are based on the publicly-quoted final net asset values on the last business day of the year.

Permitted asset classes include U.S. and non-U.S. equity, U.S. and non-U.S. fixed income, cash and cash equivalents. Fixed income includes both investment grade and non-investment grade. Permitted investment vehicles include mutual funds, individual securities, derivatives and long-duration fixed income. While investment in individual securities, derivatives, long-duration fixed income, cash and cash equivalents is permitted, the plan does not hold these types of investments as of December 31, 2009.

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Prohibited investments include direct investment in real estate, commodities, unregistered securities, uncovered options, currency exchange and natural resources (such as timber, oil and gas).

Japan Plan Assets

The target asset allocation of the Japan defined benefit plans is 30% equity securities and 70% fixed income securities and cash and cash equivalents, with allowance for a 10% deviation in either direction. The Company s management, along with the trustee of the plans assets, minimize investment risk by thoroughly assessing potential investments based on indicators of historical returns and current ratings. Additionally, investments are diversified by type and geography.

To determine the long-term rate of return on plan assets, the Company considered the historical returns earned by similarly invested assets, the rates of return expected on plan assets in the future and the Company s investment strategy mix with respect to the plans funds.

The following table presents information about the plan s target asset allocation, as well as the actual allocation, as of December 31, 2009:

Asset Class	Target Allocation	Actual Allocation as of December 31, 2009
Equity securities	20% - 40%	30%
Fixed income securities and cash and cash equivalents	60% - 80%	70%

For the year ended December 31, 2008, the Company set a target allocation rate of 20% to 60% for equity securities and 40% to 80% for fixed income securities and cash and cash equivalents. As of December 31, 2008, the actual allocation of the Japan defined benefit plans assets was 25% equity securities and 75% fixed income securities and cash and cash equivalents.

The following table presents information about the plan assets measured at fair value as of December 31, 2009, aggregated by the level in the fair value hierarchy within which those measurements fall:

Asset Class	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	December 31, 2009
U.S. equity	$ 2,268	$	$	$ 2,268
International (non-U.S.) equity	5,707			5,707
Total equity securities	7,975			7,975
U.S. Treasury fixed income	2,463			2,463
International (non-U.S.) fixed income	16,129			16,129

Total fixed income securities		18,592						18,592
Cash and cash equivalents		188						188
Total	$	26,755	$		$		$	26,755

The fair value of cash and cash equivalents approximates the carrying value as of the balance sheet date due to the short-term maturities of these assets. The fair value of equity securities and bonds are based on publicly-quoted final stock and bond values on the last business day of the year.

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Permitted asset classes include equity securities that are traded on the official stock exchange(s) of the respective countries, fixed income securities with a credit rating of BBB or above for Japanese securities and AA or above for non-Japanese securities, and cash and cash equivalents.

All other investments other than those mentioned above are prohibited. In addition, if the credit rating of fixed income securities in which the plans invest falls below BBB for Japanese securities and AA for non-Japanese securities, such securities are sold.

The Netherlands Plan Assets

The assets of the Netherlands defined benefit plan are comprised of an insurance policy with Nationale Nederlanden (NN). NN provides specified future benefit payments to the Plan participants in return for the contributions (or premiums) paid to the plan by the Company. The contributions paid by the Company are commingled with contributions paid to NN by other employers with similar retirement benefit plans, and the accumulated contributions are used by NN as an asset pool to back the liabilities to pay the specified benefit payments.

The following table presents information about the plan assets measured at fair value as of December 31, 2009, aggregated by the level in the fair value hierarchy within which those measurements fall:

Asset Class	**Quoted Prices in Active Markets for Identical Assets (Level 1)**	**Significant Other Observable Inputs (Level 2)**	**Significant Unobservable Inputs (Level 3)**	**December 31, 2009**
Other (insurance policy)	$	$	$ 2,468	$ 2,468
Total	$	$	$ 2,468	$ 2,468

The following table outlines the rollforward of the Company s Level 3 plan assets for the year ended December 31, 2009:

	Fair value measurement using significant unobservable inputs (Level 3)
Beginning balance as of January 1, 2009	$ 1,979
Actual return on plan assets still held at reporting date	(198)
Purchases, sales and settlements	687
Ending balance as of December 31, 2009	$ 2,468

The fair value of the insurance contracts are measured based on the future benefit payments that would be made by the insurance company to plan participants if the Company were to switch to another insurance company without actually surrendering its policy. In this case, the insurance company would guarantee to pay the benefits at retirement accrued under the plan based on current salaries and service to date (i.e., no allowance for future salary increases or pension increases). The cash flows of the future benefit payments are discounted using the same discount rate as is used to value the defined benefit plan liabilities; the discount rate is based on yields of Euro-denominated AA-rated corporate bonds.

14. Share-Based Payment Plans

On April 27, 2006 (inception), the Company, in connection with the 2006 Acquisition, implemented management compensation plans to align compensation for certain key executives with the performance of the Company. The objective of the plans is to promote the long-term growth and profitability of the Company and its subsidiaries by providing those persons who are involved in the Company with an opportunity to acquire an

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ownership interest in the Company. The following plans were in effect on the date of the 2006 Acquisition: 1) Sensata Technologies Holding B.V. 2006 Management Option Plan and 2) Sensata Technologies Holding B.V. 2006 Management Securities Purchase Plan.

Based on the original terms of the plans, the awards were classified as liability awards under ASC Topic 718, *Compensation-Stock Compensation* (ASC 718). On September 29, 2006, the Company modified the terms of the awards and the underlying securities. After the modification, the following plans were in effect: 1) the First Amended and Restated Sensata Technologies Holding B.V. 2006 Management Option Plan (Stock Option Plan), which replaced the Sensata Technologies Holding B.V. 2006 Management Option Plan and 2) the First Amended and Restated 2006 Management Securities Purchase Plan (Restricted Stock Plan) which replaced the Sensata Technologies Holding B.V. 2006 Management Securities Purchase Plan. These modifications resulted in a change in classification of the awards from liability to equity awards in accordance with the provisions of ASC 718.

Sensata Technologies Holding B.V. 2006 Management Option Plan

Under the Sensata Technologies Holding B.V. 2006 Management Option Plan, participants were granted 2,205,675 options in three separate tranches. Each option entitled the holder to acquire an equity strip comprised of one Sensata Technologies Holding N.V. ordinary share and 19.5 Deferred Payment Certificates (DPCs) at an aggregate strike price of 25.00. These options were classified as liability awards based on features of the options as well as the underlying securities. Each tranche of awards had different vesting provisions and are further described below.

First Amended and Restated Sensata Technologies Holding B.V. 2006 Management Option Plan

In September 2006, the Sensata Technologies Holding B.V. 2006 Management Option Plan was replaced by the First Amended and Restated Sensata Technologies Holding B.V. 2006 Management Option Plan. The new plan effectively cancelled the options granted under the original plan and reissued new options. The new options retained the majority of the terms and features of the original options except that the new options entitled the holder to acquire only ordinary shares (not DPCs) and the purchase price of the options was adjusted accordingly based on the fair value of the ordinary shares at the time of grant. The aggregate fair value of the new options was the same as that of the old options, and as such, there was no incremental compensation to be recorded as a result of the modification.

During the three months ended September 30, 2009, the Parent amended the Stock Option Plan to increase the number of shares reserved for issuance under the Stock Option Plan to 13,082,236 and to change the vesting rules by eliminating the Tranche 3 performance level requirement and measuring option performance solely by the Tranche 2 level. In effect, Tranche 3 awards and Tranche 2 awards have the same performance vesting requirements.

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A summary of stock option activity for the years ended December 31, 2008 and 2009 is presented below. Amounts in the table below have been calculated based on unrounded shares. Because each grant is divided equally between Tranches I, II and III, certain amounts may not add to the totals due to the effect of rounding.

	Ordinary Shares	Weighted-Average Exercise Price Per Share	Weighted-Average Remaining Contractual Term (in years)	Aggregate Intrinsic Value (in thousands)
Tranche 1 Options				
Balance as of December 31, 2007	4,064,479	$ 7.05	8.55	$ 17,592
Granted	131,669	11.38		
Forfeited	(145,667)	7.53		
Expired				
Exercised				
Balance as of December 31, 2008	4,050,481	7.18	7.57	17,031
Granted	1,166,667	14.89		
Forfeited	(200,432)	7.72		
Canceled	(25,000)	6.30		
Expired				
Exercised				
Options outstanding as of December 31, 2009	4,991,716	$ 8.96	7.28	$ 55,259
Options vested and exercisable as of December 31, 2009	2,195,472	$ 7.02	6.47	$ 28,554
Expected to vest as of December 31, 2009[1]	4,810,082	$ 8.90	7.26	$ 53,524
Tranche 2 and 3 Options				
Balance as of December 31, 2007	8,128,959	$ 7.05	8.55	$ 35,183
Granted	263,332	11.38		
Forfeited	(291,333)	7.53		
Expired				
Exercised				
Balance as of December 31, 2008	8,100,958	7.18	7.57	34,062
Granted	283,333	15.51		
Forfeited	(400,860)	7.72		
Canceled	(50,000)	6.30		
Expired				
Exercised				
Options outstanding as of December 31, 2009	7,933,432	$ 7.45	6.67	$ 99,796
Options vested as of December 31, 2009		$		$
Expected to vest as of December 31, 2009[1]	7,795,665	$ 7.45	6.67	$ 98,069

(1) The expected to vest options are the sum of vested options and the result of applying the forfeiture rate assumption, adjusted for cumulative actual forfeitures, to total unvested outstanding options.

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A summary of the status of the Company s non-vested options as of December 31, 2009 and of the changes during the year then ended is presented below. Amounts in the table below have been calculated based on unrounded shares. Because each grant is divided equally between Tranches I, II and III, certain amounts may not add to the totals due to the effect of rounding.

	Stock Options			Weighted-Average Grant-Date Fair Value Per Share		
	Tranche I	Tranche II	Tranche III	Tranche I	Tranche II	Tranche III
Nonvested as of December 31, 2008	2,713,709	4,050,479	4,050,479	$ 2.56	$ 1.71	$ 1.21
Granted during the year	1,166,667	258,333	25,000	$ 9.20	$ 5.96	$ 0.12
Vested during the year	(892,119)			$ 2.50		
Canceled during the year	(25,000)	(25,000)	(25,000)	$ 2.05	$ 0.31	$ 0.12
Forfeited during the year	(167,012)	(200,430)	(200,430)	$ 2.69	$ 1.79	$ 1.26
Nonvested as of December 31, 2009	2,796,244	4,083,383	3,850,049	$ 5.34	$ 1.98	$ 1.21

The fair value of stock options vested during the years ended December 31, 2009 and 2008 was $2,233 and $3,274, respectively. No stock options vested during the year ended December 31, 2007. As of December 31, 2009, there were 157,088 shares available for grant under the Stock Option Plan.

Tranche 1 Options

Tranche 1 options, with the exception of those granted during the three months ended September 30, 2009, vest over a period of 5 years (40% vesting year 2, 60% vesting year 3, 80% vesting year 4 and 100% vesting year 5) provided the participant of the option plan is continuously employed by the Company or any of its subsidiaries, and vest immediately upon a change-in-control transaction under which the investor group disposes of or sells more than 50% of the total voting power or economic interest in the Company to one or more independent third parties. Tranche 1 options granted during the three months ended September 30, 2009 vest 20% per year over five years from the date of grant provided the participant of the option plan is continuously employed by the Company or any of its subsidiaries, and vest immediately upon a change-in-control transaction under which the investor group disposes of or sells more than 50% of the total voting power or economic interest in the Company to one or more independent third parties. The Company recognizes the compensation charge for Tranche 1 awards on a straight-line basis over the requisite service period, which for options issued to date is assumed to be the same as the vesting period of 5 years. The options expire 10 years from the date of grant. Except as otherwise provided in specific option award agreements, if a participant ceases to be employed by the Company for any reason, options not yet vested expire at the termination date and options that are fully vested expire 60 days after termination of the participant s employment for any reason other than termination for cause (in which case the options expire on the participant s termination date) or due to death or disability (in which case the options expire on the date that is as much as six months after the participant s termination date). In addition, the Company has a right, but not the obligation, to repurchase all or any portion of award securities issued to a participant at the then current fair value.

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The weighted-average grant-date fair value per share of the Tranche 1 options granted during fiscal years 2009, 2008 and 2007 was $9.20, $3.56 and $2.57, respectively. The fair value of the Tranche 1 options was estimated on the date of grant using the Black-Scholes-Merton option-pricing model. Weighted-average key assumptions used in estimating the grant-date fair value of the options are as follows:

	For the year ended December 31,		
	2009	**2008**	**2007**
Expected dividend yield	0%	0%	0%
Expected volatility	34.79%	25.00%	25.00%
Risk-free interest rate	2.90%	3.01%	4.52%
Expected term (years)	6.5	6.6	6.6
Forfeiture rate	11.00%	5.00%	5.00%
Fair value per share of underlying shares	$14.89	$11.38	$7.36

The expected term of the time vesting option was based upon the simplified methodology prescribed by SAB No. 107 (SAB 107). The expected term is determined by computing the mathematical mean of the average vesting period and the contractual life of the options. The Company utilized the simplified method for options granted during the years ended December 31, 2009, 2008 and 2007 due to the lack of historical exercise data necessary to provide a reasonable basis upon which to estimate the term. The Company considered the historical and implied volatility of publicly-traded companies within the Company s industry. Ultimately, the Company utilized the implied volatility to calculate the fair value of the options as it provides a forward-looking indication and may offer insight into expected industry volatility. The risk-free interest rate is based on the yield for a U.S. Treasury security having a maturity similar to the expected life of the related grant. The forfeiture rate is based on the Company s estimate of forfeitures by plan participants based on historical forfeiture rates. The dividend yield is based on management s judgment with input from the Company s Board of Directors.

In December 2007, the SEC issued SAB No. 110 (SAB 110). SAB 110 addresses the method by which a company would determine the expected term of its plain vanilla share options. The expected term is a key factor in measuring the fair value and related compensation cost of share-based payments. Under SAB 107, companies were allowed to apply a simplified method in developing an estimate of the expected term. The use of the simplified method under SAB 107 expired on December 31, 2007. SAB 110 permits entities to continue to use the simplified method under certain circumstances, including when a company does not have sufficient historical data surrounding share option exercise experience to provide a reasonable basis upon which to estimate expected term and during periods prior to its equity shares being publicly traded. The Company concluded that it will continue to use the simplified method until sufficient historical data becomes available.

Under the fair value recognition provisions of ASC 718, the Company recognizes share-based compensation net of an estimated forfeiture rate and therefore only recognizes compensation cost for those shares expected to vest over the service period of the award. The Company has estimated its forfeitures based on historical experience. During the three months ended March 31, 2009, the Company revised its forfeiture rate from 5% to 11% based upon the actual rate of forfeitures by plan participants. As a result, the Company recorded a reduction to its non-cash compensation expense of $335 during the three months ended March 31, 2009.

During the three months ended September 30, 2009, the Company canceled an award issued to one employee on May 21, 2009 and concurrently issued a new award with different vesting terms. The Company accounted for this transaction as a modification under ASC 718, which resulted in $470 of additional value. The Company will expense the remaining unrecognized compensation expense of $524 over the vesting period of the new award.

The Board determined that the exercise price of the options granted on September 4, 2009 was established at less than the fair market value of the underlying shares. The exercise price of these options was reset on

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December 8, 2009 to $14.80, the fair market value of the ordinary shares on September 4, 2009. All other terms and provisions of the options granted, including the dates of vesting, remained unchanged and in full force and effect. In addition, the Company granted 380,900 restricted securities on December 9, 2009. The Company accounted for these transactions as a modification of the September 4, 2009 awards under ASC 718.

The Company performed a contemporaneous valuation of the ordinary shares of the Company in connection with the issuance of share-based payment awards. The Company relied on these valuation analyses in determining the fair value of the share-based payment awards. Each valuation analysis of the ordinary shares of the Company utilized a combination of the discounted cash flow method and the guideline company method. For the discounted cash flow method, the Company prepared detailed annual projections of future cash flows for fiscal years 2009 through 2014 (the Discrete Projection Period). The Company estimated the total value of the cash flow beyond fiscal year 2014 (the Terminal Year) by applying a multiple to its projected fiscal year 2014 net earnings before interest, taxes, depreciation and amortization (EBITDA). The cash flows from the Discrete Projection Period and the Terminal Year were discounted at an estimated weighted-average cost of capital (12.0% for the awards issued in September 4, 2009 and 11.0% for the awards issued on December 9, 2009). The estimated weighted-average cost of capital was derived, in part, from the median capital structure of comparable companies within similar industries. The Company believes that its procedures for estimating discounted future cash flows, including the Terminal Year valuation, were reasonable and consistent with accepted valuation practices. For the guideline company method, the Company performed an analysis to identify a group of publicly-traded companies that were comparable to the Company. Many of the companies with whom the Company competes are smaller, privately-held companies or divisions within large publicly-traded companies. Therefore, in order to develop market-based multiples, the Company turned to publicly-traded companies that the Company believes operates in industries similar to its own. The Company calculated an implied EBITDA multiple (enterprise value/EBITDA) for each of the guideline companies and selected the high multiple to apply to the Company s fiscal year 2010 projected EBITDA. The resulting enterprise value under this guideline company method was within 10% of the enterprise value under the discounted cash flow method. The Company utilized the average of the two methods to determine the fair value of the ordinary shares. In addition, we apply a marketability discount (6.0% for the awards issued on September 4, 2009 and 5.0% for the award issued on December 9, 2009) to the implied value of equity. The Company believes that this approach is consistent with the principles and guidance set forth in the 2004 AICPA Practice Aid on *Valuation of Privately-Held-Company Equity Securities Issued as Compensation*.

The Company recognized non-cash compensation expense of $2,168, $2,005 and $1,812 for the years ended December 31, 2009, 2008 and 2007, respectively. The Company did not recognize a tax benefit associated with these expenses during the years ended December 31, 2009, 2008 and 2007. As of December 31, 2009, there was $11,684 of unrecognized compensation expense related to non-vested Tranche 1 options. The Company expects to recognize this expense on average over the next 2.3 years.

Tranche 2 and 3 Options

Tranche 2 and 3 options vest based on the passage of time (over 5 years identical to Tranche 1) and the completion of a liquidity event that results in specified returns on the Sponsors investment. Prior to the Amendment to the Stock Option Plan during the three months ended September 30, 2009, the only difference between the terms of Tranche 2 and Tranche 3 awards was the amount of the required return on the Sponsors investment.

Such liquidity events would include an initial public offering or a change-in-control transaction under which the investor group disposes of or sells more than 50 percent of the total voting power or economic interest in the Company to one or more independent third parties. These options expire ten years from the date of grant. Except as otherwise provided in specific option award agreements, if a participant ceases to be employed by the Company for any reason, options not yet vested expire at the termination date and options that are fully vested expire 60 days after termination of the participant s employment for any reason other than termination for cause

(in which case the options expire on the participant s termination date) or due to death or disability (in which case the options expire on the date that is as much as six months after the participant s termination date). In addition, the Company has a right, but not the obligation, to repurchase all or any portion of award securities issued to a participant at the then current fair value.

As a result of the Amendment to the Stock Option Plan during the three months ended September 30, 2009, all outstanding Tranche 3 awards as of the date of modification require the same specified return on the equity Sponsors investment as Tranche 2 awards. The Company accounted for the Amendment as a modification under ASC 718, which resulted in $9,014 of additional value. Upon consummation of a liquidity event, the Company will recognize a cumulative catch-up adjustment for the portion of the previously unrecognized compensation expense associated with the modified award that has time vested and will continue to recognize the remaining portion over the remaining requisite service period, regardless of whether or not the equity Sponsors achieve the specified returns.

The weighted-average grant-date fair value per share of the Tranche 2 options granted during fiscal years 2009, 2008 and 2007 was $5.96, $2.15 and $1.10, respectively. The weighted-average grant-date fair value per share of the Tranche 3 options granted during fiscal years 2009, 2008 and 2007 was $0.12, $1.43 and $0.66, respectively. The fair value of the Tranche 2 and 3 options was estimated on the grant date using the Monte Carlo Simulation Approach. Weighted-average key assumptions used in estimating the grant-date fair value of the options are as follows:

	For the year ended December 31,		
	2009	2008	2007
Expected dividend yield	0%	0%	0%
Expected volatility	33.24%	25.00%	25.00%
Risk-free interest rate	0.39%	3.01%	4.52%
Expected term (years)	6.6	6.6	6.6
Forfeiture rate	11.00%	5.00%	5.00%
Assumed time to liquidity event (years)	1.0	2.0	3.7
Probability IPO vs. disposition	70% / 30%	70% / 30%	70% / 30%

Key assumptions, including the assumed time to liquidity and probability of an initial public offering versus a disposition, were based on management s judgment with input from the Company s Board of Directors.

Management has concluded that satisfaction of the performance conditions is presently not probable, based on principles established in guidance now codified within ASC 805 and, as such, no compensation expense has been recorded for these options for the years ended December 31, 2009, 2008 and 2007. In accordance with ASC 805, if a liquidity event occurs, the Company will be required to recognize compensation expense over the remaining requisite service period of the awards, including a cumulative catch-up adjustment for previously unrecognized compensation expense, regardless of whether or not the equity Sponsors achieve the specified returns. As of December 31, 2009, there was $21,242 of unrecognized compensation expense related to non-vested Tranche 2 options, including former Tranche 3 options which were effectively converted to Tranche 2 options during the three months ended September 30, 2009.

The Company granted the following share-based awards during the year ended December 31, 2009:

Grant Date	Number of options	Number of restricted stock units	Original Exercise Price	Modified Exercise Price	Fair value of ordinary shares on date of	Fair value of ordinary shares on date of	Intrinsic value per share based on fair

					grant	most recent modification	value of ordinary shares as of December 31, 2009
May 21, 2009[1]	75,000		$ 6.30	$ 14.80	$ 6.30	$ 17.48	$ 5.23
September 4, 2009[2]	950,000		7.00	14.80	14.80	17.48	5.23
December 9, 2009	350,000		17.48	NA	17.48	NA	2.55
December 9, 2009		380,900	NA	NA	17.48	NA	20.03

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(1) The award granted on May 21, 2009 for 75,000 options was cancelled and reissued on September 4, 2009. The exercise price of the reissued award increased from $6.30 to $7.00. On December 8, 2009, the award was again cancelled and reissued. The exercise price of the reissued award increased from $7.00 to $14.80.

(2) On December 8, 2009, the exercise price of these options granted on September 4, 2009 was reset to $14.80, the fair market value of the ordinary shares on September 4, 2009. The board of directors determined that the exercise price of the options granted on September 4, 2009 was established at less than the fair market value of the underlying shares. All other terms and provisions of the options granted, including the dates of vesting, remained unchanged and in full force and effect.

Restricted Securities

Sensata Technologies Holding B.V. 2006 Management Securities Purchase Plan

Under this plan, participants were granted restricted Sensata Technologies Holding N.V. securities consisting of 20,025 ordinary shares and 390,487 DPCs.

First Amended and Restated Sensata Technologies Holding B.V. 2006 Management Securities Purchase Plan

In September 2006, the Sensata Technologies Holding B.V. 2006 Management Securities Purchase Plan was replaced by the First Amended and Restated Sensata Technologies Holding B.V. 2006 Management Securities Purchase Plan. The new plan effectively cancelled the restricted DPCs granted under the original plan and reissued ordinary shares of equal value. All other terms of the restricted security grants were retained. The aggregate fair value of the restricted ordinary shares issued was the same as that of the restricted DPCs replaced by the modification and, as such, there was no incremental compensation to be recorded. Restricted securities issued totaled 91,023. For 38,905 restricted securities, restrictions lapsed as of December 31, 2007. The remaining outstanding restricted securities lapse upon the earlier of retirement, as defined, a change-in-control transaction or the third anniversary of the issuance of the shares. During fiscal year 2008, the Company repurchased 11,973 restricted securities from a shareholder.

The estimated grant-date fair value of the restricted securities issued in 2006 was determined using the Probability-Weighted Expected-Return Method as defined in the 2004 AICPA Practice Aid on Valuation of Privately-Held-Company Equity Securities Issued as Compensation. The estimated grant-date fair value of these securities using this methodology was $623, which is being recognized on a straight-line basis over the period in which the restrictions lapse.

On December 9, 2009, the Company granted 380,900 restricted securities. These securities vest on a straight-line basis over a 5-year period at 20% per year. As indicated previously, the Company accounted for the issuance of these restricted securities together with the reset of the exercise price of the September 4, 2009 stock option awards as a modification of the September 4, 2009 stock option awards under ASC 718. The incremental value associated with the modification was measured at $2,203, which will be recognized as compensation expense on a straight-line basis over the period in which the restrictions lapse.

The Company recognized non-cash compensation expense of $65, $103 and $203 in connection with restricted securities for the years ended December 31, 2009, 2008 and 2007, respectively. The Company did not recognize a tax benefit associated with these expenses during the years ended December 31, 2009, 2008 and 2007. As of December 31, 2009, there was $2,178 of unrecognized compensation expense related to restricted securities. The Company expects to recognize this expense over the next five years.

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A summary of the restricted securities activity as of and for the years ended December 31, 2008 and 2009 is as follows:

	Ordinary Shares	Weighted-Average Grant-Date Fair Value
Balance as of December 31, 2007	91,023	$ 6.85
Granted shares		
Forfeitures		
Repurchases	(11,973)	6.85
Balance as of December 31, 2008	79,050	6.85
Granted shares	380,900	17.48
Forfeitures		
Balance as of December 31, 2009	459,950	$ 15.65
Restrictions lapsed as of December 31, 2009	26,932	$ 6.85

The restricted security aggregate intrinsic value information as of December 31, 2009, 2008 and 2007 is presented below. The expected to vest restricted securities are the sum of vested restricted securities and the result of applying the forfeiture rate assumption to total unvested restricted securities.

	December 31, 2009	December 31, 2008	December 31, 2007
Vested and outstanding	$ 539	$ 306	$ 443
Expected to vest	$ 8,258	$ 900	$ 1,036

The weighted-average remaining periods over which the restrictions will lapse, expressed in years, as of December 31, 2009, 2008 and 2007 are as follows:

	December 31, 2009	December 31, 2008	December 31, 2007
Outstanding	4.6	*	1.4
Expected to vest	4.6	*	1.4

* Reflects less than one year remaining

15. Shareholders Equity

The authorized share capital of the Company consists of 175,000,000 ordinary shares with a nominal value of 0.01 per share, of which 144,068,541 ordinary shares were issued and 144,056,568 were outstanding as of December 31, 2009.

Upon the close of the Sensata Acquisition, the Sponsors contributed $985.0 million to the Parent. The Parent, in turn, contributed these proceeds to the Company and in exchange received 31,636,360 Ordinary Shares, 0.01 nominal value per share, and 616,909 of DPCs. The DPCs were issued as debt and provided the holder with a 14% yield on the principal amount. As a result, the DPCs were classified as long-term debt as of April 27, 2006 (inception) and the accrued yield was recognized as interest expense. In addition, the DPCs and the related yield were remeasured into the U.S. dollar equivalent at the end of each reporting period with the difference recorded as currency gain or loss. For the period from April 27, 2006 (inception) to September 21, 2006, the Company recorded DPCs-related interest expense of $44,581 and a foreign currency loss on remeasurement of the DPCs and accrued yield of $13,442.

As discussed in Note 14, in May 2006 the Company granted 20,025 restricted ordinary shares and 390,487 DPCs to certain members of the Company s management.

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On July 28, 2006, certain members of management participated in the Sensata Investment Company S.C.A. First Amended and Restated 2006 Management Securities Purchase Plan. In connection with this plan, certain members of management contributed $1,557 to the Parent and received an equity interest in the Parent. On September 29, 2006, the Parent contributed $1,557 to the Company in exchange for 228,000 ordinary shares of the Company.

On September 21, 2006, the Company legally retired the DPCs effective as of April 27, 2006 (inception). As a result, additional ordinary shares totaling 112,165,276, excluding 70,998 restricted ordinary shares issued to management, were issued to the holders of the DPCs.

During fiscal year 2008, the Company repurchased 11,973 ordinary shares for $136 from a shareholder.

Additionally, in December 2009, the Company granted 380,900 restricted ordinary shares to certain members of the Company s management.

16. Related Party Transactions

The nature of the Company s related party transactions has changed as the Company has migrated from a wholly-owned operation of TI for all periods prior to the closing of the 2006 Acquisition to a stand-alone independent company, effective as of April 27, 2006 (inception). Accordingly, the following discussion of related party transactions highlights the significant related party relationships and transactions both after (Successor) and before (Predecessor) the closing of the 2006 Acquisition.

Advisory Agreement

In connection with the 2006 Acquisition, the Company entered into an advisory agreement with the Sponsors for ongoing consulting, management advisory and other services (the Advisory Agreement). In consideration for ongoing consulting and management advisory services, the Advisory Agreement requires the Company to pay each Sponsor a quarterly advisory fee (a Periodic Fee) equal to the product of $1,000 times such Sponsors Fee Allocation Percentage as defined in the Advisory Agreement. For each of the years ended December 31, 2009, 2008 and 2007, the Company recorded $4,000 related to the Advisory Agreement in Selling, general and administrative expense. Pursuant to the Advisory Agreement, the Company paid an aggregate of $30,000 to the Sponsors in connection with the costs of the 2006 Acquisition (and capitalized as part of the allocation of purchase price and capitalized debt issuance costs).

In addition, in the event of future services provided in connection with any future acquisition, disposition, or financing transactions involving the Company, the Advisory Agreement requires the Company to pay the Sponsors an aggregate fee of one percent of the gross transaction value of each such transaction (Subsequent Fees). In connection with the First Technology Automotive Acquisition, the Company paid and capitalized as part of the acquisition cost advisory fees of $900 to the Sponsors. In connection with the Airpax Acquisition, the Company paid advisory fees of $2,755 to the Sponsors, of which $1,653 was recorded in Selling, general and administrative expense and $1,102 was recorded as part of the acquisition cost of Airpax. No amounts were capitalized to deferred financing costs associated with the financing of the Airpax Acquisition.

The Advisory Agreement also requires the Company to pay the reasonable expenses of the Sponsors in connection with, and indemnify them for liabilities arising from, the Advisory Agreement. The Advisory Agreement continues in full force and effect until April 26, 2016, renewable, unless terminated, in one-year extensions provided, however, that Bain Capital may cause the agreement to terminate upon a change of control or initial public offering. In the event of the termination of the Advisory Agreement, the Company shall pay each of the Sponsors any unpaid portion of the Periodic Fees, any Subsequent Fees and any expenses due with respect to periods prior to the date of termination plus the net present value (using a discount rate equal to the then yield on U.S. Treasury Securities of like maturity) of the Periodic Fees that would have been payable with respect to the period from the date of termination until April 26, 2016 or any extension period.

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Administrative Services Agreement

During the year ended December 31, 2009, the Company entered into a fee for service arrangement with its Parent for ongoing consulting, management advisory and other services (the Administrative Services Agreement), effective January 1, 2008. During 2009, the Company advanced $266 to Sensata Investment Company S.C.A. prior to executing the Administrative Services Agreement. The Company incurred $588 related to the Administrative Services Agreement during the year ended December 31, 2009, of which $322 was paid in cash and $266 was settled by offsetting existing amounts due from the Parent.

Other Arrangements with the Investor Group and its Affiliates

For the years ended December 31, 2009, 2008 and 2007, the Company recorded $1,370, $1,467 and $1,782, respectively, of expenses in Selling, general and administrative expense for legal services provided by one of its shareholders. During the years ended December 31, 2009, 2008 and 2007, the Company made payments of $2,086, $772 and $2,682, respectively, to this shareholder. For the year ended December 31, 2007, the Company capitalized $1,284 as purchase price. As of December 31, 2009 and 2008, amounts due to this shareholder totaled $105 and $821, respectively.

During 2009, certain executive officers and other members of management of the Company invested in a limited partnership along with its Sponsors. The limited partnership was formed with the intent to invest in the Company s bonds among other potential investment opportunities.

Transition Services Agreement

In connection with the 2006 Acquisition, the Company entered into an administrative services agreement with TI (the Transition Services Agreement). Under the Transition Services Agreement, TI agreed to provide the Company with certain administrative services, including (i) real estate services; (ii) facilities-related services; (iii) finance and accounting services; (iv) human resources services; (v) information technology system services; (vi) warehousing and logistics services; and (vii) record retention services. The obligations for TI to provide those services vary in duration, and expired no later than April 26, 2007, except for certain information technology services which expired no later than April 26, 2008. The amounts to be paid under the Transition Services Agreement generally are based on the costs incurred by TI providing those administrative services, including TI s employee costs and out-of-pocket expenses. For the years ended December 31, 2008 and 2007, the Company recorded $217 and $10,504, respectively, in Selling, general, and administrative expense related to these administrative services. The Company is no longer receiving any services provided under the Transition Services Agreement.

Cross License Agreement

In connection with the 2006 Acquisition, the Company entered into a cross license agreement with TI (the Cross License Agreement). Under the Cross License Agreement, the Company and TI grant each other a license to use certain technology used in connection with the other party s business.

17. Commitments and Contingencies

The Company has outstanding obligations associated with its capital lease and other financing obligations (refer to Note 11).

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Future minimum payments for capital leases, other financing obligations and non-cancelable operating leases in effect as of December 31, 2009 are as follows:

	Future Minimum Payments			
	Capital Leases	Other Financing Arrangements	Operating Leases	Total
For the year ending December 31,				
2010	$ 3,552	$ 1,949	$ 5,147	$ 10,648
2011	3,565	1,619	2,686	7,870
2012	3,590	1,454	1,921	6,965
2013	3,624	995	1,331	5,950
2014	3,659	668	909	5,236
2015 and thereafter	40,744	10,829	3,587	55,160
Net minimum rentals	58,734	17,514	$ 15,581	$ 91,829
Less: interest portion	(28,447)	(5,867)		
Present value of future minimum rentals	$ 30,287	$ 11,647		

Non-cancelable purchase agreements exist with various suppliers for goods and services, such as advisory services (as described in Note 15) and information technology support. The terms of these agreements are fixed and determinable. As of December 31, 2009, the Company had the following purchase commitments:

	Purchase Commitments
For the year ending December 31,	
2010	$ 15,586
2011	9,297
2012	4,630
2013	4,035
2014	4,035
2015 and thereafter	9,403
Total	$ 46,986

Off-Balance Sheet Commitments

The Company executes contracts involving indemnifications standard in the relevant industry and indemnifications specific to a transaction such as sale of a business. These indemnifications might include claims relating to the following: environmental matters; intellectual property rights; governmental regulations and employment-related matters; customer, supplier and other commercial contractual relationships; and financial matters. Performance under these indemnities would generally be triggered by a breach of terms of the contract or by a third-party claim. Historically, the Company has had only minimal and infrequent losses associated with these indemnities. Consequently, any future liabilities brought about by these indemnities cannot reasonably be estimated or accrued.

Indemnifications provided as part of Contracts and Agreements

The Company is a party to the following three types of agreements pursuant to which it may be obligated to indemnify the other party with respect to certain matters:

Sponsors: On the closing date of the 2006 Acquisition, the Company entered into customary indemnification agreements with the Sponsors pursuant to which the Company will indemnify the Sponsors,

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against certain liabilities arising out of performance of a consulting agreement with the Company and each of the Sponsors and certain other claims and liabilities, including liabilities arising out of financing arrangements and securities offerings.

Officers and Directors: The Company s corporate by-laws require that, except to the extent expressly prohibited by law, the Company must indemnify Sensata s officers and directors against judgments, fines, penalties and amounts paid in settlement, including legal fees and all appeals, incurred in connection with civil or criminal action or proceedings, as it relates to their services to Sensata and its subsidiaries. Although the by-laws provide no limit on the amount of indemnification, the Company may have recourse against its insurance carriers for certain payments made by the Company. However, certain indemnification payments may not be covered under the Company s directors and officers insurance coverage.

Intellectual Property and Product Liability Indemnification: The Company routinely sells products with a limited intellectual property and product liability indemnification included in the terms of sale. Historically, the Company has had only minimal and infrequent losses associated with these indemnities. Consequently, any future liabilities resulting from these indemnities cannot reasonably be estimated or accrued.

Product Warranty Liabilities

The Company s standard terms of sale provide its customers with a warranty against faulty workmanship and the use of defective materials. These warranties exist for a period of eighteen months after the date we ship the product to our customer or for a period of twelve months after the customer resells our product, whichever comes first. The Company does not offer separately priced extended warranty or product maintenance contracts. The Company s liability associated with this warranty is, at the Company s option, to repair the product, replace the product or provide the customer with a credit. The Company also sells products to customers under negotiated agreements or where the Company has accepted the customer s terms of purchase. In these instances, the Company may make additional warranties, for longer durations consistent with differing end-market practices, and where the Company s liability is not limited. Finally, many sales take place in situations where commercial or civil codes, or other laws, would imply various warranties and restrict limitations on liability. In the event a warranty claim based on defective materials exists, the Company may be able to recover some of the cost of the claim from the vendor from whom the material was purchased. The Company s ability to recover some of the costs will depend on the terms and conditions to which the Company agreed when the material was purchased. When a warranty claim is made, the only collateral available to the Company is the return of the inventory from the customer making the warranty claim. Historically, when customers make a warranty claim, the Company either replaces the product or provides the customer with a credit. The Company generally does not rework the returned product.

The Company s policy is to accrue for warranty claims when both a loss is probable and can be estimated. This is accomplished by reserving for estimated sales returns and estimated costs to rework the product at the time the related revenue is recognized. Reserves for sales returns and liabilities for warranty claims have historically not been material. See Note 2 for further information on the Company s revenue recognition policy.

In some instances, customers may make claims for costs they incurred or other damages. Any potentially material liabilities associated with these claims are discussed in this Note under the heading Legal Proceedings.

Environmental Remediation Liabilities

The Company s operations and facilities are subject to U.S. and foreign laws and regulations governing the protection of the environment and the Company s employees, including those governing air emissions, water discharges, the management and disposal of hazardous substances and wastes, and the cleanup of contaminated sites. The Company could incur substantial costs, including cleanup costs, fines or civil or criminal sanctions, or third-party property damage or personal injury claims, in the event of violations or liabilities under these laws and regulations, or non-compliance with the environmental permits required at the Company s facilities. Potentially significant expenditures could be required in order to comply with environmental laws that may be adopted or imposed in the future. The Company is, however, not aware of any threatened or pending material environmental investigations, lawsuits or claims involving the Company or its operations.

In 2001, TI Brazil was notified by the State of São Paolo, Brazil, regarding its potential cleanup liability as a generator of wastes sent to the Aterro Mantovani disposal site, which operated near Campinas from 1972 to 1987. The site is a landfill contaminated with a variety of chemical materials, including petroleum products, allegedly disposed at the site. TI Brazil is one of over 50 companies notified of potential cleanup liability. There have been several lawsuits filed by third parties alleging personal injuries caused by exposure to drinking water contaminated by the disposal site. The Company s subsidiary, Sensata Technologies Brazil, is the successor in interest to TI Brazil. However, in accordance with the terms of the acquisition agreement entered into in connection with the 2006 Acquisition, Texas Instruments retained these liabilities (subject to the limitations set forth in that agreement) and has agreed to indemnify the Company with regard to these excluded liabilities. Additionally, in 2008 lawsuits were filed against Sensata Technologies Brazil alleging personal injuries suffered by individuals who were exposed to drinking water allegedly contaminated by the Aterro disposal site. These matters are managed and controlled by TI. TI is defending these lawsuits, which are in early stages. Although Sensata Technologies Brazil cooperates with TI in this process, the Company does not anticipate incurring any non-reimbursable expenses related to the matters described above. Accordingly, no amounts have been accrued for these matters as of December 31, 2009 or 2008.

Control Devices, Inc. (CDI), a wholly-owned subsidiary of STI acquired through our acquisition of First Technology Automotive, holds a post-closure license, along with GTE Operations Support, Inc. (GTE), from the Maine Department of Environmental Protection with respect to a closed hazardous waste surface impoundment located on real property and a facility owned by CDI in Standish, Maine. The post-closure license obligates GTE to operate a pump and treatment process to reduce the levels of chlorinated solvents in the groundwater under the property. The post-closure license obligates CDI to maintain the property and provide access to GTE. The Company does not expect the costs to comply with the post-closure license to be material. As a related but separate matter, pursuant to the terms of an Environmental Agreement dated July 6, 1994, GTE retained liability and agreed to indemnify CDI for certain liabilities related to the soil and groundwater contamination from the surface impoundment and an out-of-service leach field at the Standish, Maine facility, and CDI and GTE have certain obligations related to the property and each other. The site is contaminated primarily with chlorinated solvents. The Company does not expect the remaining cost associated with addressing the soil and groundwater contamination to be material.

The Company is subject to compliance with laws and regulations controlling the export of goods and services. Certain of the Company s products are subject to International Traffic in Arms Regulation (ITAR). These products represent an immaterial portion of the Company s revenues and the Company has not exported an ITAR-controlled product. However, if in the future the Company decides to export ITAR-controlled products, such transactions would require an individual validated license from the U.S. State Department s Directorate of Defense Trade Controls. The State Department makes licensing decisions based on type of product, destination of end use, end user and considers national security and foreign policy. The length of time involved in the licensing process varies, but is currently less than three weeks. The license processing time could result in delays in the shipping of products. These laws and regulations are subject to change, and any such change may require the Company to change technology or incur expenditures to comply with such laws and regulations.

Legal Proceedings

The Company accounts for litigation and claims losses in accordance with ASC Topic 450, *Contingencies* (ASC 450). ASC 450 loss contingency provisions are recorded for probable and estimable losses at the Company s best estimate of a loss, or when a best estimate cannot be made, at the Company s estimate of the minimum loss. These estimates are often developed prior to knowing the amount of the ultimate loss. These estimates are refined each accounting period as additional information becomes known. Accordingly, the

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Company is often initially unable to develop a best estimate of loss and therefore the minimum amount, which could be zero, is recorded. As information becomes known, either the minimum loss amount is increased, resulting in additional loss provisions, or a best estimate can be made resulting in additional loss provisions. Occasionally, a best estimate amount is changed to a lower amount when events result in an expectation of a more favorable outcome than previously expected.

The Company is regularly involved in a number of claims and litigation matters in the ordinary course of business. Most of the Company s litigation matters are third-party claims for property damage allegedly caused by the Company s products, but some involve allegations of personal injury or wrongful death. The Company believes that the ultimate resolution of the current litigation matters that are pending against the Company, except potentially those matters described below, will not have a material effect on the Company s financial condition or results of operations.

Ford Speed Control Deactivation Switch Litigation: The Company is involved in a number of litigation matters relating to a pressure switch that TI sold to Ford Motor Company (Ford) for several years until 2002. Ford incorporated the switch into a cruise control deactivation switch system that it installed in certain vehicles. Due to concerns that, in some circumstances, this system and switch may cause fires, Ford issued seven separate recalls of vehicles in the United States between 1999 and October 23, 2009, which covered approximately fourteen million vehicles in the aggregate. Also, in October 2009, Mazda issued a recall in the United States of 36,000 vehicles that Ford had manufactured for it which contained the system and switch; and in December 2009, Ford China issued a recall of 528 vehicles imported into China by Ford.

In 2001, TI received a demand from Ford for reimbursement of costs related to the first recall in 1999, a demand that TI rejected and that Ford has not subsequently pursued against the Company. Ford has never made such a demand to the Company, nor made demands of the Company related to the subsequent recalls.

In August 2006, the National Highway Traffic Safety Administration (NHTSA) issued a closing report based on a multi-year investigation which found that the fire incidents were caused by system-related factors. On October 14, 2009, NHTSA issued a closing report associated with a more recent recall which modified the findings of the 2006 report but continued to emphasize system factors.

As of December 31, 2009, the Company was a defendant in 26 lawsuits in which plaintiffs have alleged property damage and various personal injuries from the system and switch. Of these cases, 17 are pending in a state multi-district litigation in the 53rd Judicial Court of Travis County, Texas, *In re Ford Motor Company Speed Control Deactivation Switch Litigation*, Docket No. D-1-GN-08-00091; 3 are pending in a federal multi-district litigation in the United States District Court for the Eastern District of Michigan, *Ford Motor Co. Speed Control Deactivation Switch Products Liability Litigation,* Docket No. 05-md-01718. The remainder is in individual dockets in various state courts of California, Georgia, Tennessee, and Texas, and the federal court for the Southern District of Iowa.

For the most part, these cases seek an unspecified amount of compensatory and exemplary damages. For the plaintiffs that have requested a specific amount, the range of the demand is $50,000 to $3.0 million. Ford and TI are co-defendants in each of these lawsuits.

In accordance with terms of the acquisition agreement entered into in connection with the 2006 Acquisition, the Company is managing and defending these lawsuits on behalf of both the Company and TI. The majority of these cases are in discovery. Two have been set for trial and one is on appeal.

During fiscal year 2008, the Company settled all outstanding wrongful death cases related to these matters for amounts that did not have a material effect on the Company s financial condition or results of operations. As for the cases that are still pending, the Company has included a reserve in its financial statements in the amount

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of $0.7 million as of December 31, 2009. There can be no assurances, however, that this reserve will be sufficient to cover the extent of the Company s costs and potential liability from these matters. Any additional liability in excess of this reserve could have a material adverse effect on the Company s financial condition or results of operations.

Whirlpool Recall Litigation: The Company is involved in litigation relating to certain control products that TI sold between 2000 and 2004 to Whirlpool Corporation (Whirlpool). The control products were incorporated into the compressors of certain refrigerators in a number of Whirlpool brands, including Maytag, Jenn-Air, Amana, Admiral, Magic Chef, Performa by Maytag, and Crosley. Whirlpool contends that the control products were defective because they allegedly fail at excessive rates and have allegedly caused property damage, including fires. During fiscal years 2007 and 2008, the Company paid Whirlpool for certain costs associated with third-party claims and other external engineering costs, in amounts that did not have a material adverse effect on the Company s financial condition or results of operations. During 2009, Whirlpool in conjunction with the Consumer Product Safety Commission (CPSC) announced voluntary recalls of approximately 1.8 million refrigerators.

On January 28, 2009, Whirlpool Corporation, as well as its subsidiaries Whirlpool SA and Maytag Corporation, filed a lawsuit against TI and the Company s subsidiary, STI. The lawsuit was filed in the Circuit Court of Cook County, Illinois, under the name *Whirlpool Corp. et al. v. Sensata Technologies, Inc. et al.*, Docket No. 2009-L-001022. The complaint asserts, among other things, contract claims as well as claims for breach of warranty, fraud, negligence, indemnification and deceptive trade practices. It seeks an unspecified amount of compensatory and exemplary damages. The Company and TI have answered the complaint and denied liability.

The Company and Texas Instruments subsequently filed a cross claim for indemnification against Empresa Braseila de Compressores, S.A., n/k/a Whirlpool SA, and Embraco North America, Inc., together Embraco. The Company asserts, among other things, that Embraco was responsible for testing the compatibility of the control product with its compressors, and that the Company and TI have become exposed to litigation because of Embraco s actions and inactions. The Company believes that Embraco is now a wholly-owned subsidiary of Whirlpool SA.

Discovery on all claims and cross-claims is ongoing, and the court has reserved time in April 2011 for a possible trial.

In January 2009, TI elected under the acquisition agreement to become the controlling party for this lawsuit and will manage and defend the litigation on behalf of both TI and the Company. Although the Company is working with TI to defend the litigation, the Company believes that a loss is probable and, as of December 31, 2009, has recorded a reserve of $5.9 million for this matter. There can be no assurances, however, that this reserve will be sufficient to cover the extent of the Company s costs and potential liability from this or any related matters. Any additional liability in excess of this reserve could have a material adverse effect on the Company s financial condition or results of operations.

Pursuant to the terms of the acquisition agreement entered into in connection with the 2006 Acquisition, and subject to the limitations set forth in that agreement, TI has agreed to indemnify the Company for certain claims and litigation, including this matter, provided that the aggregate amount of costs and/or damages from such claims exceeds $30.0 million. If the aggregate amount of costs and/or damages from these claims exceeds $30.0 million, TI is obligated to indemnify the Company for amounts in excess of the $30.0 million threshold up to a cap on TI s indemnification obligation of $300.0 million. In January 2010, the Company notified TI that, as of December 31, 2009, the Company believes it had incurred approximately $26.7 million of costs that apply towards the indemnification. TI has reserved all rights to contest that claim, and may dispute all or some portion of the amount the Company claimed. The Company believes that its costs and/or damages from the Whirlpool Litigation and other claims and litigation matters will ultimately exceed $30.0 million.

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The Company is also involved in a related, but separate proceeding with Texas Instrument s insurer, American Alternative Insurance. On June 3, 2009, Texas Instruments filed a lawsuit against American Alternative seeking reimbursement for its defense costs in the Whirlpool litigation and third party claims. The case, *Texas Instruments Incorporated v. American Alternative Ins. Corp.*, was filed in the 193rd Court of Dallas County, Texas, No. DC-09-07045-L. On October 16, 2009, American Alternative filed a third party claims against STI alleging that STI assumed liability for the Whirlpool matters under the acquisition agreement referred to in the preceding paragraph. On that basis, American Alternative has asserted that the Company owes American Alternative for any amounts that it may ultimately be required to pay to Texas Instruments. Texas Instruments is defending this claim on STI s behalf, and has filed an answer denying any liability.

Pelonis Appliances. On December 26, 2008, seven individuals filed suit against Pelonis Appliances, Inc., which sells a fan forced heater product, manufactured by GD Midea Environmental Appliances Mfg. Co. Ltd. (GD Midea), that incorporates one of our thermal cut-off products, which was purchased from one of our distributors. The lawsuit, *Cueller v. Pelonis Appliances, Inc.*, No. 08-16188, 160th Judicial District Court of Dallas County, Texas, arose out of a residential fire that resulted in one death, personal injuries (including burns) to the other plaintiffs, and property damage.

Pelonis demanded indemnity from Sensata in a letter dated May 6, 2009, and the Company rejected that demand. On June 9, 2009, the plaintiffs amended their complaint to include STI as a defendant. The plaintiffs seek an unspecified amount of actual and exemplary damages.

On August 3, 2009, the Company answered the amended complaint, denying any liability. The Company also asserted cross-claims against Pelonis for indemnification and against Pelonis and GD Midea as responsible third parties.

Discovery is ongoing, and a trial has been scheduled for August 2, 2010. As of December 31, 2009, the Company has not recorded a reserve for this matter.

Huawei. Huawei, a Chinese telecommunications equipment customer, has informed the Company that it is planning to conduct a field replacement campaign for power supply products containing the Company s circuit breakers. The customer has alleged defects in the Company s products, which are sold through distributors to two power supply subcontractors. There are 24,000 systems in the field and the Company estimates that a 100% field replacement campaign could cost approximately $6.0 million. The customer has not yet determined the percentage of systems that will need to be serviced. The Company is contesting the customer s allegations but working with them to analyze the situation.

The Company has included a reserve in its financial statements in the amount of $0.4 million as of December 31, 2009. There can be no assurances, however, that this reserve will be sufficient to cover the extent of the Company s costs and potential liability from these matters. Any additional liability in excess of this reserve could have a material adverse effect on the Company s financial condition or results of operations.

Audi. Audi, a part of the Volkswagen Auto Group, has alleged defects in certain of the Company s products installed in its vehicles. The customer first brought the claim in 2008 in the amount 8.1 million in expenses related to replacement of the Company s products. The customer recently expanded its claim to 24.0 million. The Company is contesting the customer s allegations, but has entered into discussions seeking to resolve the dispute. To date, the customer has not filed a lawsuit or instituted any proceedings against the Company relating to the claim. The Company has included a reserve in its financial statements in the amount of 0.9 million or $1.2 million as of December 31, 2009. There can be no assurances, however, that this reserve will be sufficient to cover the extent of the Company s costs and potential liability from these matters. Any additional liability in excess of this reserve could have a material adverse effect on the Company s financial condition or results of operations.

Coffeemakers. Certain European small appliance customers have made claims alleging defects in one of the Company s electro mechanical controls products. One customer has conducted a recall of their products and two customers have reported several third-party fire incidents. One customer has filed a lawsuit against the Company, *Jede AB v. Stig Wahlström AB and Sensata Technologies Holland B.V., No. 10017-9,* Soederfoern district court, Sweden. The suit alleges damages amounting to 1.8 million. The Company filed its answer on December 1, 2009, and denied liability. Discovery has not yet begun. The other customer claims aggregate to a similar amount. The Company is contesting these claims. As of December 31, 2009, the Company has not recorded a reserve for this matter.

18. Financial Instruments

The carrying values and fair values of financial instruments as of December 31, 2009 and 2008 are as follows:

	December 31, 2009		December 31, 2008	
	Carrying Value	Fair Value	Carrying Value	Fair Value
Assets:				
Cash	$ 148,468	$ 148,468	$ 77,716	$ 77,716
Trade receivables	180,839	180,839	145,759	145,759
Commodity forward contracts	644	644	554	554
Interest rate caps	1,550	1,550		
Euro call option	993	993		
Liabilities				
Senior secured term loans	$ 1,468,100	$ 1,295,320	$ 1,473,915	$ 611,043
Senior Notes and Senior Subordinated Notes	790,792	768,079	969,749	337,565
Revolving credit facility			25,000	19,569
Interest rate collars	8,587	8,587	4,221	4,221
Interest rate swap	3,157	3,157	6,585	6,585
Commodity forward contracts	193	193		

The estimated fair values of amounts reported in the consolidated financial statements have been determined by using available market information and appropriate valuation methodologies. Cash and trade receivables are carried at their cost which approximates fair value because of their short-term nature.

The fair values of the Company s long-term obligations are determined by using a valuation model that discounts estimated future cash flows at the benchmark interest rate plus an estimated credit spread.

Fair Value Hierarchy

ASC 820 establishes a framework for measuring fair value in accordance with U.S. GAAP and expands disclosures about fair value measurements. ASC 820 emphasizes that fair value is a market-based measure which should be evaluated based on applicable assumptions for pricing an asset or liability as well as consideration of ongoing performance. ASC 820 clarifies that a fair value measurement for a liability should reflect the risk that the obligation will not be fulfilled (i.e., non-performance risk). A reporting entity s credit risk is a component of the non-performance risk associated with its obligations and, therefore, should be considered in measuring fair value of its liabilities. Effective January 1, 2008, the Company adopted reporting requirements for financial assets and financial liabilities and effective January 1, 2009, the Company adopted similar provisions for nonfinancial assets and nonfinancial liabilities. This adoption did not have a material effect on the Company s financial position or results of operations.

The Company s financial assets and financial liabilities recorded at fair value have been categorized based upon a fair value hierarchy in accordance with ASC 820. The levels of the fair value hierarchy are described below:

Level 1 inputs utilize quoted prices (unadjusted) in active markets for identical assets and liabilities that the Company has the ability to access at the measurement date.

Level 2 inputs utilize inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly. Level 2 inputs include quoted prices for similar assets and liabilities in active markets, and inputs other than quoted prices that are observable for the asset or liability, such as interest rates and yield curves that are observable at commonly quoted intervals.

Level 3 inputs are unobservable inputs for the asset or liability, allowing for situations where there is little, if any, market activity for the asset or liability.

Measured on a Recurring Basis

The following table presents information about the Company s assets and liabilities measured at fair value on a recurring basis as of December 31, 2009, aggregated by the level in the fair value hierarchy within which those measurements fall:

	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	December 31, 2009
Assets				
Commodity forward contracts	$	$ 644	$	$ 644
Interest rate caps		1,550		1,550
Euro call option		993		993
Total	$	$ 3,187	$	$ 3,187
Liabilities				
Interest rate collars	$	$ 8,587	$	$ 8,587
Interest rate swap		3,157		3,157
Commodity forward contracts		193		193
Total	$	$ 11,937	$	$ 11,937

Although the Company has determined that the majority of the inputs used to value its derivatives fall within Level 2 of the fair value hierarchy, the credit valuation adjustments associated with its derivatives utilize Level 3 inputs, such as estimates of current credit spreads, to evaluate the likelihood of default by itself and its counterparties. However, as of December 31, 2009, the Company has assessed the significance of the impact of the credit valuation adjustments on the overall valuation of its derivative positions and has determined that the credit valuation adjustments are not significant to the overall valuation of its derivatives. As a result, the Company has determined that its derivative valuations in their entirety are classified in Level 2 in the fair value hierarchy.

The Company does not have any fair value measurements using significant unobservable inputs (Level 3) as of December 31, 2009.

Measured on a Non-Recurring Basis

For assets and liabilities measured on a non-recurring basis during the period, ASC 820 requires quantitative disclosures about the fair value measurements separately for each major category.

In March 2009, the Company determined that goodwill and definite-lived intangible assets associated with its Interconnection reporting unit were impaired and recorded a charge totaling $19,867 in the consolidated statement of operations (refer to Note 8 for further discussion) to reduce its book value to its implied fair value.

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The Interconnection assets itemized below were measured at fair value on a non-recurring basis during the three months ended March 31, 2009 using an income approach. The balances of definite-lived intangible assets and goodwill associated with Interconnection as of March 31, 2009, as well as the impairment charges recorded during the three months ended March 31, 2009, were as follows:

	Fair Value Measurement	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total Impaired (Losses)
Definite-lived intangible assets	$ 10,630	$	$	$ 10,630	$ (14,574)
Goodwill	3,341			3,341	(5,293)
	$ 13,971	$	$	$ 13,971	$ (19,867)

Derivative Instruments and Hedging Activities

In March 2008, the FASB issued amendments to guidance that is now codified within ASC 815 which amended and expanded the disclosure requirements for derivative instruments and hedging activities with the intent to provide users of financial statements an enhanced understanding of (a) how and why an entity uses derivative instruments, (b) how derivative instruments and related hedged items are accounted and (c) how derivative instruments and related hedged items affect an entity s financial position, financial performance and cash flows. ASC 815 also requires qualitative disclosures about objectives and strategies for using derivatives, quantitative disclosures about the fair value of and gains and losses on derivative instruments and disclosures about credit risk related contingent features in derivative instruments.

As required by ASC 815, the Company records all derivatives on the balance sheet at fair value. The accounting for changes in the fair value of derivatives depends on the intended use of the derivative, whether the Company has elected to designate a derivative in a hedging relationship and apply hedge accounting and whether the hedging relationship has satisfied the criteria necessary to apply hedge accounting. Derivatives designated and qualifying as a hedge on the exposure to changes in the fair value of an asset, liability or firm commitment attributable to a particular risk, such as interest rate risk, are considered fair value hedges. Derivatives designated and qualifying as a hedge of the exposure to variability in expected future cash flows, or other types of forecasted transactions are considered cash flow hedges. Derivatives may also be designated as hedges of the foreign currency exposure of a net investment in a foreign operation. Hedge accounting generally provides for the matching of the timing of gain or loss recognition on the hedging instrument with the recognition of the changes in the fair value of the hedged asset or liability that are attributable to the hedged risk in a fair value hedge or the earnings effect of the hedged forecasted transactions in a cash flow hedge. The Company may enter into derivative contracts that are intended to economically hedge certain of its risks, even though the Company elects not to apply hedge accounting under ASC 815.

Interest Rate Risk

The Company s objectives in using interest rate derivatives are to add stability to interest expense and to manage its exposure to interest rate movements on its U.S. dollar and Euro-denominated floating rate debt. To accomplish this objective, the Company primarily uses interest rate swaps, collars and caps as part of its interest rate risk management strategy. Interest rate swaps designated as cash flow hedges involve the receipt of variable- rate amounts from a counterparty in exchange for the Company making fixed-rate payments over the life of the agreements without exchange of the underlying notional amount. Interest rate collars designated as cash flow hedges involve the receipt of variable rate amounts if interest rates rise above the cap strike rate on the contract and payments of variable rate amounts if interest rates fall below the floor strike rate on the contract. Interest rate caps designated as cash flow hedges involve the receipt of variable rate amounts if interest rates rise above the cap strike rate on the contract.

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The effective portion of changes in the fair value of derivatives designated and that qualify as cash flow hedges is recorded in accumulated other comprehensive loss and is subsequently reclassified into earnings in the period that the hedged forecasted transaction affects earnings. During the years ended December 31, 2009, 2008 and 2007, such derivatives were used to hedge the variable cash flows associated with existing variable rate debt. The ineffective portion of the change in fair value of the derivatives is recognized directly in earnings. For the years ended December 31, 2009, 2008 and 2007, the Company recorded no ineffectiveness in earnings and no amounts were excluded from the assessment of effectiveness.

Amounts reported in accumulated other comprehensive loss related to derivatives will be reclassified to interest expense as interest payments are made on the Company s variable rate debt. As of December 31, 2009, the Company estimates that an additional $11,040 will be reclassified from accumulated other comprehensive loss to interest expense during the year ending December 31, 2010.

As of December 31, 2009, the Company had the following outstanding interest rate derivatives that were designated as cash flow hedges of interest rate risk:

Interest Rate Derivatives	**Notional (in millions)**	**Effective Date**	**Maturity Date**	**Index**	**Strike Rate**
Interest Rate Swap	$ 115.0	July 27, 2006	January 27, 2011	3-month LIBOR	5.377%
Interest Rate Collars	245.0	July 28, 2008	April 27, 2011	3-month EURIBOR	3.55% - 4.40
Interest Rate Cap	100.0	March 5, 2009	April 29, 2013	3-month EURIBOR	5.00%
Interest Rate Cap	$ 600.0	March 5, 2009	April 29, 2013	3-month LIBOR	5.00%

Foreign Currency Risk

Consistent with the Company s risk management objective and strategy to reduce exposure to variability in cash flows on its outstanding debt, in December 2009, the Company executed a foreign currency call option. This instrument was not designated for hedge accounting treatment in accordance with ASC 815. Changes in the fair value of derivatives not designated in hedging relationships are recorded in the statement of operations as a gain or loss within Currency translation gain/(loss) and other, net. During the year ended December 31, 2009, the Company recognized a net loss of $82 associated with this derivative. As of December 31, 2009, the Company had the following outstanding derivative that was not designated as a hedge in qualifying hedging relationships:

Non-Designated Derivative	**Notional (in millions)**	**Effective Date**	**Maturity Date**	**Strike Rate**
Euro Call Option	100.0	December 21, 2009	May 24, 2010	$1.55 to 1.00

Commodity Risk

The Company s objective in using commodity forward contracts is to offset a portion of its exposure to the potential change in prices associated with certain commodities, including silver, gold, nickel, aluminum and copper, used in the manufacturing of its products. The terms of these forward contracts fix the price at a future date for various notional amounts associated with these commodities. These instruments were not designated for hedge accounting treatment in accordance with ASC 815. In accordance with ASC 815, the Company recognizes the change in fair value of these derivatives in the statement of operations as a gain or loss as a component of Currency translation gain/(loss) and other, net.

The Company had the following outstanding commodity forward contracts that were not designated as hedges in qualifying hedging relationships as of December 31, 2009:

	Notional	Effective Date	Weighted-Average Forward Price	
Silver	273,695 troy oz	December 23, 2009	$	16.85
Gold	1,984 troy oz	December 22, 2009	$	1,097.15
Nickel	207,912 pounds	October 23, 2009	$	8.43
Aluminum	1,886,077 pounds	October 23, 2009	$	1.02

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Financial Instrument Presentation

The following table presents the fair value of the Company s derivative financial instruments and their classification on the condensed consolidated balance sheet as of December 31, 2009:

	Asset Derivatives Balance Sheet Location	Fair Value	Liability Derivatives Balance Sheet Location	Fair Value
Derivatives designated as hedging instruments under ASC 815				
Interest rate caps	Other assets	$ 1,550		$
Interest rate collars			Other long-term liabilities	8,587
Interest rate swap			Other long-term liabilities	3,157
Total		$ 1,550		$ 11,744
Derivatives not designated as hedging instruments under ASC 815				
Commodity forward contracts	Prepaid expenses and other current assets	$ 644		$
Euro call option	Prepaid expenses and other current assets	993		
Commodity forward contracts	Accrued expenses and other current liabilities			193
Total		$ 1,637		$ 193

The following table presents the components of accumulated other comprehensive loss related to the Company s derivatives as of December 31, 2009:

	Unrealized loss on derivative instruments
Balance as of December 31, 2008	$ (10,806)
Amount of net unrealized loss recognized in accumulated other comprehensive loss	(15,532)
Amount of loss reclassified into interest expense	14,533
Balance as of December 31, 2009	$ (11,805)

The following table presents the effect of the Company s derivative financial instruments and their classification on the consolidated statement of operations for the year ended December 31, 2009:

Derivatives in ASC 815 Cash Flow Hedging Relationships	**Amount of Gain or (Loss) Recognized in Other comprehensive loss on Derivative (Effective Portion)**	**Location of Gain or (Loss) Reclassified from Accumulated other comprehensive loss into Income (Effective Portion)**	**Amount of Gain or (Loss) Reclassified from Accumulated other comprehensive loss into Income (Effective Portion)**	**Location of Gain or (Loss) Recognized in Income on Derivative (Ineffective Portion and Amount Excluded from Effectiveness Testing)**	**Amount of Gain or (Loss) Recognized in Income on Derivative (Ineffective Portion and Amount Excluded from Effectiveness Testing)**
Interest Rate Products	$ (15,532)	Interest expense	$ (14,533)	NA	NA

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Derivatives Not Designated as Hedging Instruments Under ASC 815	Location of Gain or (Loss) Recognized in Income on Derivative	Amount of Gain or (Loss) Recognized in Income on Derivative
Commodity forward contracts	Currency translation gain/(loss) and other, net	$ 2,590
Euro call option	Currency translation gain/(loss) and other, net	$ (82)

The Company has agreements with its collars and swap derivative counterparties that contain a provision where if the Company defaults on any of its indebtedness where repayment of the indebtedness has been accelerated by the lender, then the Company could also be declared in default on its derivative obligations.

As of December 31, 2009, the termination value of derivatives in a liability position which includes accrued interest but excludes any adjustment for non-performance risk, related to the outstanding collar and swap agreements was $15,202. The Company has not posted any collateral related to these agreements. If the Company breached any of the default provisions described above, it would be required to settle its obligations under the agreements at their termination value of $15,202.

Concentrations of Credit Risk

Financial instruments that potentially subject the Company to concentrations of credit risk consist principally of derivative financial instruments and accounts receivable.

The Company maintains derivative financial instruments, including interest rate swaps, collars and caps, with major financial institutions of investment grade credit rating and monitors the amount of credit exposure to any one issuer.

The Company is a global business with a diverse revenue mix by geography, customer and end-market. The Company s subsidiaries in the Americas, Europe and the Asia Pacific region generated 45%, 27% and 28%, respectively, of the Company s net revenue for the year ended December 31, 2009. Additionally, the Company s largest customer accounted for approximately 7% of its net revenue for the year ended December 31, 2009.

The Company sells its products to customers across the appliance, automotive, HVAC, industrial, aerospace, defense, data/telecom and other end-markets. The Company s net revenue for the year ended December 31, 2009 was derived from the following end-markets: 22% from European automotive, 15% from appliances and HVAC, 16% from North American automotive, 14% from industrial, 14% from Asia and rest of world automotive, 5% from heavy vehicle off-road and 14% from all other end-markets.

19. Segment Reporting

The Company organizes its business into two reportable segments, sensors and controls, based on differences in products included in each segment. The reportable segments are consistent with how management views the markets served by the Company and the financial information that is reviewed by its chief operating decision maker. The Company manages its sensors and controls businesses as components of an enterprise for which separate information is available and is evaluated regularly by the chief operating decision maker, in deciding how to allocate resources and assess performance.

An operating segment s performance is primarily evaluated based on segment operating income, which excludes share-based compensation expense, restructuring charges and certain corporate costs not associated with the operations of the segment including a portion of depreciation and amortization expenses associated with assets recorded in connection with the Sensata, First Technology Automotive and Airpax acquisitions. In addition, an operating segment s performance excludes results from discontinued operations. These corporate

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costs are separately stated below and include costs that are related to functional areas such as accounting, treasury, information technology, legal, human resources, and internal audit. The Company believes that segment operating income, as defined above, is an appropriate measure for evaluating the operating performance of its segments. However, this measure should be considered in addition to, not a substitute for, or superior to, income from operations or other measures of financial performance prepared in accordance with generally accepted accounting principles. The other accounting policies of each of the two reporting segments are the same as those in the summary of significant accounting policies included in Note 2.

The sensors segment is a manufacturer of pressure, force, and electromechanical sensor products used in subsystems of automobiles (e.g., engine, air-conditioning, ride stabilization) and in industrial products such as HVAC systems.

The controls segment manufactures a variety of control applications used in industrial, aerospace, military, commercial and residential markets. The controls product portfolio includes motor and compressor protectors, circuit breakers, semiconductor burn-in test sockets, electronic HVAC controls, power inverters and precision switches and thermostats.

The following table presents net revenue and operating income for the reported segments and other operating results not allocated to the reported segments for the years ended December 31, 2009, 2008 and 2007:

	For the year ended December 31,		
	2009	**2008**	**2007**
Net revenue:			
Sensors	$ 685,092	$ 867,386	$ 882,475
Controls	449,852	555,269	520,779
Total net revenue	$ 1,134,944	$ 1,422,655	$ 1,403,254
Segment operating income (as defined above):			
Sensors	$ 194,129	$ 221,885	$ 244,306
Controls	129,570	136,455	130,018
Total segment operating income	323,699	358,340	374,324
Corporate/other	(74,583)	(92,329)	(111,337)
Amortization of intangible assets and capitalized software	(153,081)	(148,762)	(131,064)
Impairment of goodwill and intangible assets	(19,867)	(13,173)	
Restructuring	(18,086)	(24,124)	(5,166)
Effect of inventory purchase accounting adjustments			(4,454)
Profit from operations	58,082	79,952	122,303
Interest expense, net	(150,016)	(196,337)	(188,587)
Currency translation gain/(loss) and other, net	107,695	55,467	(105,449)
Income/(loss) from continuing operations before taxes	$ 15,761	$ (60,918)	$ (171,733)

No customer exceeded 10% or more of the Company s net revenue in any of the periods presented.

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The following table presents net revenue by product categories for the years ended December 31, 2009, 2008 and 2007:

	For the year ended December 31, 2009	2008	2007
Net revenue:			
Pressure sensors	$ 456,116	$ 553,722	$ 562,239
Pressure switches	71,946	96,928	101,748
Position sensors	26,062	39,273	31,892
Force sensors	57,151	87,654	91,894
Bimetal electromechanical controls	298,476	363,826	380,717
Thermal and magnetic-hydraulic circuit breakers	113,855	142,112	83,648
Power inverters	14,341	20,641	9,590
Interconnection	23,180	28,398	37,105
Other	73,817	90,101	104,421
	$ 1,134,944	$ 1,422,655	$ 1,403,254

The following table presents depreciation and amortization of intangible assets and capitalized software expense for the reported segments for the years ended December 31, 2009, 2008 and 2007:

	For the year ended December 31, 2009	2008	2007
Total depreciation and amortization			
Sensors	$ 20,036	$ 19,781	$ 18,864
Controls	9,253	10,065	14,409
Corporate/other[(1)]	172,219	170,277	155,995
Total	$ 201,508	$ 200,123	$ 189,268

(1) Included within Corporate/other is all of the depreciation and amortization expense associated with the fair value step-up recognized in the acquisitions of Sensata, First Technology Automotive, SMaL Camera and Airpax. The Company does not allocate the additional depreciation and amortization expense associated with the step-up in the fair value of the property, plant and equipment and intangible assets associated with the acquisitions to its segments. This treatment is consistent with the financial information reviewed by the Company s chief operating decision maker.

The following table presents total assets for the reported segments as of December 31, 2009 and 2008:

	December 31, 2009	December 31, 2008
Total assets		
Sensors	$ 326,941	$ 339,150
Controls	192,597	198,210
Corporate/other[(1)]	2,647,332	2,766,021

Total	$ 3,166,870	$ 3,303,381

(1) Included within Corporate/other as of December 31, 2009 and 2008 is $1,530,570 and $1,536,773, respectively, of goodwill, $865,531 and $1,033,351, respectively, of intangible assets, $35,809 and $41,591, respectively, of property, plant and equipment and $238 and $2,829, respectively, of assets held for sale. This treatment is consistent with the financial information reviewed by the Company s chief operating decision maker.

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The following table presents capital expenditures for the reported segments for the years ended December 31, 2009, 2008 and 2007:

	For the year ended December 31, 2009	2008	2007
Total capital expenditures			
Sensors	$ 6,168	$ 16,514	$ 35,913
Controls	6,995	13,388	8,819
Corporate/other	1,796	11,061	21,969
Total	$ 14,959	$ 40,963	$ 66,701

Geographic Area Information

The geographic area data below includes net revenue, based on the Company s revenue recognition policies, and property, plant and equipment, based on the location of the respective entities.

The following tables present net revenue by geographic area and by significant countries for the years ended December 31, 2009, 2008 and 2007:

	Net Revenue For the year ended December 31, 2009	2008	2007
Americas	$ 513,764	$ 668,475	$ 685,063
Asia Pacific	316,047	405,222	363,400
Europe	305,133	348,958	354,791
	$ 1,134,944	$ 1,422,655	$ 1,403,254

	Net Revenue For the year ended December 31, 2009	2008	2007
United States	$ 484,553	$ 634,402	$ 635,255
The Netherlands	305,133	348,957	342,415
Japan	159,909	232,384	202,565
All Other	185,349	206,912	223,019
	$ 1,134,944	$ 1,422,655	$ 1,403,254

The following table presents long-lived assets, exclusive of goodwill and intangible assets, by geographic area and by significant countries as of December 31, 2009 and 2008:

	Long-Lived Assets	
	December 31, 2009	**December 31, 2008**
Americas	$ 96,419	$ 114,444
Asia Pacific	110,039	122,296
Europe	13,480	18,424
Total	$ 219,938	$ 255,164

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	Long-Lived Assets	
	December 31, 2009	December 31, 2008
United States	$ 55,821	$ 65,359
Malaysia	46,959	53,689
Mexico	39,740	44,594
Korea	15,692	18,432
The Netherlands	13,480	18,232
All Other	48,246	54,858
	$ 219,938	$ 255,164

20. Unaudited Quarterly Data

A summary of the unaudited quarterly results of operations for the years ended December 31, 2009 and 2008 is as follows:

	For the three months ended			
	December 31, 2009	September 30, 2009	June 30, 2009	March 31, 2009
For the year ended December 31, 2009				
Net revenue	$ 338,089	$ 302,468	$ 255,371	$ 239,016
Gross profit	$ 117,163	$ 111,560	$ 86,469	$ 77,672
Net income/(loss)	$ 13,932	$ (54,035)	$ 22,621	$ (10,199)
Loss from discontinued operations	$	$	$ (134)	$ (261)
Basic net income/(loss) per share	$ 0.09	$ (0.38)	$ 0.16	$ (0.07)
Diluted net income/(loss) per share	$ 0.09	$ (0.38)	$ 0.16	$ (0.07)
Basic loss from discontinued operations				
Diluted loss from discontinued operations				

	For the three months ended			
	December 31, 2008	September 30, 2008	June 30, 2008	March 31, 2008
For the year ended December 31, 2008				
Net revenue	$ 267,585	$ 361,005	$ 406,221	$ 387,844
Gross profit	$ 90,167	$ 119,635	$ 143,162	$ 117,928
Net (loss)/income	$ (52,212)	$ 72,523	$ (27,948)	$ (126,894)
Loss from discontinued operations	$ (10,516)	$ (2,333)	$ (3,728)	$ (3,505)
Basic net (loss)/income per share	$ (0.36)	$ 0.50	$ (0.19)	$ (0.88)
Diluted net (loss)/income per share	$ (0.36)	$ 0.50	$ (0.19)	$ (0.88)
Basic loss from discontinued operations	$ (0.07)	$ (0.02)	$ (0.03)	$ (0.02)
Diluted loss from discontinued operations	$ (0.07)	$ (0.02)	$ (0.03)	$ (0.02)

21. Subsequent Events

In accordance with ASC 855, the Company has evaluated events through the issuance of these consolidated financial statements, which occurred on February 12, 2010, and concluded that no events or transactions have occurred or are pending that would have a material effect on the financial statements as of December 31, 2009, or are of such significance that would require mention as a subsequent event in order to make them not misleading regarding the financial position, results of operations or cash flows of the Company.

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SENSATA TECHNOLOGIES HOLDING N.V.

Condensed Consolidated Balance Sheets

(Thousands of U.S. dollars, except share and per share amounts)

(unaudited)

	September 30, 2010	December 31, 2009
Assets		
Current assets:		
Cash and cash equivalents	$ 402,922	$ 148,468
Accounts receivable, net of allowances of $11,443 and $12,739 as of September 30, 2010 and December 31, 2009, respectively	202,361	180,839
Inventories	142,298	125,375
Deferred income tax assets	12,471	12,419
Prepaid expenses and other current assets	21,377	19,627
Assets held for sale	238	238
Total current assets	781,667	486,966
Property, plant and equipment at cost	432,301	400,461
Accumulated depreciation	(207,440)	(180,523)
Property, plant and equipment, net	224,861	219,938
Goodwill	1,528,954	1,530,570
Other intangible assets, net	759,092	865,531
Deferred income tax assets	5,563	5,543
Deferred financing costs	27,794	41,147
Other assets	11,535	17,175
Total assets	$ 3,339,466	$ 3,166,870
Liabilities and shareholders equity		
Current liabilities:		
Current portion of long-term debt, capital lease and other financing obligations	$ 17,643	$ 17,139
Accounts payable	125,408	122,834
Income taxes payable	9,270	8,384
Accrued expenses and other current liabilities	104,272	92,341
Deferred income tax liabilities	749	823
Total current liabilities	257,342	241,521
Deferred income tax liabilities	194,021	165,477
Pension and post-retirement benefit obligations	47,343	49,525
Capital lease and other financing obligations, less current portion	40,022	40,001
Long-term debt, less current portion	1,856,143	2,243,686
Other long-term liabilities	24,743	39,502
Commitments and contingencies		
Total liabilities	2,419,614	2,779,712

Shareholders equity:		
Ordinary shares, 0.01 nominal value per share, 400,000,000 shares authorized; 171,412,366 and 144,068,541 shares issued as of September 30, 2010 and December 31, 2009, respectively	2,195	1,825
Treasury shares, at cost, 11,973 shares as of September 30, 2010 and December 31, 2009	(136)	(136)
Due from parent	(17)	(17)
Additional paid-in capital	1,513,985	1,050,373
Accumulated deficit	(566,248)	(627,688)
Accumulated other comprehensive loss	(29,927)	(37,199)
Total shareholders equity	919,852	387,158
Total liabilities and shareholders equity	$ 3,339,466	$ 3,166,870

The accompanying notes are an integral part of these condensed consolidated financial statements

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SENSATA TECHNOLOGIES HOLDING N.V.

Condensed Consolidated Statements of Operations

(Thousands of U.S. dollars, except share and per share amounts)

(unaudited)

	For the nine months ended September 30, 2010	September 30, 2009
Net revenue	$ 1,152,237	$ 796,855
Operating costs and expenses:		
Cost of revenue	712,019	521,154
Research and development	17,253	12,692
Selling, general and administrative	156,013	95,301
Amortization of intangible assets and capitalized software	108,309	115,060
Impairment of goodwill and intangible assets		19,867
Restructuring	196	18,033
Total operating costs and expenses	993,790	782,107
Profit from operations	158,447	14,748
Interest expense	(82,170)	(115,373)
Interest income	634	471
Currency translation (loss) / gain and other, net	20,525	94,101
(Loss) / income from continuing operations before taxes	97,436	(6,053)
Provision for income taxes	35,996	35,165
(Loss) / income from continuing operations	61,440	(41,218)
Loss from discontinued operations, net of tax of $0		(395)
Net (loss) / income	$ 61,440	$ (41,613)
Basic net (loss) / income per share:		
Continuing operations	$ 0.37	$ (0.29)
Discontinued operations		0.00
Total basic net (loss) / income per share	$ 0.37	$ (0.29)
Diluted net (loss) / income per share:		
Continuing operations	$ 0.36	$ (0.29)
Discontinued operations		0.00
Total diluted net (loss) / income per share	$ 0.36	$ (0.29)

The accompanying notes are an integral part of these condensed consolidated financial statements

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SENSATA TECHNOLOGIES HOLDING N.V.

Condensed Consolidated Statements of Cash Flows

(Thousands of U.S. dollars)

(unaudited)

	For the nine months ended September 30, 2010	September 30, 2009
Cash flows from operating activities:		
Net income / (loss)	$ 61,440	$ (41,613)
Net loss from discontinued operations		(395)
Net income / (loss) from continuing operations	61,440	(41,218)
Adjustments to reconcile net income / (loss) to net cash provided by operating activities:		
Depreciation	29,472	34,005
Amortization of deferred financing costs	6,512	6,775
Currency translation (gain) / loss on debt	(53,750)	28,482
Loss / (gain) on repurchase of outstanding Senior and Senior Subordinated Notes	23,474	(120,123)
Share-based compensation	23,659	1,174
Amortization of intangible assets and capitalized software	108,309	115,060
Loss on disposition of assets	12	1,159
Loss on assets held for sale		1,661
Deferred income taxes	28,398	25,783
Impairment of goodwill and intangible assets		19,867
(Decrease) / increase from changes in operating assets and liabilities:		
Accounts receivable, net	(21,522)	(39,090)
Inventories	(16,923)	34,503
Prepaid expenses and other current assets	983	12,018
Accounts payable and accrued expenses	9,039	44,675
Income taxes payable	886	(1,699)
Accrued retirement	(714)	(3,413)
Other	2,403	8,508
Net cash provided by operating activities from continuing operations	201,678	128,127
Net cash used in operating activities from discontinued operations		(403)
Net cash provided by operating activities	201,678	127,724
Cash flows from investing activities:		
Additions to property, plant and equipment and capitalized software	(35,089)	(11,527)
Proceeds from sale of assets	364	525
Net cash used in investing activities from continuing operations	(34,725)	(11,002)
Net cash provided by investing activities from discontinued operations		372
Net cash used in investing activities	(34,725)	(10,630)
Cash flows from financing activities:		

Proceeds from issuance of ordinary shares	433,539	
Proceeds from exercise of stock options	6,784	
Proceeds from revolving credit facility, net		75,000
Payments on U.S. term loan facility	(7,125)	(7,125)
Payments on Euro term loan facility	(3,910)	(4,160)
Payments on repurchase of outstanding Senior and Senior Subordinated Notes	(338,343)	(57,242)
Payments on capitalized lease and other financing obligations	(3,444)	(3,131)
Net cash provided by financing activities	87,501	3,342
Net change in cash and cash equivalents	254,454	120,436
Cash and cash equivalents, beginning of period	148,468	77,716
Cash and cash equivalents, end of period	$ 402,922	$ 198,152

The accompanying notes are an integral part of these condensed consolidated financial statements

SENSATA TECHNOLOGIES HOLDING N.V.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(In thousands, except share and per share amounts, or unless otherwise noted)

(unaudited)

1. The Company

The accompanying unaudited condensed consolidated financial statements presented herein reflect the financial position, results of operations and cash flows of Sensata Technologies Holding N.V. (Sensata Technologies Holding) and its wholly-owned subsidiaries, including Sensata Technologies Intermediate Holding B.V. (Sensata Intermediate Holding) and Sensata Technologies B.V., collectively referred to as the Company . Sensata Technologies Holding is a majority-owned subsidiary of Sensata Investment Company SCA (the Parent). The share capital of the Parent is 100% owned by entities associated with Bain Capital Partners, LLC (Bain Capital), a leading global private investment firm, co-investors (Bain Capital and co-investors are collectively referred to as the Sponsors) and certain members of the Company s senior management.

On April 27, 2006 (inception), investment funds associated with the Sponsors completed the acquisition of the Sensors and Controls business (S&C) of Texas Instruments Incorporated (TI) for aggregate consideration of $3.0 billion in cash and transaction fees and expenses of $31.4 million (the 2006 Acquisition). The 2006 Acquisition was financed by a cash investment from the Sponsors of approximately $985.0 million and the issuance of approximately $2.1 billion of indebtedness.

Sensata Technologies Holding was acquired by the Parent in 2006 to facilitate the 2006 Acquisition. Sensata Technologies Holding conducts its business through subsidiary companies which operate business and product development centers in the United States (U.S.), the Netherlands and Japan; and manufacturing operations in Brazil, China, South Korea, Malaysia, Mexico, the Dominican Republic and the U.S. The Company organizes its operations into the sensors and controls businesses.

The sensors business is a manufacturer of pressure, force, and electromechanical sensor products used in subsystems of automobiles (e.g., engine, air-conditioning and ride stabilization), heavy off-road vehicles, and in industrial products such as HVAC systems. These products improve operating performance, for example, by making an automobile s heating and air-conditioning systems work more efficiently. These products also improve safety and performance, for example, by reducing vehicle emissions and improving gas mileage.

The controls business is a manufacturer of a variety of control products used in industrial, aerospace, military, commercial and residential markets. These products include motor and compressor protectors, circuit breakers, semiconductor burn-in test sockets, electronic HVAC controls, power inverters, precision switches and thermostats. These products help prevent damage from overheating and fires in a wide variety of applications, including commercial heating and air-conditioning systems, refrigerators, aircraft, automobiles, lighting and other industrial applications. The controls business also manufactures DC to AC power inverters, which enable the operation of electronic equipment when grid power is not available.

On March 16, 2010, the Company completed the initial public offering (IPO) of its ordinary shares in which it sold 26,315,789 shares and its existing shareholders and certain employees sold 5,284,211 shares at a public offering price of $18.00 per share. The net proceeds of the IPO to the Company totaled $435.9 million after deducting the underwriters discounts and commissions and offering expenses, including $2.5 million of proceeds from the exercise of stock options. On April 12, 2010, the Company announced that the underwriters of its IPO exercised their option to purchase an additional 4,740,000 ordinary shares from selling shareholders at a price of $18.00 per share, which included 353,465 shares obtained by certain selling shareholders through the exercise of options to purchase ordinary shares. The sale of the additional shares closed on April 14, 2010. The Company did not receive any proceeds from the sale of the additional shares, other than the proceeds from the exercise of the aforementioned stock options which totaled $2.5 million.

All amounts presented, except share and per share amounts, are stated in thousands of U.S. dollars, unless otherwise indicated.

2. Basis of Presentation

The accompanying unaudited condensed consolidated financial statements have been prepared in accordance with U.S. generally accepted accounting principles (U.S. GAAP) for interim financial information and with the instructions to Form 10-Q and, therefore, do not include all of the information and note disclosures required by U.S. GAAP for complete financial statements. The accompanying financial information reflects all normal recurring adjustments which are, in the opinion of management, necessary for a fair presentation of the interim period results. The results of operations for the nine months ended September 30, 2010 are not necessarily indicative of the results to be expected for the full year. These unaudited condensed consolidated financial statements should be read in conjunction with the consolidated financial statements and notes thereto included in the Company s Prospectus filed pursuant to Rule 424(b) under the Securities Act of 1933, as amended (the Securities Act) with the Securities and Exchange Commission (SEC) on March 11, 2010 (the Prospectus).

The unaudited condensed consolidated financial statements include the accounts of the Company and all of its subsidiaries. All intercompany balances and transactions have been eliminated. Certain reclassifications have been made to prior periods to conform to current period presentation.

3. New Accounting Standards

In October 2009, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2009-13, *Multiple-Delivery Revenue Arrangements* (ASU 2009-13), which establishes the accounting and reporting guidance for arrangements including multiple deliverable revenue-generating activities, and provides amendments to the criteria for separating deliverables, and measuring and allocating arrangement consideration to one or more units of accounting. The amendments of ASU 2009-13 also establish a hierarchy for determining the selling price of a deliverable, and require significantly enhanced disclosures to provide information about a vendor s multiple-deliverable revenue arrangements, including information about their nature and terms, significant deliverables, and the general timing of delivery. The amendments also require disclosure of information about the significant judgments made and changes to those judgments, and about how the application of the relative selling price method affects the timing or amount of revenue recognition. The amendments of ASU 2009-13 are effective prospectively for revenue arrangements entered into or materially modified in annual reporting periods beginning on or after June 15, 2010, or January 1, 2011 for the Company. Early application is permitted. The Company is currently evaluating the potential effect, if any, the adoption of ASU 2009-13 will have on its financial position and results of operations.

The Company adopted the following accounting standards during 2010:

In February 2010, the FASB issued ASU 2010-09, *Amendments to Certain Recognition and Disclosure Requirements,* (ASU 2010-09), which eliminates the requirement under Accounting Standards Codification (ASC) Topic 855, *Subsequent Events* (ASC 855) for SEC registrants to disclose the date through which they have evaluated subsequent events in the financial statements. ASU 2010-09 was effective upon issuance, and the Company adopted its provisions as of the issuance of the Quarterly Report for the period ended March 31, 2010. The adoption of ASU 2010-09 was for disclosure purposes only and did not have any effect on the Company s financial position or results of operations.

In January 2010, the FASB issued ASU 2010-06, *Improving Disclosures about Fair Value Measurements* (ASU 2010-06), which amends ASC Topic 820, *Fair Value Measurement and Disclosure* (ASC 820) to require a number of additional disclosures regarding fair value measurements. In addition to the new disclosure requirements, ASU 2010-06 amends ASC 820 to clarify that reporting entities are required to provide fair value measurement disclosures for each class of assets and liabilities. Prior to the issuance of ASU 2010-06, the guidance in ASC 820 required separate fair value disclosures for each major category of assets and liabilities.

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ASU 2010-06 also clarifies the requirement for entities to disclose information about both the valuation techniques and inputs used in estimating Level 2 and Level 3 fair value measurements. Except for the requirement to disclose information about purchases, sales, issuance and settlements in the reconciliation of recurring Level 3 measurements on a gross basis, all of the provisions of ASU 2010-06 were effective for interim and annual reporting periods beginning after December 15, 2009. The Company adopted these provisions as of January 1, 2010. The requirement to separately disclose purchases, sales, issuances and settlements of recurring Level 3 measurements is effective for annual reporting periods beginning after December 15, 2010, or January 1, 2011 for the Company. The adoption of this portion of ASU 2010-06 will not have any effect on the Company s financial position or results of operations.

In June 2009, the FASB issued guidance now codified within ASC Topic 810, *Consolidation* (ASC 810), which requires entities to perform an analysis to determine whether the enterprise s variable interest or interests give it a controlling financial interest in a variable interest entity. This analysis identifies the primary beneficiary of a variable interest entity as one with the power to direct the activities of a variable interest entity that most significantly impact the entity s economic performance and obligation to absorb losses of the entity that could potentially be significant to the variable interest. The guidance was effective as of the beginning of the annual reporting period commencing after November 15, 2009. The Company adopted these provisions as of January 1, 2010. The adoption of the guidance codified within ASC 810 did not have any effect on the Company s financial position or results of operations.

4. Net (Loss) / Income per Share

Basic and diluted net (loss) / income per share are calculated by dividing net (loss) / income by the number of basic and diluted weighted-average ordinary shares outstanding during the period. For the nine months ended September 30, 2010 and 2009, the weighted-average shares outstanding for basic and diluted net (loss) / income per share were as follows:

	For the nine months ended	
	September 30, 2010	**September 30, 2009**
Basic weighted-average ordinary shares outstanding	164,122,048	144,056,568
Dilutive effect of stock options	6,246,883	
Dilutive effect of unvested restricted stock	282,123	
Diluted weighted-average ordinary shares outstanding	170,651,054	144,056,568

Net (loss) / income and net (loss) / income per share are presented in the condensed consolidated statements of operations.

Certain potential ordinary shares were excluded from the Company s calculation of diluted weighted-average shares outstanding because they would have an anti-dilutive effect on net income per share. Also, for the nine months ended September 30, 2010 and 2009, potential ordinary shares that were not otherwise anti-dilutive were excluded from the calculation of diluted weighted-average shares outstanding because they would have an anti-dilutive effect on the Company s net loss per share. In addition, certain potential ordinary shares were excluded from the Company s calculation of diluted weighted-average shares outstanding in 2009, as they related to share-based awards associated with its Tranche 2 and 3 grants. These shares were contingently issuable and the contingency had not been satisfied as of that date. Refer to Note 14 for further discussion of the Company s share-based payment plans.

For the nine months ended

	September 30, 2010	September 30, 2009
Anti-dilutive shares excluded	1,465,515	274,481
Contingently issuable shares excluded	1,009	7,700,098
Dilutive impact excluded due to net loss		673,998

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5. Comprehensive Net (Loss) / Income

The components of comprehensive net (loss) / income for the nine months ended September 30, 2010 and 2009 were as follows:

	For the nine months ended September 30, 2010	September 30, 2009
Net (loss) / income	$ 61,440	$ (41,613)
Net unrealized gain / (loss) on derivatives	6,393	(3,789)
Net adjustments on defined benefit and retiree healthcare plans	879	5,682
Comprehensive net (loss) / income	$ 68,712	$ (39,720)

6. Inventories

The components of inventories as of September 30, 2010 and December 31, 2009 were as follows:

	September 30, 2010	December 31, 2009
Finished goods	$ 42,941	$ 41,931
Work-in-process	25,128	20,627
Raw materials	74,229	62,817
Total	$ 142,298	$ 125,375

7. Discontinued Operations

In December 2008, the Company announced its intent to sell the automotive vision sensing business (the Vision business), which included the assets and operations of SMaL Camera Technologies, Inc. (SMaL), due to the economic climate and slower than expected demand for its products. The Company purchased SMaL for $12.0 million in March 2007. The Company completed the sale of the Vision business during the three months ended June 30, 2009.

Results of operations of the Vision business included within loss from discontinued operations were as follows:

For the nine months ended

	September 30, 2010	September 30, 2009
Net revenue	$	$ 726
Loss from operations before income tax	$	$ (395)

8. Restructuring Costs

The Company s restructuring programs consist of the First Technology Automotive Plan, the Airpax Plan and the 2008 Plan. Each of these restructuring programs is described in more detail below.

First Technology Automotive Plan

In December 2006, the Company acquired First Technology Automotive and Special Products from Honeywell International Inc. (First Technology Automotive Acquisition). In January 2007, the Company announced plans (First Technology Automotive Plan or the FTAS Plan) to close the manufacturing facilities in Standish, Maine and Grand Blanc, Michigan, and to downsize the facility in Farnborough, United Kingdom. Manufacturing at the Maine, Michigan and United Kingdom sites was moved to the Dominican Republic and other sites. Restructuring liabilities related to these actions consist primarily of exit and related severance costs. The actions described above affected 143 employees and were completed in 2008. The Company anticipates remaining payments to be made through 2014, due primarily to contractual lease-related obligations.

In connection with the First Technology Automotive Plan, the Company has incurred cumulative costs, excluding the impact of changes in foreign currency exchange rates, of $8,952, consisting of $4,287 in severance costs and $4,665 in facility exit and other costs. These costs have been recognized in the Company s segments in accordance with the degree of impact experienced by the segment. The remaining costs, not allocable to the Company s reportable segments, have been shown within the corporate and other caption. Of the cumulative cost incurred, $3,333 and $2,413 have been allocated to the sensors and controls segments, respectively, and $3,206 has been allocated to corporate and other .

The following tables outline the changes to the restructuring liabilities associated with the First Technology Automotive Plan since December 31, 2009, by type of liability and segment:

	Severance	Facility Exit and Other Costs	Total
Balance as of December 31, 2009	$ 63	$ 2,532	$ 2,595
Purchase accounting adjustments	(63)	(1,553)	(1,616)
Other adjustments		(208)	(208)
Payments		(455)	(455)
Impact of changes in foreign currency exchange rates		(81)	(81)
Balance as of September 30, 2010	$	$ 235	$ 235

	Sensors	Controls	Corporate and Other	Total
Balance as of December 31, 2009	$ 2,530	$ 63	$ 2	$ 2,595
Purchase accounting adjustments	(1,551)	(63)	(2)	(1,616)
Other adjustments	(208)			(208)
Payments	(455)			(455)
Impact of changes in foreign currency exchange rates	(81)			(81)
Balance as of September 30, 2010	$ 235	$	$	$ 235

During the nine months ended September 30, 2010, the Company revised its accrual related to severance by $63 and its accrual related to facility exit and other costs by $1,761. The reduction to the accrual for facility exit and other costs was primarily related to the execution of a sublease for the Farnborough, United Kingdom facility at terms more favorable to the Company than previously anticipated during the three months ended June 30, 2010. The reduction to the accruals resulted in a reduction of goodwill totaling $1,616 for the portion of the accruals that had been established through purchase accounting and a reduction to restructuring expense of $208. The Company does not expect to incur additional costs in the future.

Airpax Plan

In July 2007, the Company acquired Airpax Holdings, Inc. (Airpax Acquisition). In 2007, the Company announced plans (Airpax Plan) to close the facility in Frederick, Maryland and to relocate certain manufacturing lines to existing Sensata and Airpax facilities in Cambridge, Maryland; Shanghai, China; and Mexico, and to terminate certain employees at the Cambridge, Maryland facility. In 2008, the Company

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announced plans to close the Airpax facility in Shanghai, China. Restructuring liabilities related to these actions consist primarily of exit and related severance costs. The actions described above affected 331 employees and were completed in 2009. The Company anticipates remaining payments to be made through 2011, due primarily to facility exit costs, tuition assistance and outplacement services.

In connection with the Airpax Plan, the Company has incurred cumulative costs, excluding the impact of changes in foreign currency exchange rates, of $6,494, consisting of $5,073 in severance costs and $1,421 in facility exit and other costs. These costs have been recognized in the Company s segments in accordance with the degree of impact experienced by the segment. The remaining costs, not allocable to the Company s reportable segments, have been shown within the corporate and other caption. Of the total cost incurred, $5,026 has been allocated to the controls segment and $1,468 has been allocated to corporate and other . The Company has not incurred additional costs related to this plan in the nine months ended September 30, 2010 and does not expect to incur additional costs in the future.

The following tables outline the changes to the restructuring liabilities associated with the Airpax Plan since December 31, 2009, by type of liability and segment:

	Severance	Facility Exit and Other Costs	Total
Balance as of December 31, 2009	$ 173	$ 526	$ 699
Payments	(3)		(3)
Balance as of September 30, 2010	$ 170	$ 526	$ 696

	Controls	Corporate and Other	Total
Balance as of December 31, 2009	$ 696	$ 3	$ 699
Payments	(2)	(1)	(3)
Balance as of September 30, 2010	$ 694	$ 2	$ 696

2008 Plan

During fiscal years 2009 and 2008, in response to global economic conditions, the Company announced various actions (2008 Plan) to reduce the workforce in several business centers and manufacturing facilities throughout the world and to move certain manufacturing operations to low-cost countries. During 2009 and 2008, the Company recognized charges totaling $41,334 primarily related to severance, pension curtailment, pension settlement and other related charges, and facility exit and other costs. During the nine months ended September 30, 2010, the Company revised its accrual related to severance and facility exit and other costs. As a result, the Company recognized a net reduction to restructuring expense of $673. The actions described above are expected to cost $40,747, excluding the impact of changes in foreign currency exchange rates. These actions affected 1,977 employees. The Company anticipates that these actions will be completed during 2011 and the remaining payments will be paid through 2014, due primarily to contractual obligations.

In connection with the 2008 Plan, the Company has incurred cumulative costs to date, excluding the impact of changes in foreign currency exchange rates, of $40,661, consisting of $28,464 in severance costs, $9,716 in pension-related costs and $2,481 in facility exit and other costs. These costs have been recognized in the Company s segments in accordance with the degree of impact experienced by the segment. The remaining costs, not allocable to the Company s reportable segments, have been shown within the corporate and other caption. Of the total cost incurred, $1,730 and $4,624 has been allocated to the sensors and controls segments, respectively, and $34,307 has been allocated to corporate and other .

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The following tables outline the changes to the restructuring liabilities, excluding the costs related to pension, associated with the 2008 Plan since December 31, 2009, by type of liability and segment:

	Severance	Facility Exit and Other Costs	Total
Balance as of December 31, 2009	$ 2,964	$ 109	$ 3,073
Adjustments	(677)	4	(673)
Payments	(1,375)	(24)	(1,399)
Impact of changes in foreign currency exchange rates	(21)	(2)	(23)
Balance as of September 30, 2010	$ 891	$ 87	$ 978
Employees terminated as of September 30, 2010	1,961		

	Sensors	Controls	Corporate and other	Total
Balance as of December 31, 2009	$ 131	$ 115	$ 2,827	$ 3,073
Adjustments	(71)	46	(648)	(673)
Payments	(32)	1	(1,368)	(1,399)
Impact of changes in foreign currency exchange rates	(2)	(3)	(18)	(23)
Balance as of September 30, 2010	$ 26	$ 159	$ 793	$ 978

Summary of Restructuring Programs

The following tables show charges incurred in association with all of the Company s restructuring programs and other restructuring activities as applicable, consisting primarily of severance, for the nine months ended September 30, 2010 and 2009, and where within the condensed consolidated statement of operations these amounts were recognized. There were no restructuring costs recognized for the Airpax Plan during any of the periods presented. The other restructuring expense of $1,077 during the nine months ended September 30, 2010 represents the termination of a limited number of employees located in various business centers and facilities throughout the world, and not the initiation of a larger restructuring program.

	For the nine months ended September 30, 2010				For the nine months ended September 30, 2009			
	FTAS Plan	2008 Plan	Other	Total	FTAS Plan	2008 Plan	Other	Total
Restructuring	$ (208)	$ (673)	$ 1,077	$ 196	$	$ 18,033	$	$ 18,033
Currency translation loss / (gain) and other, net	(81)	(23)	(13)	(117)		(261)		(261)
Total	$ (289)	$ (696)	$ 1,064	$ 79	$	$ 17,772	$	$ 17,772

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9. Goodwill and Other Intangible Assets

Goodwill

The following table outlines the changes in goodwill since December 31, 2009, by segment:

	Sensors Gross Goodwill	Sensors Accumulated Impairment	Sensors Net Goodwill	Controls Gross Goodwill	Controls Accumulated Impairment	Controls Net Goodwill	Total Gross Goodwill	Total Accumulated Impairment	Total Net Goodwill
Balance as of December 31, 2009	$ 1,166,358	$	$ 1,166,358	$ 382,678	$ (18,466)	$ 364,212	$ 1,549,036	$ (18,466)	$ 1,530,570
Purchase accounting adjustments	(1,553)		(1,553)	(63)		(63)	(1,616)		(1,616)
Balance as of September 30, 2010	$ 1,164,805	$	$ 1,164,805	$ 382,615	$ (18,466)	$ 364,149	$ 1,547,420	$ (18,466)	$ 1,528,954

The change in goodwill during the nine months ended September 30, 2010 related primarily to a reduction in the Company s restructuring liabilities associated with its obligations on the Farnborough, United Kingdom lease acquired in the First Technology Automotive Acquisition. The reduction was due to the execution of a sublease with more favorable terms than originally anticipated. See Note 8, Restructuring Costs for further detail.

The Company evaluates the recoverability of goodwill and other intangible assets in the fourth quarter of each fiscal year, or more frequently if events or changes in circumstances indicate that goodwill or other intangible assets may be impaired. During the nine months ended September 30, 2010, no events or changes in circumstances occurred that would have triggered the need for an earlier impairment review.

Other Intangible Assets

Definite-lived intangible assets have been amortized on an accelerated, or economic benefit, basis over their estimated lives. The following table outlines the components of acquisition-related definite-lived intangible assets that were subject to amortization as of September 30, 2010 and December 31, 2009:

		September 30, 2010				December 31, 2009			
	Weighted-Average Life (years)	Gross Carrying Amount	Accumulated Amortization	Accumulated Impairment	Net Carrying Value	Gross Carrying Amount	Accumulated Amortization	Accumulated Impairment	Net Carrying Value
Completed technologies	16	$ 268,170	$ 103,183	$ 2,430	$ 162,557	$ 268,170	$ 85,233	$ 2,430	$ 180,507
Customer relationships	10	1,026,840	507,009	12,144	507,687	1,026,840	420,811	12,144	593,885
Non-compete agreements	6	23,400	7,807		15,593	23,400	4,711		18,689

Tradenames	10	720	414		306	720	338		382
Total	11	$ 1,319,130	$ 618,413	$ 14,574	$ 686,143	$ 1,319,130	$ 511,093	$ 14,574	$ 793,463

In addition, other definite lived intangible assets recognized on the condensed consolidated balance sheets include capitalized software licenses with gross carrying amounts of $8,719 and $6,849 and net carrying amounts of $4,479 and $3,598 as of September 30, 2010 and December 31, 2009, respectively. The weighted-average life for the capitalized software in use was approximately 4 years.

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Amortization expense on definite-lived intangible assets and capitalized software for the nine months ended September 30, 2010 and 2009 were as follows:

	For the nine months ended	
	September 30, 2010	September 30, 2009
Definite-lived intangible assets	$ 107,320	$ 113,761
Capitalized software licenses	989	1,299
Total amortization expense	$ 108,309	$ 115,060

Amortization of acquisition-related definite-lived intangible assets is estimated to be $35,762 for the remainder of 2010, $131,609 in 2011, $119,983 in 2012, $105,098 in 2013 and $93,323 in 2014.

In addition to the above, the Company owns the Klixon® and Airpax® tradenames, which are indefinite-lived intangible assets, as they have each been in continuous use for over 60 years and the Company has no plans to discontinue using them. The Company has recorded $59,100 and $9,370, respectively, related to these tradenames.

10. Debt

The Company s debt as of September 30, 2010 and December 31, 2009 consisted of the following:

	Weighted-average interest rate for the nine months ended September 30, 2010	September 30, 2010	December 31, 2009
Senior secured term loan facility (denominated in U.S. dollars)	2.08%	$ 909,625	$ 916,750
Senior secured term loan facility (381.5 million)	2.72%	519,182	551,350
Senior Notes (denominated in U.S. dollars)	8.00%	201,181	340,006
Senior Subordinated Notes (177.1 million)	9.00%	241,072	254,303
Senior Subordinated Notes	11.25%		196,483
Less: current portion		(14,917)	(15,206)
Long-term debt, less current portion		$ 1,856,143	$ 2,243,686
Capital lease and other financing obligations	8.52%	$ 42,748	$ 41,934
Less: current portion		(2,726)	(1,933)

Capital lease and other financing obligations, less current portion	$ 40,022	$ 40,001

Extinguishment of Debt

On February 26, 2010, Sensata Technologies B.V. announced the commencement of cash tender offers related to its 8% Senior Notes due 2014 (the Dollar Notes), its 9% Senior Subordinated Notes due 2016 and its 11.25% Senior Subordinated Notes due 2014 (together the Euro Notes). The cash tender offers settled during the three months ended March 31, 2010. The aggregate principal amount of the Dollar Notes validly tendered was $0.3 million, representing approximately 0.1% of the outstanding Dollar Notes. The aggregate principal amount of the Euro Notes tendered was 71.9 million, representing approximately 22.8% of the outstanding Euro Notes. The Company paid $102.1 million in principal ($0.3 million for the Dollar Notes and 75.9 million for the Euro Notes) and $2.2 million of accrued interest to settle the tender offers and retire the debt on March 29, 2010.

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On April 1, 2010, Sensata Technologies B.V. announced the redemption of all of its outstanding 11.25% Senior Subordinated Notes due 2014 at a redemption price equal to 105.625% of the principal amount, and $138.6 million of its outstanding 8% Senior Notes due 2014 at a redemption price equal to 104.000% of the principal amount. The Company paid $225.0 million in principal, $10.4 million in premium and $8.4 million of accrued interest in May 2010 to complete the redemption.

In connection with these transactions, during the nine months ended September 30, 2010, the Company recorded losses in Currency translation (loss)/gain and other, net of $23.5 million, including the write-off of debt issuance costs of $6.8 million.

11. Income Taxes

The Company recorded tax provisions for the nine months ended September 30, 2010 and 2009 of $35,996 and $35,165, respectively. The Company s tax provision consisted of current tax expense, which related primarily to the Company s profitable operations in foreign tax jurisdictions, and deferred tax expense, which related primarily to the amortization of tax deductible goodwill.

During the nine months ended September 30, 2010, the Company recognized a tax benefit of $3,347 in connection with the reduction of liabilities for unrecognized tax benefits. This amount includes a decrease of $3,903 related to the lapse of the applicable statute of limitations related to certain liabilities assumed in acquisitions that were fully indemnified by the sellers. During the nine months ended September 30, 2010, the Company also reversed the related indemnification receivable in Currency translation (loss) / gain and other, net in the condensed consolidated statements of operations.

12. Pension and Other Post-Retirement Benefits

The Company provides various retirement plans for employees, including defined benefit, defined contribution and retiree healthcare benefit plans.

The components of net periodic benefit cost associated with the Company s defined benefit and retiree healthcare plans for the nine months ended September 30, 2010 and 2009 were as follows:

	U.S. Plans				Non-U.S. Plans	
	Defined Benefit		Retiree Healthcare		Defined Benefit	
	2010	2009	2010	2009	2010	2009
Service cost	$ 1,553	$ 1,505	$ 195	$ 210	$ 1,729	$ 2,157
Interest cost	1,986	2,320	450	450	698	770
Expected return on plan assets	(1,767)	(1,950)			(562)	(593)
Amortization of net loss	245	215	8		95	529
Amortization of prior service cost					5	619
Loss on settlement		1,283				2,409

(Gain) / loss on curtailment					(111)	391
Net periodic benefit cost	$ 2,017	$ 3,373	$ 653	$ 660	$ 1,854	$ 6,282

During the three months ended March 31, 2010, the Company terminated 7 employees at one of its subsidiaries. In connection with this event the Company recognized a curtailment gain of $111. There was no related activity in the six months ended September 30, 2010.

During the nine months ended September 30, 2009, the Company terminated 1,452 employees at several of its subsidiaries in connection with the 2008 Plan (see Note 8, Restructuring Costs , for further discussion). In connection with these events, during the nine months ended September 30, 2009, the Company recognized a settlement loss of $3,692 and a curtailment loss of $391.

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The Company intends to contribute amounts to the U.S. qualified defined benefit plan in order to meet the minimum funding requirements of federal laws and regulations, plus additional amounts as the Company deems appropriate. During the nine months ended September 30, 2010, the Company made contributions of $2,610 to the U.S. qualified defined benefit plan. The Company expects to contribute approximately $3,410 to the U.S. qualified defined benefit plans during the twelve months ending December 31, 2010.

Funding requirements for the non-U.S. defined benefit plans are determined on an individual country and plan basis and are subject to local country practices and market circumstances. During the nine months ended September 30, 2010, the Company made contributions of $2,154 to the non-U.S. defined benefit plans. The Company expects to contribute approximately $2,596 to the non-U.S. defined benefit plans during the twelve months ending December 31, 2010.

13. Accrued Expenses and Other Current Liabilities

Accrued interest associated with the Company s outstanding debt is included as a component of accrued expenses and other current liabilities in the accompanying condensed consolidated balance sheets. As of September 30, 2010 and December 31, 2009, accrued interest totaled $23,746 and $27,595, respectively.

14. Share-Based Payment Plans

In September 2006, the Company adopted the First Amended and Restated Sensata Technologies Holding B.V. 2006 Management Option Plan (Stock Option Plan) and the First Amended and Restated Sensata Technologies Holding B.V. 2006 Management Securities Purchase Plan. During the three months ended September 30, 2009, the Company amended the Stock Option Plan (Amendment) to increase the number of shares reserved for issuance under the Stock Option Plan to 13,082,236 ordinary shares and to change the performance measure of Tranche 3 options to equal that of Tranche 2 options. In effect, Tranche 3 options were converted to Tranche 2 options. Stock awards granted under these plans are in the equity of the Company.

In connection with the completion of the IPO in March 2010, the Company adopted the Sensata Technologies Holding N.V. 2010 Employee Stock Purchase Plan (2010 Stock Purchase Plan) and the Sensata Technologies Holding N.V. 2010 Equity Incentive Plan (2010 Equity Plan). The purpose of the 2010 Stock Purchase Plan is to provide an incentive for present and future eligible employees to purchase the Company s ordinary shares and acquire a proprietary interest in the Company. The purpose of the 2010 Equity Plan is to promote long-term growth and profitability by providing the Company s eligible present and future directors, officers, employees, consultants and advisors with incentives to contribute to and participate in the Company s success. The maximum number of ordinary shares that are available for sale under the 2010 Stock Purchase Plan is 500,000 ordinary shares. The maximum number of ordinary shares available under the 2010 Equity Plan is 5,000,000 ordinary shares.

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Stock Options

A summary of stock option activity for the nine months ended September 30, 2010 is presented below:

	Ordinary Shares	Weighted-Average Exercise Price Per Share	Weighted-Average Remaining Contractual Term (in years)	Aggregate Intrinsic Value (in thousands)
Tranche 1 Options				
Balance as of December 31, 2009	4,991,716	$ 8.96	7.28	$ 55,259
Granted	330,900	19.68		
Forfeited and canceled	(20,000)	7.50		
Exercised	(852,971)	7.09		
Balance as of September 30, 2010	4,449,645	$ 10.12	6.91	$ 43,018
Vested and exercisable as of September 30, 2010	2,271,091	$ 7.73	6.00	$ 27,313
Vested and expected to vest as of September 30, 2010(1)	4,288,011	$ 10.03	6.88	$ 41,852

	Ordinary Shares	Weighted-Average Exercise Price Per Share	Weighted-Average Remaining Contractual Term (in years)	Aggregate Intrinsic Value (in thousands)
Tranche 2 and 3 Options				
Balance as of December 31, 2009	7,933,432	$ 7.45	6.67	$ 99,796
Granted				
Forfeited and canceled	(40,000)	7.50		
Exercised	(100,745)	7.29		
Balance as of September 30, 2010	7,792,687	$ 7.45	5.90	$ 95,907
Vested and exercisable as of September 30, 2010	5,737,377	$ 7.05	5.73	$ 72,942
Vested and expected to vest as of September 30, 2010(1)	7,777,951	$ 7.45	5.90	$ 95,758

(1) The expected to vest options are the result of applying the forfeiture rate assumption, adjusted for cumulative actual forfeitures, to total unvested outstanding options.

A summary of the status of nonvested options as of September 30, 2010 and of the changes during the nine months then ended is presented below. Amounts in the table below have been calculated based on unrounded shares. Because certain grants are divided equally between

Tranches 1, 2 and 3, certain amounts may not add to the totals due to the effect of rounding.

	Stock Options			Weighted-Average Grant-Date Fair Value Per Share		
	Tranche 1	Tranche 2	Tranche 3	Tranche 1	Tranche 2	Tranche 3
Nonvested as of December 31, 2009	2,796,244	4,083,383	3,850,049	$ 5.34	$ 1.98	$ 1.21
Granted	330,900			$ 6.66		
Forfeited	(20,000)	(20,000)	(20,000)	$ 2.68	$ 0.92	$ 0.48
Vested	(928,590)	(2,919,061)	(2,919,061)	$ 3.99	$ 1.71	$ 1.22
Nonvested as of September 30, 2010	2,178,554	1,144,322	910,988	$ 5.95	$ 2.69	$ 1.19

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As of September 30, 2010, there were 217,088 shares available for grant under the Stock Option Plan and 4,638,500 shares available for grant under the 2010 Equity Plan.

Tranche 1 Options: The majority of Tranche 1 options vest over a period of 5 years (40% vesting year 2, 60% vesting year 3, 80% vesting year 4 and 100% vesting year 5) provided the participant of the option plan is continuously employed by the Company or any of its subsidiaries, and vest immediately upon a change-in-control transaction under which the investor group disposes of or sells more than 50% of the total voting power or economic interest in the Company to one or more independent third parties. Tranche 1 options granted in September 2009 have the same vesting provisions as other Tranche 1 awards, except that they vest 20% per year over five years from the date of grant. Vesting provisions for awards granted in 2010 are discussed further below. The Company recognizes compensation expense for Tranche 1 awards on a straight-line basis over the requisite service period.

The Company granted 154,800 Tranche 1 options under the 2010 Equity Plan in the three months ended June 30, 2010 to directors of Sensata Technologies Holding N.V. These options vest after one year. There are no performance conditions related to these options. The grant date fair value per share of these options was $7.00.

The Company granted 176,100 Tranche 1 options under the 2010 Equity Plan in the three months ended September 30, 2010 to certain employees. These options vest over a period of four years at 25% per year. There are no performance conditions related to these options. The grant date fair value per share of these options was $6.37.

Under the fair value recognition provisions of ASC 718, *Compensation Stock Compensation* (ASC 718), the Company recognizes stock-based compensation net of estimated forfeitures and, therefore, only recognizes compensation cost for those shares expected to vest over the service period of the award. The Company has estimated its forfeitures based on historical experience. During the three months ended March 31, 2009, the Company revised its forfeiture rate from 5% to 11% based upon the actual rate of forfeitures by plan participants. As a result of this revision, the Company recorded a reduction to its non-cash compensation expense of $335 during the nine months ended September 30, 2009. There was no adjustment to the estimated forfeiture rate during the nine months ended September 30, 2010. The remainder of the unrecognized compensation expense of $10,437 will be recognized on a straight-line basis over the remaining requisite service period, through 2014.

Tranche 2 and 3 Options: Tranche 2 and 3 options vest based on the passage of time (over 5 years with 40% vesting year 2, 60% vesting year 3, 80% vesting year 4 and 100% vesting year 5, similar to a majority of Tranche 1 awards) and the completion of a liquidity event that results in specified returns on the Sponsors investment. Prior to the Amendment to the Stock Option Plan during the three months ended September 30, 2009, the only difference between the terms of Tranche 2 and Tranche 3 awards was the amount of the required return on the Sponsors investment. As a result of the Amendment, all outstanding Tranche 3 awards required the same specified return on the equity Sponsor s investment as Tranche 2 awards. The Company accounted for the Amendment as a modification under ASC 718, which resulted in $9,014 of incremental value.

Prior to the first quarter of 2010, the performance and market vesting conditions contained in the Tranche 2 and 3 awards were not considered probable of occurring based on guidance provided by ASC 805, *Business Combinations*, and no share-based compensation expense was recognized for these awards. These conditions became probable of occurring during the three months ended March 31, 2010, and were satisfied upon the completion of the IPO in March 2010. As a result, during the three months ended March 31, 2010, the Company recorded a cumulative catch-up adjustment for previously unrecognized compensation expense associated with the Tranche 2 and 3 awards and the related modification totaling $18,876. The remainder of the unrecognized compensation expense of $1,809 will be recognized on an accelerated basis over the remaining requisite service period, through 2013.

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Restricted Securities

The Company granted 30,600 restricted securities to certain of its employees under the 2010 Equity Plan during the three months ended September 30, 2010. These restricted securities vest on September 1, 2013. The number of shares that vest will depend on the extent to which certain performance criteria are met and could range between 0% and 150% of the amount granted. As of September 30, 2010, the Company considers it probable that 100% of the awards will vest. The grant date fair value of these securities was $18.88.

A summary of the unvested securities activity during the nine months ended September 30, 2010 is presented below:

	Ordinary Shares	Weighted-Average Grant Date Fair Value
Unvested balance as of December 31, 2009	433,018	$ 16.20
Granted	30,600	$ 18.88
Forfeited		
Vested	(74,320)	$ 17.48
Unvested balance as of September 30, 2010	389,298	$ 16.17

Unrecognized compensation expense of $2,382 will be recognized on a straight-line basis over the remaining requisite period of each grant, through 2014.

Share-Based Compensation Expense

The table below presents non-cash compensation expense related to the Company s options and restricted securities awards within selling, general and administrative (SG&A) expense in the condensed consolidated statements of operations during the identified periods.

	For the nine months ended	
	September 30, 2010	September 30, 2009
Tranche 1 options	$ 3,302	$ 1,135
Tranche 2 and 3 options	19,956	
Restricted securities	401	39
Total share-based compensation expense	$ 23,659	$ 1,174

15. Related Party Transactions

The table below presents related party transactions recognized in SG&A expense in the condensed consolidated statements of operations during the identified periods.

	For the nine months ended September 30, 2010	September 30, 2009
Sponsors fee for Advisory Agreement	$ 833	$ 3,000
Advisory Agreement termination fee	22,352	
Administrative Services Agreement	384	399
Legal services provided by a shareholder of Parent	1,807	862
Total included in SG&A expense	$ 25,376	$ 4,261

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Advisory Agreement

In connection with the 2006 Acquisition, the Company entered into an advisory agreement with the Sponsors for ongoing consulting, management advisory and other services (the Advisory Agreement). In consideration for consulting and management advisory services, the Advisory Agreement required the Company to pay each Sponsor a quarterly advisory fee equal to the product of $1,000 times such Sponsors Fee Allocation Percentage as defined in the Advisory Agreement. This fee was recorded in selling, general and administrative expense as shown in the above table.

In addition, in the event of services provided in connection with any future acquisition, disposition, or financing transactions involving the Company, the Advisory Agreement required the Company to pay the Sponsors an aggregate fee of one percent of the gross transaction value of each such transaction. In connection with the completion of the Company s IPO during the three months ended March 31, 2010, the Company paid the Sponsors a transaction fee of $4,737. This cost was charged against the gross proceeds of the offering along with other specific incremental costs directly attributable to the Company s IPO.

At the Sponsors option, the Advisory Agreement was terminated in March 2010, at which time the Company recognized a charge for a termination fee paid to the Sponsors as required by the Advisory Agreement. This termination fee was recorded in selling, general and administrative expense as shown in the above table.

Administrative Services Agreement

In 2009, the Company entered into a fee for service arrangement with the Parent for ongoing consulting, management advisory and other services (the Administrative Services Agreement), effective January 1, 2008. Expenses related to this arrangement are recorded in selling, general and administrative expense, as shown in the above table. During the nine months ended September 30, 2010 and 2009, the Company paid $244 and $133, respectively, related to the Administrative Services Agreement.

Other Arrangements with the Investor Group and its Affiliates

The Company utilizes one of the Parent s shareholders for legal services. Expenses related to such legal services are recorded in selling, general and administrative expense as shown in the above table. During the nine months ended September 30, 2010, the Company made payments to this shareholder of $2,949. During the nine months ended September 30, 2009, the Company made payments to this shareholder totaling $1,548.

During 2009, certain executive officers and other members of management of the Company invested in a limited partnership along with the Sponsors. The limited partnership was formed with the intent to invest in Sensata Technologies B.V. s bonds among other potential investment opportunities. As of December 31, 2009, the limited partnership owned 42,300 aggregate principal amount of 11.25% Senior Subordinated Notes. In connection with the cash tender offer launched on February 26, 2010, the limited partnership validly tendered, and Sensata Technologies B.V. accepted for purchase, all of the 11.25% Senior Subordinated Notes held by the limited partnership. The limited partnership received aggregate consideration of approximately 45,700, including accrued and unpaid interest, in exchange for the tendered notes. As of

September 30, 2010, management held no investment in the partnership.

16. Commitments and Contingencies

Off-Balance Sheet Commitments

The Company executes contracts involving indemnifications standard in the relevant industry and indemnifications specific to certain transactions such as the sale of a business. These indemnifications might include claims relating to the following: environmental matters; intellectual property rights; governmental regulations and employment-related matters; customer, supplier and other commercial contractual relationships; and financial matters. Performance under these indemnities would generally be triggered by a breach of terms of

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the contract or by a third-party claim. Historically, the Company has had only minimal and infrequent losses associated with these indemnities. Consequently, any future liabilities brought about by these indemnities cannot reasonably be estimated or accrued.

In May 2009, Sensata Technologies, Inc., an indirect and wholly-owned subsidiary of the Company, negotiated a transition production agreement with Engineered Materials Solutions, LLC (EMS) to ensure the continuation of supply of certain materials. EMS is a wholly-owned subsidiary of Wickeder Westfalenstahl Gmbh. The Electrical Contact Systems, or ECS, business unit of EMS was the primary supplier to the Company for electrical contacts used in the manufacturing of certain of the Company s controls products. The Company entered into the transition production agreement in order to support the ECS business unit, which was at risk of closing. The Company extended the transition production agreement with EMS on February 4, 2010, and it expired on May 31, 2010. The Company has transitioned to alternative suppliers for these materials. The letter of credit issued to the consignor under the silver consignment agreement was cancelled in August 2010. The Company settled the agreements with the consignor and EMS during the three months ended September 30, 2010.

Indemnifications Provided As Part of Contracts and Agreements

The Company is a party to the following types of agreements pursuant to which it may be obligated to indemnify the other party with respect to certain matters:

Sponsors: On the closing date of the 2006 Acquisition, the Company entered into customary indemnification agreements with the Sponsors pursuant to which the Company indemnifies the Sponsors against certain liabilities arising out of performance of a consulting agreement between the Company and each of the Sponsors and certain other claims and liabilities, including liabilities arising out of financing arrangements and securities offerings.

Officers and Directors: In connection with the Company s IPO, the Company entered into indemnification agreements with each of its board members and executive officers pursuant to which the Company agrees to indemnify, defend and hold harmless, and also advance expenses as incurred, to the fullest extent permitted under applicable law, from damage arising from the fact that such person is or was a director or an officer of the Company or any of its subsidiaries.

The Company s articles of association provide for indemnification of directors by the Company to the fullest extent permitted by applicable law, as it now exists or may hereinafter be amended (but, in the case of an amendment, only to the extent such amendment permits broader indemnification rights than permitted prior thereto), against any and all liabilities including all expenses (including attorneys fees), judgments, fines and amounts paid in settlement actually and reasonably incurred by him or her in connection with such action, suit or proceeding if he or she acted in good faith and in a manner he or she reasonably believed to be in, or not opposed to, the Company s best interests, and, with respect to any criminal action or proceeding, had no reasonable cause to believe his or her conduct was unlawful or outside of his or her mandate. The articles do not provide a limit to the maximum future payments, if any, under the indemnification. No indemnification is provided for in respect of any claim, issue or matter as to which such person has been adjudged to be liable for gross negligence or willful misconduct in the performance of his or her duty to the Company. The directors are not indemnified from and against claims to the extent they relate to personal gain, benefits or fees to which they were not entitled under the law, or if the director s liability on account of gross negligence, willful misconduct or deliberate recklessness has been established at law in the last resort.

In addition, the Company has a liability insurance policy which insures directors and officers against the cost of defense, settlement or payment of claims and judgments under some circumstances. Certain indemnification payments may not be covered under the Company s directors and officers insurance coverage.

Underwriters: Pursuant to the terms of the underwriting agreement entered into in connection with the Company s IPO, the Company is obligated to indemnify the underwriters against certain liabilities, including

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liabilities under the Securities Act, or to contribute to payments the underwriters may be required to make in respect thereof. The underwriting agreement does not provide a limit to the maximum future payments, if any, under this indemnification.

Intellectual Property and Product Liability Indemnification: The Company routinely sells products with a limited intellectual property and product liability indemnification included in the terms of sale. Historically, the Company has had only minimal and infrequent losses associated with these indemnities. Consequently, any future liabilities resulting from these indemnities cannot reasonably be estimated or accrued.

Product Warranty Liabilities

The Company s standard terms of sale provide its customers with a warranty against faulty workmanship and the use of defective materials. These warranties exist for a period of eighteen months after the date the Company ships the product to a customer or for a period of twelve months after the customer resells the product, whichever comes first. The Company does not offer separately priced extended warranty or product maintenance contracts. The Company s liability associated with this warranty is, at the Company s option, to repair the product, replace the product or provide the customer with a credit. The Company also sells products to customers under negotiated agreements or where the Company has accepted the customer s terms of purchase. In these instances, the Company may make additional warranties, for longer durations consistent with differing end-market practices, and where the Company s liability is not limited. Finally, many sales take place in situations where commercial or civil codes, or other laws, would imply various warranties and restrict limitations on liability.

In the event a warranty claim based on defective materials exists, the Company may be able to recover some of the cost of the claim from the vendor from whom the material was purchased. The Company s ability to recover some of the costs will depend on the terms and conditions to which the Company agreed when the material was purchased. When a warranty claim is made, the only collateral available to the Company is the return of the inventory from the customer making the warranty claim. Historically, when customers make a warranty claim, the Company either replaces the product or provides the customer with a credit. The Company generally does not rework the returned product.

The Company s policy is to accrue for warranty claims when a loss is both probable and estimable. This is accomplished by reserving for estimated sales returns and estimated costs to replace the product at the time the related revenue is recognized. Reserves for sales returns and liabilities for warranty claims are not material.

In some instances, customers may make claims, and in some cases file lawsuits, for costs they incurred or other damages. Any potentially material liabilities associated with these claims are discussed in this Note under the heading Legal Proceedings and Claims.

Environmental Remediation Liabilities

The Company s operations and facilities are subject to U.S. and foreign laws and regulations governing the protection of the environment and the Company s employees, including those governing air emissions, water discharges, the management and disposal of hazardous substances and wastes, and the cleanup of contaminated sites. The Company could incur substantial costs, including cleanup costs, fines or civil or criminal sanctions, or third-party property damage or personal injury claims, in the event of violations or liabilities under these laws and regulations, or non-compliance with the environmental permits required at the Company s facilities. Potentially significant expenditures could be required in order to comply with environmental laws that may be adopted or imposed in the future. The Company is, however, not aware of any threatened or pending material environmental investigations, lawsuits or claims involving the Company or its operations.

In 2001, TI Brazil was notified by the State of São Paolo, Brazil, regarding its potential cleanup liability as a generator of wastes sent to the Aterro Mantovani disposal site, which operated near Campinas from 1972 to 1987. The site is a landfill contaminated with a variety of chemical materials, including petroleum products, allegedly disposed at the site. TI Brazil is one of over fifty companies notified of potential cleanup liability.

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There have been several lawsuits filed by third parties alleging personal injuries caused by exposure to drinking water contaminated by the disposal site. The Company s subsidiary, Sensata Technologies Brazil, is the successor in interest to TI Brazil. However, in accordance with the terms of the acquisition agreement entered into in connection with the 2006 Acquisition, Texas Instruments retained these liabilities (subject to the limitations set forth in that agreement) and has agreed to indemnify the Company with regard to these excluded liabilities. Additionally, in 2008, lawsuits were filed against Sensata Technologies Brazil alleging personal injuries suffered by individuals who were exposed to drinking water allegedly contaminated by the Aterro disposal site. These matters are managed and controlled by TI. TI is defending these lawsuits, which are in their early stages. Although Sensata Technologies Brazil cooperates with TI in this process, the Company does not anticipate incurring any non-reimbursable expenses related to the matters described above. Accordingly, no amounts have been accrued for these matters as of September 30, 2010.

Control Devices, Inc. (CDI), a wholly-owned subsidiary of Sensata Technologies, Inc. (STI), the Company s principal U.S. operating subsidiary, acquired through its acquisition of First Technology Automotive, holds a post-closure license, along with GTE Operations Support, Inc. (GTE), from the Maine Department of Environmental Protection with respect to a closed hazardous waste surface impoundment located on real property at a facility owned by CDI in Standish, Maine. The post-closure license obligates GTE to operate a pump and treatment process to reduce the levels of chlorinated solvents in the groundwater under the property. The post-closure license obligates CDI to maintain the property and provide access to GTE. The Company does not expect the costs to comply with the post-closure license to be material. As a related but separate matter, pursuant to the terms of an Environmental Agreement dated July 6, 1994, GTE retained liability and agreed to indemnify CDI for certain liabilities related to the soil and groundwater contamination from the surface impoundment and an out-of-service leach field at the Standish, Maine facility, and CDI and GTE have certain obligations related to the property and each other. The site is contaminated primarily with chlorinated solvents. The Company does not expect the remaining cost associated with addressing the soil and groundwater contamination to be material.

Legal Proceedings and Claims

The Company accounts for litigation and claims losses in accordance with ASC Topic 450, *Contingencies* (ASC 450). Loss contingencies are recorded when probable and estimable, at the Company s best estimate of a loss, or when a best estimate cannot be made, at the low end of the Company s estimate of the range of possible outcomes for the contingency. The Company has recorded litigation reserves of approximately $6.8 million as of September 30, 2010 for various litigation and claims, including the matters described in the Prospectus and as updated below.

The Company is regularly involved in a number of claims and litigation matters in the ordinary course of business. Most of the Company s litigation matters are third-party claims for property damage allegedly caused by the Company s products, but some involve allegations of personal injury or wrongful death. See the Prospectus, Note 17, Commitments and Contingencies for historical details of such claims.

Ford Speed Control Deactivation Switch Litigation: The Company is involved in a number of litigation matters relating to a pressure switch that TI sold to Ford Motor Company (Ford) for several years until 2002, which was incorporated into a cruise control deactivation switch system. Between 1999 and 2009, Ford and related manufacturers issued nine different recalls in the US and China, due to concerns that in some circumstances this system and switch may cause fires. In 2001, TI received a demand from Ford for reimbursement of costs related to the first recall, and rejected that demand. Ford has not subsequently pursued TI or the Company for any demands related to these recalls.

The Company has been served with various lawsuits related to this matter in which plaintiffs have alleged wrongful death related to fires allegedly caused by the system and switch. During fiscal year 2008, the Company settled all then outstanding wrongful death cases related to these matters for amounts that did not have a material impact on the Company s financial condition or results of operations. On April 1, 2010, the Company and TI

were served in a new lawsuit involving wrongful death claims, Romans v. Texas Instruments Inc. et al, Case # CVH 20100126, Madison County Court of Common Pleas, Ohio. The lawsuit alleges that a 2008 residential fire resulted in the deaths of three people and injuries to a fourth. A separate lawsuit, which arises from the same facts, Romans v. Ford Motor Company, Case #CVC20090074, Madison County Court of Common Pleas, Ohio, has been filed against Ford. On April 9, 2010, the plaintiffs filed a motion to consolidate the two lawsuits. The Company believes that these claims will ultimately be dismissed.

As of September 30, 2010, the Company was a defendant in 23 third party lawsuits in which plaintiffs have alleged property damage and various personal injuries from the system and switch. A majority of these cases seek an unspecified amount of compensatory and exemplary damages. Where a demand is specified the range is from $50 thousand to $3.0 million. Ford and TI are co-defendants in each of these lawsuits. The Company has recorded a $0.6 million reserve in its financial statements for potential losses in these cases.

Whirlpool Recall Litigation: The Company is involved in litigation relating to certain control products that TI sold between 2000 and 2004 to Whirlpool Corporation (Whirlpool). The control products were incorporated into the compressors of certain refrigerators in a number of Whirlpool brands. Whirlpool contends that the control products were defective because they allegedly fail at excessive rates, and have allegedly caused property damage, including fires.

On January 28, 2009, Whirlpool filed a lawsuit against TI and one of the Company s subsidiaries asserting, among other things, contract claims as well as claims for breach of warranty, fraud, negligence, indemnification, and deceptive trade practices. The lawsuit seeks an unspecified amount of compensatory and exemplary damages. The Company and TI have answered the complaint and denied liability. In January 2009, TI elected to become the controlling party for this lawsuit and will manage and defend the litigation on behalf of both TI and the Company.

On June 11, 2010, Whirlpool filed a first amended complaint in the Circuit Court of Cook County, Illinois, Whirlpool Corp. et. al. v. Sensata Technologies, Inc. et. al., Docket No. 2009-L-001022. The amended complaint clarifies many of their contentions, and adds and subtracts certain causes of action. The court has scheduled a trial setting for October 2011 and the parties continue in the discovery process. As of September 30, 2010, the Company has recorded a reserve of $5.9 million related to this matter.

Pursuant to the terms of the acquisition agreement entered into in connection with the 2006 Acquisition, and subject to the limitations set forth in that agreement, TI has agreed to indemnify the Company for certain claims and litigation, including the Whirlpool matter, to the extent that the aggregate amount of costs and/or damages from such claims exceeds $30.0 million (up to a cap of $300 million). As of September 30, 2010, the Company had incurred approximately $27.2 million of costs that it believes apply towards the indemnification.

The Company has also been involved in a related but separate proceeding with TI s insurer, American Alternative Insurance. TI has filed a lawsuit against this insurer seeking reimbursement of its defense costs in the Whirlpool litigation and third party claims. During the three months ended June 30, 2010, TI informed the Company that they have reached a settlement with their insurer in this matter. As of September 30, 2010, the Company has not recorded a reserve for this matter.

Pelonis Appliances: The Company is a co-defendant in a claim against Pelonis Appliances, Inc. resulting from a residential fire allegedly caused by a product sold by Pelonis Appliances, and which incorporates one of the Company s products. On April 17, 2010, the court granted plaintiff s notice of non-suit without prejudice. Pelonis and the Company have continued their pending cross claims for at least five months until January 2011 with the intention of dismissing those claims if plaintiffs do not refile their claims before the applicable statute of limitations runs. As of September 30, 2010, the Company has not recorded a reserve for this matter.

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Huawei: A Chinese telecommunications equipment customer, Huawei, informed the Company that it was planning to conduct a field replacement campaign for power supply products containing the Company s circuit breakers. The customer has alleged defects in the Company s products, which were sold through distributors to two power supply subcontractors. As of the end of the three months ended March 31, 2010, the Company estimated that a 100% field replacement campaign would cost approximately $6.0 million. Based on more recent discussions with the customer, the Company believes that the replacement campaign will involve a smaller percentage of systems with an estimated cost for the campaign of approximately $1.0 million. The Company is contesting the customer s allegations but working with them to analyze the situation. The Company has included a reserve in its financial statements in the amount of $0.1 million as of September 30, 2010.

European automaker: A European automaker has alleged defects in certain of the Company s pressure sensor products installed in its vehicles from June 2006 through April 2010. The customer brought this claim in June 2010 claiming costs to date of 2.5 million, and estimated future costs, together, totaling 11.7 million. The Company contests the customer s allegations. As of September 30, 2010, the Company has not recorded a reserve for this claim.

Other Matters

An internal investigation has been conducted under the direction of the Audit Committee of the Company s Board of Directors to determine whether any laws, including the Foreign Corrupt Practices Act (FCPA), may have been violated in connection with a certain business relationship entered into by one of the Company s operating subsidiaries involving business in China. The Company believes the amount of payments and the business involved was immaterial. The Company discontinued the specific business relationship and its investigation has not identified any other suspect transactions. The Company has contacted the United States Department of Justice and the Securities and Exchange Commission to begin the process of making a voluntary disclosure of the possible violations, the investigation, and the initial findings. The Company will cooperate fully with their review. The FCPA (and related statutes and regulations) provides for potential monetary penalties, criminal and civil sanctions, and other remedies. The Company is unable to estimate the potential penalties, if any, that might be assessed and, accordingly, no provision has been made in the accompanying condensed consolidated financial statements.

17. Fair Value Measures

The Company s assets and liabilities recorded at fair value have been categorized based upon a fair value hierarchy in accordance with ASC 820, *Fair Value Measurements and Disclosures*. The levels of the fair value hierarchy are described below:

Level 1 inputs utilize quoted prices (unadjusted) in active markets for identical assets and liabilities that the Company has the ability to access at the measurement date.

Level 2 inputs utilize inputs, other than quoted prices included in Level 1, that are observable for the asset or liability, either directly or indirectly. Level 2 inputs include quoted prices for similar assets and liabilities in active markets, and inputs other than quoted prices that are observable for the asset or liability, such as interest rates and yield curves that are observable at commonly quoted intervals.

Level 3 inputs are unobservable inputs for the asset or liability, allowing for situations where there is little, if any, market activity for the asset or liability.

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Measured on a Recurring Basis

The following table presents information about the Company s assets and liabilities measured at fair value on a recurring basis, aggregated by the level in the fair value hierarchy within which those measurements fell.

	September 30, 2010			December 31, 2009		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
Assets						
Commodity forward contracts	$	$ 1,844	$	$	$ 644	$
Interest rate caps		85			1,550	
Euro call option					993	
Total	$	$ 1,929	$	$	$ 3,187	$
Liabilities						
Interest rate collars	$	$ 3,499	$	$	$ 8,587	$
Interest rate swap		477			3,157	
Commodity forward contracts		4			193	
Total	$	$ 3,980	$	$	$ 11,937	$

The valuations of the derivatives intended to mitigate the Company s interest rate risk (interest rate caps, collars and swaps) are determined with the assistance of a third party financial institution using widely accepted valuation techniques, including discounted cash flow analysis on the expected cash flows of each instrument. This analysis utilizes observable market-based inputs, including interest rate curves and interest rate volatility, and reflects the contractual terms of these instruments, including the period to maturity. Specific contractual terms utilized as inputs in determining fair value and a discussion of the nature of the risks being mitigated by these instruments are detailed in Note 18, Derivative Instruments and Hedging Activities, under the caption *Interest Rate Risk* .

The valuations of the commodity forward contracts are determined using widely accepted valuation techniques, including discounted cash flow analysis on the expected cash flows of each instrument. This analysis utilizes observable market-based inputs, including commodity forward curves, and reflects the contractual terms of these instruments, including the period to maturity. Specific contractual terms utilized as inputs in determining fair value and a discussion of the nature of the risks being mitigated by these instruments are detailed in Note 18, Derivative Instruments and Hedging Activities, under the caption *Commodity Risk* .

The Company incorporates credit valuation adjustments to appropriately reflect both its own nonperformance risk and the respective counterparty s nonperformance risk in the fair value measurements. In adjusting the fair value of its derivative contracts for the effect of nonperformance risk, the Company has considered the impact of netting and any applicable credit enhancements, such as collateral postings, thresholds, mutual puts, and guarantees.

Although the Company has determined that the majority of the inputs used to value its derivatives fall within Level 2 of the fair value hierarchy, the credit valuation adjustments associated with its derivatives utilize Level 3 inputs, such as estimates of current credit spreads, to appropriately reflect both its own nonperformance risk and the respective counterparties nonperformance risk in the fair value measurement. However, as of

September 30, 2010 and December 31, 2009 the Company has assessed the significance of the impact of the credit valuation adjustments on the overall valuation of its derivative positions and has determined that the credit valuation adjustments are not significant to the overall valuation of its derivatives. As a result, the Company has determined that its derivative valuations in their entirety are classified in Level 2 in the fair value hierarchy.

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Measured on a Non-Recurring Basis

The Company evaluates the recoverability of goodwill and other intangible assets in the fourth quarter of each fiscal year, or more frequently if events or changes in circumstances indicate that goodwill or other intangible assets may be impaired. As of September 30, 2010, no such events or changes in circumstances occurred that would have triggered the need for an earlier impairment review.

In March 2009, the Company determined that goodwill and definite-lived intangible assets associated with its Interconnection reporting unit were impaired and recorded a charge totaling $19,867 in the condensed consolidated statement of operations. The balance of definite-lived intangible assets and goodwill associated with the Interconnection reporting unit as of March 31, 2009, as well as the impairment charges recorded during the three months ended March 31, 2009, were as follows:

	Fair Value Measurement	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total Impaired (Losses)
Definite-lived intangible assets	$ 10,630	$	$	$ 10,630	$ (14,574)
Goodwill	3,341			3,341	(5,293)
	$ 13,971			$ 13,971	$ (19,867)

The fair value measures in the table above were measured using significant unobservable inputs (level 3) using an income approach, as described in the Prospectus.

Goodwill and definite-lived intangible assets are valued primarily using discounted cash flow models that incorporate assumptions for a reporting units short and long-term revenue growth rates, operating margins and discount rates, which represent the Company s best estimates of current and forecasted market conditions, current cost structure, and the implied rate of return that management believes a market participant would require for an investment in a Company having similar risks and business characteristics to the reporting unit being assessed.

Financial Instruments Not Recorded at Fair Value

The carrying value and fair values of financial instruments not recorded at fair value in the condensed consolidated balance sheets as of September 30, 2010 and December 31, 2009 were as follows:

	September 30, 2010		December 31, 2009	
	Carrying Value	Fair Value	Carrying Value	Fair Value
Liabilities:				

Senior secured term loans	$ 1,428,807	$ 1,355,847	$ 1,468,100	$ 1,295,320
Senior Notes and Senior Subordinated Notes	442,253	458,259	790,792	768,079

The fair values of the Company s long-term obligations are determined by using a valuation model that discounts estimated future cash flows at the benchmark interest rate plus an estimated credit spread.

Cash and trade receivables are carried at their cost which approximates fair value because of their short-term nature.

18. Derivative Instruments and Hedging Activities

As required by ASC Topic 815, *Derivatives and Hedging* (ASC 815), the Company records all derivatives on the balance sheet at fair value. The accounting for changes in the fair value of derivatives depends on the intended use of the derivative, whether the Company has elected to designate a derivative in a hedging

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relationship and apply hedge accounting, and whether the hedging relationship has satisfied the criteria necessary to apply hedge accounting. Derivatives designated and qualifying as a hedge of the exposure to changes in the fair value of an asset, liability or firm commitment attributable to a particular risk, such as interest rate risk, are considered fair value hedges. Derivatives designated and qualifying as a hedge of the exposure to variability in expected future cash flows, or other types of forecasted transactions, are considered cash flow hedges. Derivatives may also be designated as hedges of the foreign currency exposure of a net investment in a foreign operation. Hedge accounting generally provides for the matching of the timing of gain or loss recognition on the hedging instrument with the recognition of the changes in the fair value of the hedged asset or liability that are attributable to the hedged risk in a fair value hedge or the earnings effect of the hedged forecasted transactions in a cash flow hedge. The Company may enter into derivative contracts that are intended to economically hedge certain of its risks, even though the Company elects not to apply hedge accounting under ASC 815. Specific information about the valuations of derivatives and classification in the fair value hierarchy are described in Note 17, Fair Value Measures.

Interest Rate Risk

The Company s objectives in using interest rate derivatives are to add stability to interest expense and to manage its exposure to interest rate movements on its U.S. dollar and Euro-denominated floating rate debt. To accomplish this objective, the Company primarily uses interest rate swaps, collars and caps as part of its interest rate risk management strategy. Interest rate swaps designated as cash flow hedges involve the receipt of variable-rate amounts from a counterparty in exchange for the Company making fixed-rate payments over the life of the agreements without exchange of the underlying notional amount. Interest rate collars designated as cash flow hedges involve the receipt of variable rate amounts if interest rates rise above the cap strike rate on the contract and payments of variable rate amounts if interest rates fall below the floor strike rate on the contract. Interest rate caps designated as cash flow hedges involve the receipt of variable rate amounts if interest rates rise above the cap strike rate on the contract.

The effective portion of changes in the fair value of derivatives designated and that qualify as cash flow hedges is recorded in accumulated other comprehensive loss and is subsequently reclassified into earnings in the period that the hedged forecasted transaction affects earnings. During the nine months ended September 30, 2010, such derivatives were used to hedge the variable cash flows associated with existing variable rate debt. The ineffective portion of the change in fair value of the derivatives is recognized directly in earnings. For the nine months ended September 30, 2010, the Company recorded no ineffectiveness in earnings and no amounts were excluded from the assessment of effectiveness.

Amounts reported in accumulated other comprehensive loss related to derivatives will be reclassified to interest expense as interest payments are made on the Company s variable rate debt. As of September 30, 2010, the Company estimates that an additional $4,558 will be reclassified from accumulated other comprehensive loss to interest expense during the twelve months ending September 30, 2011.

As of September 30, 2010, the Company had the following outstanding interest rate derivatives that were designated as cash flow hedges of interest rate risk:

Interest Rate Derivatives	**Notional (in millions)**	**Effective Date**	**Maturity Date**	**Index**	**Strike Rate**
Interest rate swap	$ 45.0	July 27, 2006	January 27, 2011	3-month LIBOR	5.377%
Interest rate collars	205.0	July 28, 2008	April 27, 2011	3-month EURIBOR	3.55% - 4.40%
Interest rate cap	100.0	March 5, 2009	April 29, 2013	3-month EURIBOR	5.00%
Interest rate cap	$ 600.0	March 5, 2009	April 29, 2013	3-month LIBOR	5.00%

Foreign Currency Risk

Consistent with the Company s risk management objective and strategy to reduce exposure to variability in cash flows on its outstanding debt, in December 2009 the Company executed a foreign currency call option. This

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instrument was not designated for hedge accounting treatment in accordance with ASC 815. Changes in the fair value of derivatives not designated in hedging relationships are recorded in the statement of operations as a gain or loss within Currency translation (loss) / gain and other, net. During the nine months ended September 30, 2010, the Company recognized a net loss of $993 associated with this derivative. The contract expired unexercised during the three months ended June 30, 2010. As of September 30, 2010, the Company has no outstanding derivative financial instruments to manage the Company s exposure to foreign currency risk. The Company continues to monitor exposures to this risk and generally employs operating and financing activities to offset these exposures.

Commodity Risk

The Company s objective in using commodity forward contracts is to offset a portion of its exposure to the potential change in prices associated with certain commodities, including silver, gold, nickel, aluminum and copper, used in the manufacturing of its products. The terms of these forward contracts fix the price at a future date for various notional amounts associated with these commodities. These instruments were not designated for hedge accounting treatment in accordance with ASC 815. In accordance with ASC 815, the Company recognizes the change in fair value of these derivatives in the statement of operations as a gain or loss as a component of Currency translation (loss) / gain and other, net. During the nine months ended September 30, 2010 and 2009, the Company recognized a net gain associated with its commodity contracts of $2,597 and $2,412, respectively.

The Company had the following outstanding commodity forward contracts as of September 30, 2010:

	Notional	Remaining Contracted Periods	Weighted-Average Strike Price
Silver	246,346 troy oz	October 2010 - March 2011	$ 20.45
Gold	12,435 troy oz	January 2011 - December 2011	$ 1,291.80
Nickel	248,646 pounds	October 2010 - December 2011	$ 9.91
Aluminum	1,973,610 pounds	October 2010 - December 2011	$ 1.00
Copper	2,670,579 pounds	October 2010 - December 2011	$ 3.39

The notional amounts above represent the total volume hedged by the Company over the remaining contracted periods.

Financial Instrument Presentation

The following table presents the fair value of the Company s derivative financial instruments and their classification on the condensed consolidated balance sheet as of September 30, 2010 and December 31, 2009.

	Asset Derivatives				Liability Derivatives			
	September 30, 2010		December 31, 2009		September 30, 2010		December 31, 2009	
	Balance Sheet Location	Fair Value	Balance Sheet Location	Fair Value	Balance Sheet Location	Fair Value	Balance Sheet Location	Fair Value
Derivatives designated as hedging instruments under ASC 815								

Interest rate caps	Other assets	$ 85	Other assets	$ 1,550		$		$
Interest rate swap					Accrued expenses and other current liabilities	477	Other long-term liabilities	3,157
Interest rate collars					Accrued expenses and other current liabilities	3,499	Other long-term liabilities	8,587
Total		$ 85		$ 1,550		$ 3,976		$ 11,744

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	Asset Derivatives				Liability Derivatives			
	September 30, 2010		December 31, 2009		September 30, 2010		December 31, 2009	
	Balance Sheet Location	Fair Value	Balance Sheet Location	Fair Value	Balance Sheet Location	Fair Value	Balance Sheet Location	Fair Value
Derivatives not designated as hedging instruments under ASC 815								
Commodity forward contracts	Prepaid expenses and other current assets	$ 1,660	Prepaid expenses and other current assets	$ 644	Accrued expenses and other current liabilities	$	Accrued expenses and other current liabilities	$ 193
Commodity forward contracts	Other assets	184	Prepaid expenses and other current assets		Other long-term liabilities	4		
Euro call option				993				
Total		$ 1,844		$ 1,637		$ 4		$ 193

The following table presents a roll forward of amounts recognized in accumulated other comprehensive loss related to the Company s derivative financial instruments as of September 30, 2010:

	Unrealized loss on derivative instruments
Balance as of December 31, 2009	$ (11,805)
Amount of net unrealized loss recognized in accumulated other comprehensive loss	(2,940)
Amount of loss reclassified into interest expense	9,333
Balance as of September 30, 2010	$ (5,412)

The following table presents the effect of the Company s derivative financial instruments and their classification on the condensed consolidated statement of operations for the nine months ended September 30, 2010 and 2009:

Derivatives designated as hedging instruments under ASC 815	Amount of Loss Recognized in Comprehensive Net (Loss)/Income on Derivatives (Effective Portion)		Location of Loss Reclassified from Accumulated Other Comprehensive Loss into Income (Effective Portion)	Amount of Loss Reclassified from Accumulated Other Comprehensive Loss into Income (Effective Portion)	
	2010	2009		2010	2009
Interest Rate Products	$ (2,940)	$ (14,202)	Interest expense	$ (9,333)	$ (10,413)

Derivatives not designated as hedging instruments under ASC 815	Amount of Gain or (Loss) Recognized in Income on Derivatives		Location of Gain or (Loss) Recognized in Income on Derivatives
	2010	2009	
Commodity forward contracts	$ 2,597	$ 2,412	Currency translation (loss) / gain and other, net
Euro call option	$ (993)	$	Currency translation (loss) / gain and other, net

The Company has agreements with its collar and swap derivative counterparties that contain a provision whereby if the Company were to default on any of its indebtedness in the event that repayment of the indebtedness has been accelerated by the lender, then the Company could also be declared in default on its derivative obligations.

As of September 30, 2010, the termination value of derivatives in a liability position, which includes accrued interest but excludes any adjustment for non-performance risk, related to the outstanding collar and swap

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agreements was $5,793. The Company has not posted any collateral related to these agreements. If the Company breaches any of the default provisions described above, it will be required to settle its obligations under the agreements at their termination value.

19. Currency Translation (Loss) / Gain and Other, net

Currency translation (loss) / gain and other, net consisted of the following for the nine months ended September 30, 2010 and 2009:

	For the nine months ended September 30, 2010	September 30, 2009
Currency translation (loss) / gain on debt	$ 53,750	$ (28,482)
Currency translation gain / (loss) on net monetary assets	(6,452)	2,173
(Loss) / gain on repurchase of outstanding Senior and Senior Subordinated Notes	(23,474)	120,123
Loss on Euro call option	(993)	
Gain on commodity forward contracts	2,597	2,412
Gain / (loss) on assets held for sale		(1,661)
Loss on tax indemnification assets and other non-cash tax items[1]	(5,221)	
Other	318	(464)
Total currency translation (loss) / gain and other expense, net	$ 20,525	$ 94,101

(1) During the nine months ended September 30, 2010, the Company recognized amounts associated with the reduction of tax indemnification assets and other non-cash tax items (See Note 11 for further discussion).

20. Segment Reporting

The Company organizes its business into two reportable segments, sensors and controls, based on differences in products included in each segment. The reportable segments are consistent with how management views the markets served by the Company and the financial information that is reviewed by its chief operating decision maker. The Company manages its sensors and controls businesses as components of an enterprise for which separate information is available and is evaluated regularly by the chief operating decision maker in deciding how to allocate resources and assess performance.

An operating segment s performance is primarily evaluated based on segment operating income, which excludes share-based compensation expense, restructuring charges and certain corporate costs not associated with the operations of the segment, including a portion of depreciation and amortization expenses associated with assets recorded in connection with the 2006 Acquisition, the First Technology Automotive Acquisition and the Airpax Acquisition. In addition, an operating segment s performance excludes results from discontinued operations. These corporate costs are separately stated below and also include costs that are related to functional areas such as accounting, treasury, information technology, legal, human resources, and internal audit. The Company believes that segment operating income, as defined above, is an appropriate measure for evaluating the operating performance of its segments. However, this measure should be considered in addition to, not a substitute for, or superior to, income from operations or other measures of financial performance prepared in accordance with U.S. GAAP. The other accounting policies of each of the two reporting segments are the same as those in the summary of significant accounting policies as described in Note 2 included in the Prospectus.

The sensors segment is a manufacturer of pressure, force, and electromechanical sensor products used in subsystems of automobiles (e.g., engine, air-conditioning and ride stabilization), heavy off-road vehicles, and in industrial products such as HVAC systems. These products improve operating performance, for example, by making an automobile s heating and air-conditioning systems work more efficiently. These products also improve safety and performance, for example, by reducing vehicle emissions and improving gas mileage.

The controls segment is a manufacturer of a variety of control products used in industrial, aerospace, military, commercial and residential markets. These products include motor and compressor protectors, circuit breakers, semiconductor burn-in test sockets, electronic HVAC controls, power inverters, precision switches and thermostats. These products help prevent damage from overheating and fires in a wide variety of applications, including commercial heating and air-conditioning systems, refrigerators, aircraft, automobiles, lighting and other industrial applications. The controls business also manufactures DC to AC power inverters, which enable the operation of electronic equipment when grid power is not available.

The following tables present net revenue and operating income for the reported segments and other operating results not allocated to the reported segments for the nine months ended September 30, 2010 and 2009:

	For the nine months ended September 30, 2010	For the nine months ended September 30, 2009
Net revenue:		
Sensors	$ 716,771	$ 470,244
Controls	435,466	326,611
Total net revenue	$ 1,152,237	$ 796,855
Segment operating income (as defined above):		
Sensors	$ 240,242	$ 131,155
Controls	148,806	94,379
Total segment operating income	389,048	225,534
Corporate and other(1)	(122,096)	(57,826)
Amortization of intangible assets and capitalized software	(108,309)	(115,060)
Impairment of goodwill and intangible assets		(19,867)
Restructuring	(196)	(18,033)
Profit from operations	158,447	14,748
Interest expense	(82,170)	(115,373)
Interest income	634	471
Currency translation (loss) / gain and other, net	20,525	94,101
Income / (loss) from continuing operations before income taxes	$ 97,436	$ (6,053)

(1) During the nine months ended September 30, 2010, the Company recognized a termination fee of $22,352 (see Note 15 for further discussion) and a cumulative catch-up adjustment for previously unrecognized share-based compensation expense totaling $18,876 (see Note 14 for further discussion).

21. Subsequent Events

On October 28, 2010, the Company announced that it had reached a definitive agreement to acquire the Automotive on Board sensors business of Honeywell International Inc. for approximately $140 million in cash. This business is expected to generate revenue of approximately $130 million in 2010. The Company expects transaction costs within the range of $3 million to $4 million to be incurred in the fourth quarter of 2010 and expects the transaction to close in early 2011, subject to regulatory approvals.

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Exhibit A

Executive Compensation

Benchmark Peer Group Companies

3COM

A.O. Smith

Abbot Labs

Acer America

Acxiom

Aeropostale

Alliance Data Systems

Altera

Amdocs

American Crystal Sugar

American Tower

AMETEK

Analog Devices

Armstrong World Industries

Arris Group

Arysta LifeSciene North America

Atmel

Autodesk

Avago Technologies

Baylor Health Care System

Beckman Coulter

Bell Helicopter Textron US

Bio-Rad Laboratories

Blyth

BMC Software

Bob Evans Farms

BOSE

Brady

Brocade Communications Systems
Brown-Forman

CACI International

Cadence Design Systems

Callaway Golf

Carlson Companies

Carmeuse Lime & Stone

Carpenter Technology

Catalent Pharma Solutions

CDI

Celgene

Century Aluminum

Cephalon

Cerner

Citrix Systems

Compucom Systems

Compuware

ConvaTec

Convergys

Covance

Crown Castle

Cricket Communications

Cubic

Deluxe

Dentsply

Donaldson

DRS Technologies

Dynamics Research

E.W. Scripps

Echostar Technologies

Edwards Lifesciences

EMI Music

Endo Pharmaceuticals

Equifax

Ericsson

Expedia

Fairchild Semiconductor

First Solar

Frontier Airlines

FLIR Systems

Fujitsu America Management Services of America
G&K Services

Garmin

GATX

General Atomics

GEO Group

Getty Images

GTECH

H.B. Fuller

Harland Clarke

Hayes-Lemmerz

Herman Miller

Hitachi Data Systems

HNI

HNTB

Horizon Lines

Houghton Mifflin

Hovnanian Enterprises

Hughes Network Systems

Hunt Consolidated

IDEXX Laboratories

IMS Health

Intellectual Ventures

Intelsat

Intercontinental Hotels

International Flavors & Fragrances
International Game Tech

Invensys

Irvine Company

Itron

J. Crew

JDS Uniphase

J.M. Smucker

Jack in the Box

JetBlue

Jet Propulsion Lab

Kaman Industrial Technologies

Kansas City Southern

KB Home

Kimco Realty

Kinross Gold

KLA-Tencor

L.L. Bean

Lam Research

Lawrence Livermore Nat l Lab

Life Touch

Logitech

Los Alamos National Laboratory

LSI

Lucasfilm LTD

Magellan MIdstream Partners

Mantech International

Martin Marietta Materials

Marvell

Mary Kay

Maxim Integrated Products

McAfee

McClatchy

MEMC Electronic Materials

Metavante Technologies

MetroPCS Communications

Millipore

Mine Safety Appliances

Monster Worldwide

MSC Industrial Direct

National Semiconductor

New York Times

Noranda Aluminum

Novell

Novellus Systems

Numonyx

OCE North America

Omnova Solutions

ON Semiconductor

Orbital Sciences

Paetec

Palm

Papa John s

Parametric Technology

Pearson Education

Perkin Elmer

Perot Systems

Plexus

Polaris Industries

PolyOne

Polycom

Purdue Pharma

Quintiles

R.H. Donnelley

Ralcorp Holdings

Rayonier

Reader s Digest

Regal-Beloit

RF Micro Devices

Ricoh Electronics

Sabre Holdings

Safety-Kleen Systems

Saleforce.com

Sandia National Labs-NM

SAS Institute

Schreiber Foods

Schwan s

Shire Pharmaceuticals

Sharp Microelectronics of the Americas
Spansion

SRA International

St Jude Medical CRMD

Standard Insurance Company

Stantec

Steelcase

STMicrolectonics

Sundt Construction

Sunpower

Sybase

Synopsys

Take Two Interactive Software

Tektronix

TeleTech Holdings

Tellabs

Teradata

Teradyne

Terra Industries

Thales

The MITRE Corporation

Thomas & Betts

Ticketmaster

Timex

Toro

Toshiba America Information Systems
Travelport

Trimble Navigation

Tupperware

TW Telecom

United Rentals

Universal Studios Orlando

Utstarcomo

Varian Medical Systems

Viad

Virgin Mobile USA

VMWare

W.R. Grace

Walmart.com USA

Watson Pharmaceuticals

Xilinx

Xyratex International

Zale

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INFORMATION NOT REQUIRED IN PROSPECTUS

Item 13. Other Expenses of Issuance and Distribution

The expenses, other than underwriting commissions, expected to be incurred by Sensata Technologies Holding N.V. in connection with the issuance and distribution of securities being registered under this Registration Statement are estimated to be as follows:

Securities and Exchange Commission registration fee	$ 37,521
Financial Industry Regulatory Authority, Inc. filing fee	53,125
Printing and engraving expenses	150,000
Legal fees and expenses	550,000
Accounting fees and expenses	550,000
Miscellaneous expenses	9,354
Total	$ 1,350,000

Item 14. Indemnification of Directors and Officers

We have a directors and officers liability insurance policy which insures directors and officers against the cost of defense, settlement or payment of claims and judgments under some circumstances. Prior to the completion of this offering we expect to enter into indemnity agreements with each of our board members and executive officers in which we will agree to indemnify, defend and hold harmless, and also advance expenses as incurred, to the fullest extent permitted under applicable law, from damage arising from the fact that such person is or was an officer or director of our company or our subsidiaries.

Although Netherlands law does not contain any specific provisions with respect to the indemnification of officers and directors, the concept of indemnification of directors of a company for liabilities arising from their actions as members of the executive or supervisory boards is, in principle, accepted in the Netherlands. Our articles of association provide for indemnification of directors by the company to the fullest extent permitted by applicable law, as it now exists or may hereinafter be amended (but, in the case of an amendment, only to the extent such amendment permits broader indemnification rights than permitted prior thereto), against any and all liabilities including all expenses (including attorneys fees), judgments, fines and amounts paid in settlement actually and reasonably incurred by him or her in connection with such action, suit or proceeding if he or she acted in good faith and in a manner he reasonably believed to be in or not opposed to our best interests, and, with respect to any criminal action or proceeding, had no reasonable cause to believe his or her conduct was unlawful or outside of his or her mandate. No indemnification shall be made in respect of any claim, issue or matter as to which such person shall have been adjudged to be liable for gross negligence or willful misconduct in the performance of his duty to us. The directors are not indemnified from and against claims to the extent they relate to personal gain, benefits or fees to which they were not entitled under the law, or if the director s liability on account of gross negligence, willful misconduct or deliberate recklessness has been established at law in the last resort.

The indemnification provided above is not exclusive of any rights to which any of our directors or officers may be entitled. The general effect of the forgoing provisions may be to reduce the circumstances in which a director or officer may be required to bear the economic burdens of the forgoing liabilities and expenses.

The underwriting agreement for this offering filed as Exhibit 1.1 to this registration statement provides that the underwriters are obligated, under certain circumstances, to indemnify our officers and directors and their respective controlling persons against certain liabilities, including liabilities under the Securities Act of 1933.

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Item 15. Recent Sales of Unregistered Securities

Since November 25, 2006, the Registrant has issued securities in the following transactions which were exempt from the registration requirements of the Securities Act. No underwriters were involved in any of the below-referenced sales of securities.

(1) Beginning in September 2007 and through November 2008, the Registrant granted options to purchase 2,762,969 of its ordinary shares to executives and senior managers that were newly hired, hired through acquisition or promoted to senior management positions. These option grants were made in the ordinary course of business and did not involve any cash payment from the optionees. The grant of options did not involve a sale of securities for purposes of Section 2(3) of the Securities Act and were otherwise made in reliance upon Rule 701 under the Securities Act.

(2) On September 4, 2009, the Registrant granted options to purchase 1,025,000 of its ordinary shares to certain of its executives and senior managers. These option grants were made in the ordinary course of business and did not involve any cash payment from the optionees. The grant of options did not involve a sale of securities for purposes of Section 2(3) of the Securities Act and were otherwise made in reliance upon Rule 701 under the Securities Act.

(3) On December 9, 2009, the Registrant granted 380,900 restricted securities to certain of its executives and senior managers. These shares were recorded in the Company s share register on February 22, 2010 when deeds of issuance were executed. These grants of restricted securities were made in the ordinary course of business and did not involve any cash payments from the recipients. These grants of restricted securities did not involve a sale of securities for purposes of Section 2(3) of the Securities Act and were otherwise made in reliance upon Rule 701 under the Securities Act.

(4) On December 9, 2009, the Registrant granted options to purchase 350,000 of its ordinary shares to an executive who was newly hired. This option grant was made in the ordinary course of business and did not involve any cash payment from the optionee. The option grant did not involve a sale of securities for purposes of Section 2(3) of the Securities Act and was otherwise made in reliance upon Rule 701 under the Securities Act.

(5) On April 29, 2010, the Registrant granted options to purchase 154,800 of its ordinary shares to its board of directors. These option grants were made in the ordinary course of business and did not involve any cash payment from the optionees. The grant of options did not involve a sale of securities for purposes of Section 2(3) of the Securities Act and were otherwise made in reliance upon Rule 701 under the Securities Act.

(6) On September 21, 2010, the Registrant granted options to purchase 176,100 of its ordinary shares to certain of its executives. These option grants were made in the ordinary course of business and did not involve any cash payment from the optionees. The grant of options did not involve a sale of securities for purposes of Section 2(3) of the Securities Act and were otherwise made in reliance upon Rule 701 under the Securities Act.

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ITEM 16. EXHIBITS AND FINANCIAL STATEMENT SCHEDULES

(a) Exhibits

The exhibit index attached hereto is incorporated by reference.

(b) Financial Statement Schedules

Schedules other than that listed above have been omitted since the required information is not present, or not present in amounts sufficient to require submission of the schedule, or because the information required is included in the consolidated financial statements or the notes thereto.

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ITEM 17. UNDERTAKINGS

The undersigned registrant hereby undertakes to provide to the underwriters at the closing specified in the underwriting agreement, certificates in such denominations and registered in such names as required by the underwriters to permit prompt delivery to each purchaser.

Insofar as indemnification for liabilities arising under the Securities Act of 1933 may be permitted to directors, officers and controlling persons of the registrant pursuant to the foregoing provisions, or otherwise, the registrant has been advised that in the opinion of the Securities and Exchange Commission such indemnification is against public policy as expressed in the Securities Act of 1933 and is, therefore, unenforceable. In the event that a claim for indemnification against such liabilities (other than the payment by the registrant of expenses incurred or paid by a director, officer or controlling person of the registrant in the successful defense of any action, suit or proceeding) is asserted by such director, officer or controlling person in connection with the securities being registered, the registrant will, unless in the opinion of its counsel the matter has been settled by controlling precedent, submit to a court of appropriate jurisdiction the question whether such indemnification by it is against public policy as expressed in the Securities Act and will be governed by the final adjudication of such issue.

The undersigned registrant hereby undertakes that:

(1) For purposes of determining any liability under the Securities Act of 1933, the information omitted from the form of prospectus filed as part of this registration statement in reliance upon Rule 430A and contained in a form of prospectus filed by the registrant pursuant to Rule 424(b)(1) or (4) or 497(h) under the Securities Act of 1933 shall be deemed to be part of this registration statement as of the time it was declared effective.

(2) For the purpose of determining any liability under the Securities Act of 1933, each post-effective amendment that contains a form of prospectus shall be deemed to be a new registration statement relating to the securities offered therein, and the offering of such securities at that time shall be deemed to be the initial *bona fide* offering thereof.

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SIGNATURES

Pursuant to the requirements of the Securities Act of 1933, the registrant has duly caused this registration statement to be signed on its behalf by the undersigned, thereunto duly authorized, in the City of Attleboro, Commonwealth of Massachusetts, on November 3, 2010.

SENSATA TECHNOLOGIES HOLDING N.V.

By: /s/ Thomas Wroe
Name: Thomas Wroe

Its: Chief Executive Officer

SIGNATURES AND POWER OF ATTORNEY

We, the undersigned officers and directors of Sensata Technologies Holding N.V., hereby severally constitute and appoint Jeffrey Cote, Robert Hureau and Steven Reynolds, and each of them singly (with full power to each of them to act alone), our true and lawful attorneys-in-fact and agents, with full power of substitution and resubstitution in each of them for him and in his name, place and stead, and in any and all capacities, to sign any and all amendments (including post-effective amendments) to this registration statement (or any other registration statement for the same offering that is to be effective upon filing pursuant to Rule 462(b) under the Securities Act of 1933), and to file the same, with all exhibits thereto and other documents in connection therewith, with the Securities and Exchange Commission, granting unto said attorneys-in-fact and agents, and each of them, full power and authority to do and perform each and every act and thing requisite or necessary to be done in and about the premises, as full to all intents and purposes as he might or could do in person, hereby ratifying and confirming all that said attorneys-in-fact and agents or any of them, or their or his substitute or substitutes, may lawfully do or cause to be done by virtue hereof.

Pursuant to the requirements of the Securities Act of 1933, this registration statement has been signed by the following persons in the capacities and on the date indicated.

SIGNATURE	TITLE	DATE
/s/ Thomas Wroe	Chief Executive Officer	November 3, 2010
Thomas Wroe		
/s/ Jeffrey Cote	Chief Financial Officer	November 3, 2010
Jeffrey Cote		
/s/ Robert Hureau	Chief Accounting Officer	November 3, 2010
Robert Hureau		
/s/ Ed Conard	Director	November 3, 2010

Ed Conard		
/s/ Paul Edgerley	Director	November 3, 2010
Paul Edgerley		
/s/ Michael Jacobson	Director	November 3, 2010
Michael Jacobson		
/s/ John Lewis	Director	November 3, 2010
John Lewis		
/s/ Seth Meisel	Director	November 3, 2010
Seth Meisel		
/s/ Charles Peffer	Director	November 3, 2010
Charles Peffer		
/s/ Michael Ward	Director	November 3, 2010
Michael Ward		
/s/ Stephen Zide	Director	November 3, 2010
Stephen Zide		
/s/ Thomas Wroe	Authorized Representative in the United States	November 3, 2010
Thomas Wroe		

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SCHEDULE I Condensed Financial Information of Registrant

SENSATA TECHNOLOGIES HOLDING N.V.

(Parent Company Only)

Balance Sheets

(Thousands of U.S. dollars)

	December 31, 2009	December 31, 2008
Assets		
Current assets:		
Cash and cash equivalents	$ 314	$
Prepaid expenses and other current assets	3,401	306
Total current assets	3,715	306
Investment in subsidiaries	387,163	405,540
Total assets	$ 390,878	$ 405,846
Liabilities and shareholders equity		
Current liabilities:		
Accounts payable	$ 1,289	$
Accrued expenses and other current liabilities	2,431	514
Total current liabilities	3,720	514
Total liabilities	3,720	514
Total shareholders equity	387,158	405,332
Total liabilities and shareholders equity	$ 390,878	$ 405,846

The accompanying notes are an integral part of these condensed financial statements.

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SCHEDULE I Condensed Financial Information of Registrant

SENSATA TECHNOLOGIES HOLDING N.V.

(Parent Company Only)

Statements of Operations

(Thousands of U.S. dollars)

	For the year ended		
	December 31, 2009	**December 31, 2008**	**December 31, 2007**
Net revenue	$	$	$
Operating costs and expenses:			
Selling, general and administrative	656	49	13
Total operating costs and expenses	656	49	13
Loss from operations	(656)	(49)	(13)
Interest expense			
Interest income			
Currency translation (loss) / gain and other, net	(22)	13	
Loss before taxes and equity in net loss of subsidiary	(678)	(36)	(13)
Equity in net loss of subsidiary	(27,003)	(134,495)	(252,484)
Provision for income taxes			
Net loss	$ (27,681)	$ (134,531)	$ (252,497)

The accompanying notes are an integral part of these condensed financial statements.

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SCHEDULE I Condensed Financial Information of Registrant

SENSATA TECHNOLOGIES HOLDING N.V.

(Parent Company Only)

Statements of Cash Flows

(Thousands of U.S. dollars)

	For the year ended		
	December 31, 2009	**December 31, 2008**	**December 31, 2007**
Cash flows from operating activities:			
Net loss	$ (27,681)	$ (134,531)	$ (252,497)
Adjustments to reconcile net loss to net cash provided by operating activities:			
Equity in net loss of subsidiary	27,003	134,495	252,484
Increase / (decrease) from changes in operating assets and liabilities:			
Prepaid expenses and other current assets	306	(289)	(16)
Accounts payable and accrued expenses	70	461	29
Net cash provided by operating activities	(302)	136	
Cash flows from investing activities:			
Dividends received from subsidiary	876		
Net cash provided by investing activities	876		
Cash flows from financing activities:			
Payments to repurchase Ordinary Shares		(136)	
Advance to shareholder	(266)		
Proceeds from issuance of Restricted Ordinary Shares	6		
Net cash provided by / (used in) financing activities	(260)	(136)	
Net change in cash and cash equivalents	314		
Cash and cash equivalents, beginning of period			
Cash and cash equivalents, end of period	$ 314	$	$

The accompanying notes are an integral part of these condensed financial statements.

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SENSATA TECHNOLOGIES HOLDING N.V.

SCHEDULE I

CONDENSED FINANCIAL INFORMATION OF SENSATA TECHNOLOGIES HOLDING N.V.

NOTES TO CONDENSED FINANCIAL STATEMENTS

1. Basis of Presentation and Description of Business

Sensata Technologies Holding N.V. (Parent Company) Schedule I Condensed Financial Information of Sensata Technologies Holding N.V. (Sensata Technologies Holding), included in this Registration Statement provides all parent company information that is required to be presented in accordance with SEC rules and regulations for financial statement schedules. The accompanying condensed financial statements have been prepared in accordance with the reduced disclosure requirements permitted by the Securities and Exchange Commission (SEC). Sensata Technologies Holding and subsidiaries Consolidated Financial Statements are included elsewhere in this Registration Statement.

Sensata Technologies Holding conducts no separate operations and acts only as a holding company. The ability of Sensata Technologies Holding to obtain capital is adversely affected by the indebtedness of its subsidiaries and by the limitations on making distributions and other payments contained in the terms of Sensata Technologies B.V. s outstanding indebtedness. Sensata Technologies B.V., however, is limited in its ability to pay dividends or otherwise make other distributions to its immediate parent company and, ultimately, to Sensata Technologies Holding, under the Senior Secured Credit Facility and the indentures governing the notes.

Sensata Technologies Holding has no direct outstanding debt obligations, but its subsidiaries do. For a discussion of the debt obligations of the subsidiaries of Sensata Technologies Holding, see Note 11 to the audited consolidated financial statements included elsewhere in this Registration Statement.

Sensata Investment Company S.C.A. acquired the interest of Ekblads Holding B.V. and subsequently renamed it as Sensata Technologies Holding.

The ability of Sensata Technologies Holding to obtain capital from its Parent, Sensata Investment Company S.C.A., has no restrictions but is at the discretion of its Parent and its managers.

At December 31, 2009 and 2008, Sensata Technologies Holding s subsidiaries, principally Sensata Technologies B.V. and its subsidiaries, had cash and cash equivalents of approximately $148.5 million and $77.7 million, respectively.

2. Commitments and Contingencies

Sensata Technologies Holding has no direct commitments and contingencies, but its subsidiaries do. For a discussion of the commitments and contingencies of the subsidiaries of Sensata Technologies Holding, see Note 17 to the audited consolidated financial statements included elsewhere in this Registration Statement.

3. Administrative Services Agreement

In March 2009, Sensata Technologies Holding entered into a fee for service arrangement with its parent, Sensata Investment Company S.C.A. for ongoing consulting, management advisory and other services (the Administrative Services Agreement), effective from January 1, 2008. In addition, Sensata Technologies Holding advanced $266 to Sensata Investment Company S.C.A. prior to executing the Administrative Services Agreement. Sensata Technologies Holding incurred $588 related to the Administrative Services Agreement during fiscal year 2009, of which $266 was settled by offsetting the advance paid to Sensata Investment Company S.C.A.

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SCHEDULE II VALUATION AND QUALIFYING ACCOUNTS

For the Years Ended December 31, 2009, 2008 and 2007

(in thousands of U.S. dollars)

	Balance at the beginning of the period	Additions: Charged to cost and expenses	Additions: Charged to other accounts	Deductions	Balance at the end of the period
For the year ended December 31, 2009					
Allowance for doubtful accounts	$ 4,247	$ 3,764		$ (2,131)	$ 5,880
Allowance for price adjustments	5,132	5,626		(4,822)	5,936
Return reserves	1,266	543		(886)	923
	$ 10,645	$ 9,933	$	$ (7,839)	$ 12,739
For the year ended December 31, 2008					
Allowance for doubtful accounts	$ 3,690	$ 1,411		$ (854)	$ 4,247
Allowance for price adjustments	4,346	5,139		(4,353)	5,132
Return reserves	1,033	3,931		(3,698)	1,266
	$ 9,069	$ 10,481	$	$ (8,905)	$ 10,645
For the year ended December 31, 2007					
Allowance for doubtful accounts	$ 1,555	$ 2,565	$ 312(a)	$ (742)	$ 3,690
Allowance for price adjustments	3,021	5,449		(4,124)	4,346
Return reserves	611	526	266(a)	(370)	1,033
	$ 5,187	$ 8,540	$ 578	$ (5,236)	$ 9,069

(a) Amounts represent pre-acquisition balances that were recognized by Sensata upon the acquisition of the respective entity.

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Report of Independent Registered Public Accounting Firm

The Board of Directors

Sensata Technologies Holding N.V.

We have audited the consolidated financial statements of Sensata Technologies Holding N.V. as of December 31, 2009 and 2008, and for each of the three years in the period ended December 31, 2009, and have issued our report thereon dated February 12, 2010 (included elsewhere in this Registration Statement). Our audits also included the financial statement schedules listed in Item 16(b) of Form S-1 of this Registration Statement. These schedules are the responsibility of the Company s management. Our responsibility is to express an opinion based on our audits.

In our opinion, the financial statement schedules referred to above, when considered in relation to the basic financial statements taken as a whole, present fairly in all material respects the information set forth therein.

/s/ Ernst & Young LLP

Boston, Massachusetts

February 12, 2010

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EXHIBIT INDEX

1.1	Form of Underwriting Agreement.*
2.1	Asset and Stock Purchase Agreement, dated October 28, 2010, by and among Sensata Technologies, Inc., Honeywell International Inc., Honeywell Co. Ltd., Honeywell spol s.r.o., Honeywell Aerospace s.r.o., Honeywell (China) Co. Ltd., Honeywell Automation India Limited, Honeywell Control Systems Limited, Honeywell GmbH and Honeywell Japan Inc.**
3.2	Amended Articles of Association of Sensata Technologies Holding N.V. (incorporated by reference to Exhibit 3.2 to Amendment No. 5 to the Registration Statement on Form S-1 filed on March 8, 2010).
5.1	Opinion of Loyens & Loeff N.V.**
10.1	Credit Agreement, dated April 27, 2006, among Sensata Technologies B.V., Sensata Technologies Finance Company, LLC, Sensata Technologies Intermediate Holding B.V., each lender from time to time party hereto, the Initial L/C Issuer (as defined therein), the Initial Swing Line Lender (as defined therein) and Morgan Stanley Senior Funding, Inc., as Administrative Agent (incorporated by reference to Exhibit 10.1 to the Registration Statement on Form S-4 of Sensata Technologies B.V., filed on December 29, 2006).
10.2	Guaranty, dated May 15, 2006, made by Sensata Technologies B.V. in favor of the Secured Parties (as defined therein) (incorporated by reference to Exhibit 10.2 to the Registration Statement on Form S-4 of Sensata Technologies B.V., filed on December 29, 2006).
10.3	Domestic Guaranty, dated April 27, 2006, made by each of Sensata Technologies Finance Company, LLC, Sensata Technologies, Inc., and each of the Additional Guarantors from time to time made a party thereto in favor of the Secured Parties (as defined therein) (incorporated by reference to Exhibit 10.3 to the Registration Statement on Form S-4 of Sensata Technologies B.V., filed on December 29, 2006).
10.4	Foreign Guaranty, dated April 27, 2006, made by each of Sensata Technologies Holding Company U.S., B.V., Sensata Technologies Holland, B.V., Sensata Technologies Holding Company Mexico, B.V., Sensata Technologies de México, S. de R.L. de C.V., Sensata Technologies Sensores e Controls do Brasil Ltda., Sensata Technologies Japan Limited, Sensors and Controls (Korea) Limited, Sensata Technologies Holding Korea Limited, S&C Acquisition Sdn. Bhd. and each of the Additional Guarantors from time to time made a party thereto in favor of the Secured Parties (as defined therein) (incorporated by reference to Exhibit 10.4 to the Registration Statement on Form S-4 of Sensata Technologies B.V., filed on December 29, 2006).
10.5	Domestic Security Agreement, dated April 27, 2006, made by each of Sensata Technologies Finance Company, LLC and Sensata Technologies, Inc. to Morgan Stanley & Co. Incorporated, as collateral agent (incorporated by reference to Exhibit 10.5 to the Registration Statement on Form S-4 of Sensata Technologies B.V., filed on December 29, 2006).
10.6	Asset and Stock Purchase Agreement, dated January 8, 2006, between Texas Instruments Incorporated and S&C Purchase Corp. (incorporated by reference to Exhibit 10.6 to the Registration Statement on Form S-4 of Sensata Technologies B.V., filed on December 29, 2006).
10.7	Amendment No. 1 to Asset and Stock Purchase Agreement, dated March 30, 2006, between Texas Instruments Incorporated, Potazia Holding B.V. and S&C Purchase Corp. (incorporated by reference to Exhibit 10.7 to Amendment No. 1 to Registration Statement on Form S-4/A of Sensata Technologies B.V., filed on January 24, 2007).
10.8	Amendment No. 2 to Asset and Stock Purchase Agreement, dated April 27, 2006, between Texas Instruments Incorporated and Sensata Technologies B.V. (incorporated by reference to Exhibit 10.8 to the Registration Statement on Form S-4 of Sensata Technologies B.V., filed on December 29, 2006).
10.9	Cross-License Agreement, dated April 27, 2006, among Texas Instruments Incorporated, Sensata Technologies B.V. and Potazia Holding B.V. (incorporated by reference to Exhibit 10.10 to the Registration Statement on Form S-4 of Sensata Technologies B.V., filed on December 29, 2006).

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10.10	Sensata Investment Company S.C.A. First Amended and Restated 2006 Management Securities Purchase Plan (incorporated by reference to Exhibit 10.11 to the Registration Statement on Form S-4 of Sensata Technologies B.V., filed on December 29, 2006).
10.11	Sensata Technologies Holding B.V. First Amended and Restated 2006 Management Option Plan (incorporated by reference to Exhibit 10.12 to the Registration Statement on Form S-4 of Sensata Technologies B.V., filed on December 29, 2006).
10.12	Sensata Technologies Holding B.V. First Amended and Restated 2006 Management Securities Purchase Plan (incorporated by reference to Exhibit 10.13 to the Registration Statement on Form S-4 of Sensata Technologies B.V., filed on December 29, 2006).
10.13	Securityholders Agreement, dated April 27, 2006, among Sensata Investment Company S.C.A., Sensata Technologies Holding B.V., Sensata Management Company S.A., funds managed by Bain Capital Partners, LLC or its affiliates that are parties thereto, Asia Opportunity Fund II, L.P and AOF II Employee Co-Invest Fund, L.P. (incorporated by reference to Exhibit 10.14 to the Registration Statement on Form S-4 of Sensata Technologies B.V., filed on December 29, 2006).
10.14	Employment Agreement, dated May 12, 2006, between Sensata Technologies, Inc. and Thomas Wroe (incorporated by reference to Exhibit 10.15 to the Registration Statement on Form S-4 of Sensata Technologies B.V., filed on December 29, 2006).
10.15	Employment Agreement, dated May 12, 2006, between Sensata Technologies, Inc. and Martha Sullivan (incorporated by reference to Exhibit 10.16 to the Registration Statement on Form S-4 of Sensata Technologies B.V., filed on December 29, 2006).
10.16	Employment Agreement, dated May 12, 2006, between Sensata Technologies, Inc. and Richard Dane, Jr. (incorporated by reference to Exhibit 10.17 to the Registration Statement on Form S-4 of Sensata Technologies B.V., filed on December 29, 2006).
10.17	Employment Agreement, dated May 12, 2006, between Sensata Technologies, Inc. and Steve Major (incorporated by reference to Exhibit 10.18 to the Registration Statement on Form S-4 of Sensata Technologies B.V., filed on December 29, 2006).
10.18	Employment Agreement, dated May 12, 2006, between Sensata Technologies, Inc. and Jean-Pierre Vasdeboncoeur (incorporated by reference to Exhibit 10.19 to the Registration Statement on Form S-4 of Sensata Technologies B.V., filed on December 29, 2006).
10.19	Employment Agreement, dated May 12, 2006, between Sensata Technologies, Inc. and Robert Kearney (incorporated by reference to Exhibit 10.20 to the Registration Statement on Form S-4 of Sensata Technologies B.V., filed on December 29, 2006).
10.20	Transition Production Agreement, dated May 11, 2009, between Sensata Technologies, Inc. and Engineered Materials Solutions, LLC (incorporated by reference to Exhibit 10.20 to Amendment No. 4 to the Registration Statement on Form S-1, filed on February 26, 2010).
10.21	Assignment Agreement, dated May 11, 2009, between Sensata Technologies Inc., Sovereign Precious Metals, LLC, and Engineered Materials Solutions, LLC (incorporated by reference to Exhibit 10.2 to Current Report on Form 8-K of Sensata Technologies B.V., filed on May 15, 2009).
10.22	Employment Agreement, dated May 12, 2006, between Sensata Technologies, Inc. and Donna Kimmel (incorporated by reference to Exhibit 10.21 to the Registration Statement on Form S-4 of Sensata Technologies B.V., filed on December 29, 2006).
10.23	Employment Agreement, dated November 30, 2006, between Sensata Technologies, Inc. and Jeffrey Cote (incorporated by reference to Exhibit 10.29 to the Annual Report on Form 10-K of Sensata Technologies B.V., filed on March 22, 2007).

10.24	Advisory Agreement, dated April 27, 2006, among Sensata Investment Company S.C.A., Sensata Technologies Holding B.V., Sensata Technologies B.V, Bain Capital Partners, LLC, Portfolio Company Advisors Limited, Bain Capital, Ltd. and CCMP Capital Asia Ltd. (incorporated by reference to Exhibit 10.22 to the Registration Statement on Form S-4 of Sensata Technologies B.V., filed on December 29, 2006).
10.25	Amendment No. 1 to Advisory Agreement, dated December 19, 2006, between Sensata Technologies B.V. and Bain Capital Partners, LLC (incorporated by reference to Exhibit 10.23 to the Registration Statement on Form S-4 of Sensata Technologies B.V., filed on December 29, 2006).
10.26	Investor Rights Agreement, dated April 27, 2006, among Sensata Management Company S.A., Sensata Investment Company S.C.A., Sensata Technologies Holding B.V., funds managed by Bain Capital Partners, LLC or its affiliates, certain Other Investors that are parties thereto and such other persons, if any, that from time to time become parties thereto (incorporated by reference to Exhibit 10.24 to the Registration Statement on Form S-4 of Sensata Technologies B.V., filed on December 29, 2006).
10.27	Stock Purchase Agreement, dated November 3, 2006, among Sensata Technologies, Inc., First Technology Limited and Honeywell International Inc. (incorporated by reference to Exhibit 10.28 to the Registration Statement on Form S-4 of Sensata Technologies B.V., filed on December 29, 2006).
10.28	Stock Purchase Agreement, dated June 8, 2007, by and among Airpax Holdings, Inc., the stockholders of Airpax Holdings, Inc., William Blair Capital Partners VII QP, L.P., as Stockholders Representative and Sensata Technologies, Inc. (incorporated by reference to Exhibit 10.30 to the Quarterly Report on Form 10-Q for the period ended June 30, 2007 of Sensata Technologies B.V., filed on August 9, 2007).
10.29	Senior Subordinated Term Loan Agreement, dated as of July 27, 2007, among Sensata Technologies B.V. and Sensata Technologies Finance Company LLC, Morgan Stanley Senior Funding, Inc. and Other Lenders Party Hereto (incorporated by reference to Exhibit 10.31 to the Quarterly Report on Form 10-Q for the period ended June 30, 2007 of Sensata Technologies B.V., filed on August 9, 2007).
10.30	First Amendment to the Sensata Technologies Holding B.V. First Amended and Restated 2006 Management Option Plan (incorporated by reference to Exhibit 10.1 to the Quarterly Report on Form 10-Q for the period ended September 30, 2009 of Sensata Technologies B.V., filed on November 13, 2009).
10.31	Indenture, dated April 27, 2006, among Sensata Technologies B.V., the guarantors party thereto and The Bank of New York, as Trustee, relating to the 8% Senior Notes (incorporated by reference to Exhibit 4.1 to the Registration Statement on Form S-4 of Sensata Technologies B.V., filed on December 29, 2006).
10.32	Indenture, dated April 27, 2006, among Sensata Technologies B.V., the guarantors party thereto and The Bank of New York, as Trustee, relating to the 9% Senior Subordinated Notes (incorporated by reference to Exhibit 4.2 to the Registration Statement on Form S-4, filed on December 29, 2006).
10.33	Registration Rights Agreement, dated April 27, 2006, among Sensata Technologies B.V., the guarantors party thereto, and Morgan Stanley & Co. Incorporated, Banc of America Securities LLC and Goldman, Sachs & Co., as placement agents, relating to the 8% Senior Notes (incorporated by reference to Exhibit 4.3 to the Registration Statement on Form S-4 of Sensata Technologies B.V., filed on December 29, 2006).
10.34	Registration Rights Agreement, dated April 27, 2006, among Sensata Technologies B.V., the guarantors party thereto, and Morgan Stanley & Co. Incorporated, Banc of America Securities LLC and Goldman, Sachs & Co., as placement agents, relating to the 9% Senior Subordinated Notes (incorporated by reference to Exhibit 4.4 to the Registration Statement on Form S-4 of Sensata Technologies B.V., filed on December 29, 2006).

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10.35	First Supplemental Indenture, dated August 10, 2007, among Sensata Technologies B.V., the guarantors party thereto, and Morgan Stanley & Co. Incorporated, Banc of America Securities LLC and Goldman, Sachs & Co., as placement agents, relating to the 8% Senior Notes (incorporated by reference to Exhibit 4.5 to Annual Report on Form 10-K of Sensata Technologies B.V., filed on February 17, 2009).
10.36	First Supplemental Indenture, dated August 10, 2007, among Sensata Technologies B.V., the guarantors party thereto, and Morgan Stanley & Co. Incorporated, Banc of America Securities LLC and Goldman, Sachs & Co., as placement agents, relating to the 9% Senior Subordinated Notes (incorporated by reference to Exhibit 4.6 to Annual Report on Form 10-K of Sensata Technologies B.V., filed on February 17, 2009).
10.37	Second Supplemental Indenture, dated April 8, 2008, among Sensata Technologies B.V., the guarantors party thereto, and Morgan Stanley & Co. Incorporated, Banc of America Securities LLC and Goldman, Sachs & Co., as placement agents, relating to the 8% Senior Notes (incorporated by reference to Exhibit 4.7 to Annual Report on Form 10-K of Sensata Technologies B.V., filed on February 17, 2009).
10.38	Second Supplemental Indenture, dated April 8, 2008, among Sensata Technologies B.V., the guarantors party thereto, and Morgan Stanley & Co. Incorporated, Banc of America Securities LLC and Goldman, Sachs & Co., as placement agents, relating to the 9% Senior Subordinated Notes (incorporated by reference to Exhibit 4.8 to Annual Report on Form 10-K of Sensata Technologies B.V., filed on February 17, 2009).
10.39	Third Supplemental Indenture, dated October 2, 2008, among Sensata Technologies B.V., the guarantors party thereto, and Morgan Stanley & Co. Incorporated, Banc of America Securities LLC and Goldman, Sachs & Co., as placement agents, relating to the 8% Senior Notes (incorporated by reference to Exhibit 4.9 to Annual Report on Form 10-K of Sensata Technologies B.V., filed on February 17, 2009).
10.40	Third Supplemental Indenture, dated October 2, 2008, among Sensata Technologies B.V., the guarantors party thereto, and Morgan Stanley & Co. Incorporated, Banc of America Securities LLC and Goldman, Sachs & Co., as placement agents, relating to the 9% Senior Subordinated Notes (incorporated by reference to Exhibit 4.10 to Annual Report on Form 10-K of Sensata Technologies B.V., filed on February 17, 2009).
10.41	Indenture, dated July 23, 2008, among Sensata Technologies B.V., the guarantors party thereto and The Bank of New York Mellon, as Trustee, relating to the 11.25% Senior Subordinated Notes (incorporated by reference to Exhibit 4.1 to the Current Report on Form 8-K, filed on July 28, 2008).
10.42	First Supplemental Indenture, dated October 2, 2008, among Sensata Technologies B.V., the guarantors party thereto, and The Bank of New York Mellon, as Trustee, relating to the 11.25% Senior Subordinated Notes (incorporated by reference to Exhibit 4.12 to Annual Report on Form 10-K of Sensata Technologies B.V., filed on February 17, 2009).
10.43	Registration Rights Agreement, dated July 23, 2008, among Sensata Technologies B.V., the guarantors party thereto, and Morgan Stanley & Co. Incorporated, Banc of America Securities LLC and Goldman, Sachs & Co., as placement agents, relating to the 11.25% Senior Subordinated Notes (incorporated by reference to Exhibit 4.2 to the Current Report on Form 8-K of Sensata Technologies B.V., filed on July 28, 2008).
10.44	Second Supplemental Indenture, dated as of April 15, 2009, among Sensata Technologies B.V., the guarantors party thereto, and The Bank of New York Mellon, as Trustee, relating to the 11.25% Senior Subordinated Notes (incorporated by reference to Exhibit 4.1 to the Quarterly Report on Form 10-Q for the quarterly period ended March 31, 2009 of Sensata Technologies B.V., filed on April 30, 2009).
10.45	Fourth Supplemental Indenture, dated as of April 15, 2009, among Sensata Technologies B.V., the guarantors party thereto, and The Bank of New York Mellon, as Trustee, relating to the 8% Senior Notes (incorporated by reference to Exhibit 4.2 to the Quarterly Report on Form 10-Q for the quarterly period ended March 31, 2009 of Sensata Technologies B.V., filed on April 30, 2009).

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10.46	Fourth Supplemental Indenture, dated as of April 15, 2009, among Sensata Technologies B.V., the guarantors party thereto, and The Bank of New York Mellon, as Trustee, relating to the 9% Senior Subordinated Notes (incorporated by reference to Exhibit 4.3 to the Quarterly Report on Form 10-Q for the quarterly period ended March 31, 2009 of Sensata Technologies B.V., filed on April 30, 2009).
10.47	First Amended and Restated Management Securityholders Addendum Dutchco Option Plan, dated as of April 27, 2006 (incorporated by reference to Exhibit 10.47 to the Registration Statement on Form S-1, filed on November 25, 2009).
10.48	First Amended and Restated Management Securityholders Addendum Dutchco Securities Plan, dated as of April 27, 2006 (incorporated by reference to Exhibit 10.48 to the Registration Statement on Form S-1, filed on November 25, 2009).
10.49	First Amended and Restated Management Securityholders Addendum Luxco Securities Plan, dated as of April 27, 2006 (incorporated by reference to Exhibit 10.49 to the Registration Statement on Form S-1, filed on November 25, 2009).
10.50	Form of First Amended and Restated Investor Rights Agreement, to be entered into by and among Sensata Management Company S.A., Sensata Investment Company S.C.A, Sensata Technologies Holding N.V. (formerly known as Sensata Technologies Holding B.V.), funds managed by Bain Capital Partners, LLC or its affiliates, certain other investors that are parties thereto and such other persons, if any, that from time to time become parties thereto (incorporated by reference to Exhibit 10.50 to Amendment No. 4 to the Registration Statement on Form S-1, filed on February 26, 2010).
10.51	Form of Indemnification Agreement, to be entered among Sensata Technologies Holding N.V. (formerly known as Sensata Technologies Holding B.V.) and certain of its executive officers and directors listed on a schedule attached thereto (incorporated by reference to Exhibit 10.51 to Amendment No. 2 to the Registration Statement on Form S-1, filed on January 22, 2010).
10.52	Administrative Services Agreement, effective as of January 1, 2008, by and between Sensata Investment Company S.C.A. and Sensata Technologies Holding B.V. (incorporated by reference to Exhibit 10.52 to Amendment No. 2 to the Registration Statement on Form S-1, filed on January 22, 2010).
10.53	Supply and Purchase Agreement, dated October 17, 2005, by and between Texas Instruments Incorporated (as predecessor-in-interest to Sensata Technologies, Inc.) and Engineered Materials Solutions, Inc. (incorporated by reference to Exhibit 10.25 to the Registration Statement on Form S-4 of Sensata Technologies B.V., filed on December 29, 2006).
10.54	Joint Development and Exclusive Supply Agreement, dated July 1, 1998, between Texas Instruments Incorporated (as predecessor-in-interest to Sensata Technologies, Inc.) and Measurement Specialties, Inc., as amended (incorporated by reference to Exhibit 10.54 to Amendment No. 4 to the Registration Statement on Form S-1, filed on February 26, 2010).
10.55	Form of First Amended and Restated Securityholders Agreement, to be entered into by and among Sensata Investment Company S.C.A., Sensata Technologies Holding N.V. (formerly known as Sensata Technologies Holding B.V.), Sensata Management Company S.A., funds managed by Bain Capital Partners, LLC or its affiliates, Asia Opportunity Fund II, L.P. and AOF II Employee Co-Invest Fund, L.P. (incorporated by reference to Exhibit 10.55 to Amendment No. 3 to the Registration Statement on Form S-1, filed on February 12, 2010).
10.56	Transition Production Agreement, dated February 4, 2010, between Sensata Technologies, Inc. and Engineered Materials Solutions, LLC (incorporated by reference to Exhibit 10.1 to Current Report on Form 8-K of Sensata Technologies B.V., filed on February 10, 2010 and incorporated by reference to Exhibit 10.56 to Amendment No. 4 to the Registration Statement on Form S-1, filed on February 26, 2010).
10.57	Sensata Technologies Holding N.V. 2010 Employee Stock Purchase Plan (incorporated by reference to Exhibit 10.1 to the Quarterly Report on Form 10-Q, filed on April 26, 2010).
10.58	Sensata Technologies Holding N.V. 2010 Equity Incentive Plan (incorporated by reference to Exhibit 10.2 to the Quarterly Report on Form 10-Q, filed on April 26, 2010).
10.59	Employment Agreement, dated December 3, 2009, between Sensata Technologies, Inc. and Martin Carter (incorporated by reference to Exhibit 10.59 to Amendment No. 4 to the Registration Statement on Form S-1, filed on February 26, 2010).
21.1	Subsidiaries of Sensata Technologies Holding N.V. (incorporated by reference to Exhibit 21.1 to the Registration Statement on Form S-1, filed on November 25, 2009).

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23.1	Consent of Loyens & Loeff N.V. (included in Exhibit 5.1).**
23.2	Consent of Ernst & Young LLP.**
24.1	Powers of Attorney (included in signature pages).**

* To be filed by amendment.
** Filed herewith.
Previously filed.