

PERKINELMER INC  
Form 10-Q  
November 12, 2009  
Table of Contents

**UNITED STATES**  
**SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

**FORM 10-Q**

(Mark One)

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

For the quarterly period ended October 4, 2009

or

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

Commission File Number 001-5075

**PerkinElmer, Inc.**

(Exact name of Registrant as specified in its Charter)

Massachusetts  
(State or other jurisdiction of incorporation or organization)

940 Winter Street

04-2052042  
(I.R.S. Employer Identification No.)

Waltham, Massachusetts 02451

Edgar Filing: PERKINELMER INC - Form 10-Q

(Address of principal executive offices) (Zip code)

(781) 663-6900

(Registrant's telephone number, including area code)

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

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes  No

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

Large accelerated filer	<input checked="" type="checkbox"/>	Accelerated filer	<input type="checkbox"/>
Non-accelerated filer	<input type="checkbox"/>	Smaller reporting company	<input type="checkbox"/>

(Do not check if a smaller reporting company)

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

As of November 6, 2009, there were outstanding 116,764,074 shares of common stock, \$1 par value per share.

**Table of Contents**

**TABLE OF CONTENTS**

	<b>Page</b>
<b>PART I. FINANCIAL INFORMATION</b>	
Item 1. <u>Financial Statements</u>	3
<u>Condensed Consolidated Income Statements</u>	3
<u>Condensed Consolidated Balance Sheets</u>	4
<u>Condensed Consolidated Statements of Cash Flows</u>	5
<u>Notes to Condensed Consolidated Financial Statements</u>	6
Item 2. <u>Management's Discussion and Analysis of Financial Condition and Results of Operations</u>	31
<u>Overview</u>	31
<u>Recent Developments</u>	34
<u>Critical Accounting Policies and Estimates</u>	35
<u>Consolidated Results of Continuing Operations</u>	35
<u>Reporting Segment Results of Continuing Operations</u>	44
<u>Liquidity and Capital Resources</u>	46
<u>Off-Balance Sheet Arrangements</u>	49
<u>Dividends</u>	50
<u>Contractual Obligations</u>	50
<u>Effects of Recently Adopted Accounting Pronouncements</u>	50
<u>Effects of Recently Issued Accounting Pronouncements</u>	52
Item 3. <u>Quantitative and Qualitative Disclosures About Market Risk</u>	53
Item 4. <u>Controls and Procedures</u>	54
<b>PART II. OTHER INFORMATION</b>	
Item 1. <u>Legal Proceedings</u>	55
Item 1A. <u>Risk Factors</u>	56
Item 2. <u>Unregistered Sales of Equity Securities and Use of Proceeds</u>	63
Item 6. <u>Exhibits</u>	64
<u>Signature</u>	65
<u>Exhibit Index</u>	66

**Table of Contents****PART I. FINANCIAL INFORMATION****Item 1. Financial Statements****PERKINELMER, INC. AND SUBSIDIARIES****CONDENSED CONSOLIDATED INCOME STATEMENTS****(Unaudited)**

	<b>Three Months Ended</b>		<b>Nine Months Ended</b>	
	<b>October 4, 2009</b>	<b>September 28, 2008</b>	<b>October 4, 2009</b>	<b>September 28, 2008</b>
	<b>(In thousands, except</b>			
	<b>per share data)</b>			
<b>Sales</b>	\$ 437,065	\$ 478,747	\$ 1,303,214	\$ 1,442,432
Cost of sales	249,495	273,124	740,216	829,665
Selling, general and administrative expenses	121,431	129,800	373,807	402,384
Research and development expenses	27,336	26,192	78,877	82,963
Restructuring and lease charges, net	12,383	6,495	20,206	6,190
<b>Operating income from continuing operations</b>	26,420	43,136	90,108	121,230
Interest and other expense, net	4,821	6,049	13,839	16,308
Income from continuing operations before income taxes	21,599	37,087	76,269	104,922
Provision for (benefit from) income taxes	5,578	(4,596)	22,232	12,908
<b>Net income from continuing operations</b>	16,021	41,683	54,037	92,014
(Loss) income from discontinued operations, net of income taxes	(864)	2,075	(4,828)	2,747
(Loss) gain on disposition of discontinued operations, net of income taxes	(1,568)	8,144	(3,556)	985
<b>Net income</b>	\$ 13,589	\$ 51,902	\$ 45,653	\$ 95,746
<b>Basic earnings (loss) per share:</b>				
Continuing operations	\$ 0.14	\$ 0.35	\$ 0.46	\$ 0.78
(Loss) income from discontinued operations, net of income taxes	(0.01)	0.02	(0.04)	0.02
(Loss) gain on disposition of discontinued operations, net of income taxes	(0.01)	0.07	(0.03)	0.01
Net income	\$ 0.12	\$ 0.44	\$ 0.39	\$ 0.81
<b>Diluted earnings (loss) per share:</b>				
Continuing operations	\$ 0.14	\$ 0.35	\$ 0.46	\$ 0.77
(Loss) income from discontinued operations, net of income taxes	(0.01)	0.02	(0.04)	0.02
(Loss) gain on disposition of discontinued operations, net of income taxes	(0.01)	0.07	(0.03)	0.01
Net income	\$ 0.12	\$ 0.43	\$ 0.39	\$ 0.80

## Edgar Filing: PERKINELMER INC - Form 10-Q

Weighted average shares of common stock outstanding:

Basic	116,211	118,347	116,227	117,821
Diluted	116,641	119,609	116,487	119,029
Cash dividends per common share	\$ 0.07	\$ 0.07	\$ 0.21	\$ 0.21

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

**Table of Contents**

**PERKINELMER, INC. AND SUBSIDIARIES**  
**CONDENSED CONSOLIDATED BALANCE SHEETS**

(Unaudited)

	October 4, 2009	December 28, 2008
	(In thousands, except share and per share data)	
<b>Current assets:</b>		
Cash and cash equivalents	\$ 150,586	\$ 179,110
Accounts receivable, net	348,399	327,636
Inventories, net	224,427	197,967
Other current assets	110,489	111,087
Current assets of discontinued operations	17,363	14,947
<b>Total current assets</b>	<b>851,264</b>	<b>830,747</b>
<b>Property, plant and equipment, net:</b>		
At cost	608,858	570,257
Accumulated depreciation	(397,503)	(365,843)
Property, plant and equipment, net	211,355	204,414
Marketable securities and investments	2,190	3,459
Intangible assets, net	474,614	452,473
Goodwill	1,473,547	1,396,292
Other assets, net	41,370	38,760
Long-term assets of discontinued operations	4,446	5,622
<b>Total assets</b>	<b>\$ 3,058,786</b>	<b>\$ 2,931,767</b>
<b>Current liabilities:</b>		
Short-term debt	\$ 146	\$ 40
Accounts payable	158,957	169,447
Accrued restructuring and integration costs	17,585	5,904
Accrued expenses	318,952	323,815
Current liabilities of discontinued operations	17,288	17,036
<b>Total current liabilities</b>	<b>512,928</b>	<b>516,242</b>
Long-term debt	576,734	509,040
Long-term liabilities	364,267	335,354
Long-term liabilities of discontinued operations	3,099	3,188
<b>Total liabilities</b>	<b>1,457,028</b>	<b>1,363,824</b>
<b>Commitments and contingencies (see Note 19)</b>		
<b>Stockholders' equity:</b>		
Preferred stock \$1 par value per share, authorized 1,000,000 shares; none issued or outstanding		
Common stock \$1 par value per share, authorized 300,000,000 shares; issued and outstanding 116,720,000 shares and 117,112,000 shares at October 4, 2009 and at December 28, 2008, respectively	116,720	117,112
Capital in excess of par value	244,671	246,549
Retained earnings	1,256,850	1,235,521

Edgar Filing: PERKINELMER INC - Form 10-Q

Accumulated other comprehensive loss	(16,483)	(31,239)
<b>Total stockholders' equity</b>	1,601,758	1,567,943
<b>Total liabilities and stockholders' equity</b>	<b>\$ 3,058,786</b>	<b>\$ 2,931,767</b>

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

**Table of Contents****PERKINELMER, INC. AND SUBSIDIARIES****CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS****(Unaudited)**

	<b>Nine Months Ended</b>	
	<b>October 4, 2009</b>	<b>September 28, 2008</b>
	<b>(In thousands)</b>	
<b>Operating activities:</b>		
Net income	\$ 45,653	\$ 95,746
Add: loss (income) from discontinued operations, net of income taxes	4,828	(2,747)
Add: loss (gain) on disposition of discontinued operations, net of income taxes	3,556	(985)
<b>Net income from continuing operations</b>	<b>54,037</b>	<b>92,014</b>
Adjustments to reconcile net income from continuing operations to net cash provided by continuing operations:		
Restructuring and lease charges, net	20,206	6,190
Depreciation and amortization	67,075	66,433
Stock-based compensation	10,806	13,671
Amortization of deferred debt issuance costs	1,905	1,431
Gains on dispositions, net		(1,158)
Amortization of acquired inventory revaluation	500	
Changes in operating assets and liabilities which used cash, excluding effects from companies purchased and divested:		
Accounts receivable, net	(11,733)	(6,898)
Inventories, net	(16,326)	(16,113)
Accounts payable	(12,543)	(1,136)
Accrued expenses and other	(20,063)	(35,412)
<b>Net cash provided by operating activities of continuing operations</b>	<b>93,864</b>	<b>119,022</b>
Net cash (used in) provided by operating activities of discontinued operations	(8,242)	8,247
<b>Net cash provided by operating activities</b>	<b>85,622</b>	<b>127,269</b>
<b>Investing activities:</b>		
Capital expenditures	(20,839)	(31,622)
Changes in restricted cash balances	1,412	334
Payments for business development activity		(160)
Proceeds from disposition of investments, net		1,158
Payments for acquisitions and investments, net of cash and cash equivalents acquired	(122,690)	(87,252)
<b>Net cash used in investing activities of continuing operations</b>	<b>(142,117)</b>	<b>(117,542)</b>
Net cash used in investing activities of discontinued operations	(1,015)	(1,864)
<b>Net cash used in investing activities</b>	<b>(143,132)</b>	<b>(119,406)</b>
<b>Financing activities:</b>		
Payments on debt	(277,611)	(531,500)
Proceeds from borrowings	339,500	409,500
Proceeds from the sale of senior subordinated debt		150,000
Payments of debt issuance costs	(7)	(1,969)
Settlement of cash flow hedges		(11,702)
Payments on other credit facilities	(79)	(511)
Excess tax benefit from exercise of common stock options	30	359



Edgar Filing: PERKINELMER INC - Form 10-Q

Proceeds from issuance of common stock under stock plans	2,262	43,435
Purchases of common stock	(14,619)	(57,139)
Dividends paid	(24,528)	(24,805)
<b>Net cash provided by (used in) financing activities</b>	<b>24,948</b>	<b>(24,332)</b>
Effect of exchange rate changes on cash and cash equivalents	4,038	1,929
<b>Net decrease in cash and cash equivalents</b>	<b>(28,524)</b>	<b>(14,540)</b>
Cash and cash equivalents at beginning of period	179,110	203,348
<b>Cash and cash equivalents at end of period</b>	<b>\$ 150,586</b>	<b>\$ 188,808</b>

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

---

**Table of Contents**

**PERKINELMER, INC. AND SUBSIDIARIES**

**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

**(Unaudited)**

**Note 1: Basis of Presentation**

The condensed consolidated financial statements included herein have been prepared by PerkinElmer, Inc. (the Company), without audit, in accordance with accounting principles generally accepted in the United States (the U.S.) and pursuant to the rules and regulations of the Securities and Exchange Commission (the SEC). Certain information in the footnote disclosures of the financial statements has been condensed or omitted where it substantially duplicates information provided in the Company's latest audited consolidated financial statements in accordance with the rules and regulations of the SEC. These condensed consolidated financial statements should be read in conjunction with the Company's audited consolidated financial statements and notes included in its Annual Report on Form 10-K for the fiscal year ended December 28, 2008, filed with the SEC (the 2008 Form 10-K). The balance sheet amounts at December 28, 2008 in this report were derived from the Company's audited 2008 consolidated financial statements included in the 2008 Form 10-K. The condensed consolidated financial statements reflect all adjustments that, in the opinion of management, are necessary to present fairly the Company's financial position, results of operations and cash flows for the periods indicated. The preparation of financial statements in conformity with U.S. Generally Accepted Accounting Principles (GAAP) requires management to make estimates and assumptions that affect the reported amounts and classifications of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. The results of operations for the three and nine months ended October 4, 2009 and September 28, 2008, respectively, are not necessarily indicative of the results for the entire fiscal year or any future period.

*Recently Adopted Accounting Pronouncements*

In December 2007, the Financial Accounting Standards Board (FASB) issued authoritative guidance on business combinations. This guidance establishes principles and requirements for how an acquirer recognizes and measures in its financial statements significant aspects of a business combination. Under this guidance, acquisition costs are generally expensed as incurred; noncontrolling interests are reflected at fair value at the acquisition date; in-process research and development (IPR&D) is recorded at fair value as an intangible asset at the acquisition date; restructuring costs associated with a business combination are generally expensed rather than capitalized; contingent consideration is measured at fair value at the acquisition date, with changes in the fair value after the acquisition date affecting earnings; and changes in deferred tax asset valuation allowances and income tax uncertainties after the measurement period will affect income tax expense. This guidance amends the accounting for income taxes such that adjustments made to valuation allowances on deferred taxes and acquired tax contingencies associated with acquisitions that closed prior to the effective date of this guidance would also apply the provisions of this guidance. This guidance also establishes disclosure requirements to enable the evaluation of the nature and financial effects of the business combination. This guidance is effective on a prospective basis for all business combinations for which the acquisition date is on or after the beginning of the first annual period subsequent to December 15, 2008, with the exception of the accounting for valuation allowances on deferred taxes and acquired tax contingencies. The Company adopted this authoritative guidance on business combinations in the first quarter of fiscal year 2009. The adoption of this guidance did not have a significant impact on the Company's acquisition activity in the nine months ended October 4, 2009. See Note 2 for the impact on the Company's condensed consolidated financial statements.

In December 2007, the FASB issued authoritative guidance on noncontrolling interests. This guidance establishes accounting and reporting standards for ownership interests in subsidiaries held by parties other than the parent, the amount of consolidated net income attributable to the parent and to the noncontrolling interest, changes in a parent's ownership interest, and the valuation of retained noncontrolling equity investments when a subsidiary is deconsolidated. This guidance also establishes disclosure requirements that clearly identify and distinguish between the interests of the parent and the interests of the noncontrolling owners. The Company

---

**Table of Contents**

adopted this authoritative guidance on noncontrolling interests in the first quarter of fiscal year 2009. The adoption of this guidance did not have a significant impact on the Company's condensed consolidated financial statements.

In March 2008, the FASB issued authoritative guidance on disclosures about derivative instruments and hedging activities. This guidance is intended to improve transparency in financial reporting by requiring enhanced disclosures of an entity's derivative instruments and hedging activities and their effects on the entity's financial position, results of operations and cash flows. This guidance establishes principles and requirements for how an entity identifies derivative instruments and related hedged items that affect its financial position, results of operations and cash flows. This guidance also establishes disclosure requirements that the fair values of derivative instruments and their gains and losses are disclosed in a tabular format, that derivative features which are credit-risk related be disclosed to provide clarification to an entity's liquidity and that cross-referencing be included within footnotes. The Company adopted this authoritative guidance on disclosures about derivative instruments and hedging activities in the first quarter of fiscal year 2009 and has evaluated the requirements, which provide for additional disclosure on the Company's derivative instruments. See Notes 17 and 18 for the Company's disclosure on derivative instruments and hedging activities.

In April 2008, the FASB issued authoritative guidance on determination of the useful life of intangible assets. This guidance amends the factors that should be considered in developing renewal or extension assumptions used to determine the useful life of a recognized intangible asset. The objective 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 under the new authoritative guidance on business combinations, and other accounting principles. This guidance applies to all intangible assets, whether acquired in a business combination or otherwise, and early adoption is prohibited. The Company adopted this authoritative guidance on determination of the useful life of intangible assets in the first quarter of fiscal year 2009. The adoption of this guidance did not have a significant impact on the Company's condensed consolidated financial statements.

In April 2009, the FASB issued authoritative guidance on accounting for assets acquired and liabilities assumed in a business combination that arise from contingencies, which amends and clarifies the initial recognition and measurement, subsequent measurement and accounting, and related disclosures of assets and liabilities arising from contingencies in a business combination. This guidance is effective for assets and liabilities arising from contingencies in business combinations for which the acquisition date is on or after the beginning of the first annual period subsequent to December 15, 2008. The Company adopted this authoritative guidance in the first quarter of fiscal year 2009 in conjunction with the adoption of the new authoritative guidance on business combinations. The adoption of this guidance did not have a significant impact on the Company's acquisition activity in the nine months ended October 4, 2009. See Note 2 for the impact on the Company's condensed consolidated financial statements.

In April 2009, the FASB issued authoritative guidance on disclosures about fair value of financial instruments, which requires disclosures about fair value of financial instruments not measured on the balance sheet at fair value in interim financial statements as well as in annual financial statements. Prior to this guidance, fair values for these assets and liabilities were only disclosed annually. This guidance requires all entities to disclose the method(s) and significant assumptions used to estimate the fair value of financial instruments and is effective for interim periods ending after June 15, 2009, with early adoption permitted for periods ending after March 15, 2009. In periods after initial adoption, this guidance requires comparative disclosures only for periods ending after initial adoption. The Company adopted this authoritative guidance in the second quarter of fiscal year 2009. The adoption of this guidance did not have a significant impact on the Company's condensed consolidated financial statements.

In May 2009, the FASB issued authoritative guidance on subsequent events, which establishes general standards for the accounting and disclosure of events or transactions that occur during the period after the balance sheet date that management will need to evaluate for potential recognition or disclosure in the financial

---

**Table of Contents**

statements, the circumstances under which an entity shall recognize events or transactions occurring after the balance sheet date in its financial statements, and the disclosures that an entity shall make about events or transactions that occurred after the balance sheet date. The Company adopted this authoritative guidance on subsequent events in the second quarter of fiscal year 2009. The adoption of this guidance had no impact on the Company's condensed consolidated financial statements. The Company has evaluated subsequent events through November 12, 2009, which is the date the condensed consolidated financial statements were issued.

In June 2009, the FASB issued the FASB Accounting Standards Codification (the Codification) and the hierarchy of U.S. GAAP. The Codification will now be the source of authoritative GAAP recognized by the FASB to be applied by nongovernmental entities. All guidance contained in the Codification carries an equal level of authority. Rules and interpretive releases of the SEC under authority of federal securities laws are also sources of authoritative GAAP for SEC registrants. As of the effective date, the Codification superseded all then-existing non-SEC accounting and reporting standards. All other nongrandfathered non-SEC accounting literature not included in the Codification will become nonauthoritative. The Company adopted this authoritative guidance in the third quarter of fiscal year 2009. The adoption of this guidance had no impact on the Company's condensed consolidated financial statements.

*Recently Issued Accounting Pronouncements*

In December 2008, the FASB issued authoritative guidance on employers' disclosures about postretirement benefit plan assets, which requires additional disclosures for employers' pension and other postretirement benefit plan assets. Pension and other postretirement benefit plan assets were not included within the scope of the guidance on fair value measurements. This guidance requires employers to disclose information about fair value measurements of plan assets similar to the disclosures required under the fair value measurement guidance, including the investment policies and strategies for the major categories of plan assets, and significant concentrations of risk within plan assets. This guidance will be effective for fiscal years ending after December 15, 2009, with earlier adoption permitted. Upon initial adoption, the provisions of this guidance are not required for earlier periods that are presented for comparative purposes. The Company will be required to adopt this authoritative guidance in the fourth quarter of fiscal year 2009. This guidance affects only disclosure requirements; the Company expects the adoption of this guidance will have no impact on the Company's consolidated financial statements.

In June 2009, the FASB issued authoritative guidance on the accounting for transfers of financial assets. This guidance is intended to improve practices that have developed that are not consistent with the original intent and key requirements of the original disclosure requirements, including establishing a new participating interest definition that must be met for transfers of portions of financial assets to be eligible for sale accounting, clarifying and amending the derecognition criteria for a transfer to be accounted for as a sale, and changing the amount that can be recognized as a gain or loss on a transfer accounted for as a sale when beneficial interests are received by the transferor. This guidance also requires enhanced disclosures to provide information about transfers of financial assets and a transferor's continuing involvement with transferred financial assets. The Company will be required to adopt this authoritative guidance on the accounting for transfers of financial assets in the first quarter of fiscal year 2010. The Company expects the adoption of this guidance will not have a significant impact on the Company's condensed consolidated financial statements.

In June 2009, the FASB issued authoritative guidance on the consolidation of variable interest entities. This guidance requires an enterprise to qualitatively assess the determination of the primary beneficiary of a variable interest entity based on whether the entity has the power to direct the activities of a variable interest entity that most significantly impact the entity's economic performance and has the obligation to absorb losses of the entity or the right to receive benefits from the entity that could potentially be significant to the variable interest entity. Also, this guidance requires an ongoing reconsideration of the primary beneficiary, and amends the events that trigger a reassessment of whether an entity is a variable interest entity. Enhanced disclosures are also required to provide information about an enterprise's involvement in a variable interest entity. The Company will be

---

**Table of Contents**

required to adopt this authoritative guidance on the consolidation of variable interest entities in the first quarter of fiscal year 2010. The Company expects the adoption of this guidance will not have a significant impact on the Company's condensed consolidated financial statements.

In October 2009, the FASB issued authoritative guidance on multiple-deliverable revenue arrangements. This guidance establishes the accounting and reporting guidance for arrangements including multiple revenue-generating activities. This guidance provides amendments to the criteria for separating and measuring deliverables and allocating arrangement consideration to one or more units of accounting. The amendments in this guidance 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 vendor's multiple-deliverable revenue arrangements, including information about the nature and terms of significant deliverables, and a vendor's performance within those 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 Company will be required to adopt this authoritative guidance on multiple-deliverable revenue arrangements in the first quarter of fiscal year 2011. The Company is currently evaluating the requirements of this guidance and has not yet determined the impact of its adoption on the Company's condensed consolidated financial statements.

In October 2009, the FASB issued authoritative guidance on certain revenue arrangements that include software elements. This guidance changes the accounting model for revenue arrangements that include both tangible products and software elements that are essential to the functionality of the product and excludes these products from current software revenue guidance. The new guidance will include factors to help companies determine what software elements are considered essential to the functionality. Once adopted the amendments will subject software-enabled products to other revenue guidance and disclosure requirements, such as guidance surrounding revenue arrangements with multiple deliverables. The Company will be required to adopt this authoritative guidance on certain revenue arrangements that include software elements in the first quarter of fiscal year 2011. The Company is currently evaluating the requirements of this guidance and has not yet determined the impact of its adoption on the Company's condensed consolidated financial statements.

**Note 2: Acquisitions and Asset Purchases**

*Purchase of Intangible Assets from GE Healthcare.* In September 2009, the Company purchased the core technology and patents of GE Healthcare's 3H and 14C Catalog Radiochemicals, Scintillation Proximity Assay (SPA) reagents and Cytostar-T plate portfolios for aggregate consideration of \$12.0 million in cash. The Catalog Radiochemical products are used for a variety of research applications, including screening of potential drug candidates through binding assays. The SPA bead-based light-emitting assay and Cytostar-T plate technologies are offerings that enable the automation of High Throughput Screening (HTS) processes to help drug discovery researchers determine if potential new drug compounds are effective against their intended disease targets. The Company expects that incorporation of these technologies will strengthen its G-protein-coupled receptor and Kinase research product lines and complement its HTS and research reagent solutions. The purchased core technology and patents do not meet the definition of a business as the purchased assets were not accompanied by any associated processes. Purchased intangible assets are amortized over their estimated useful lives. The Company reports the amortization of these intangible assets within the results of the Company's Human Health segment from the purchase date. The Company periodically reviews the carrying value of these assets based, in part, upon current estimated market values and the Company's projections of anticipated future cash flows. The Company undertakes this review on a periodic basis for long-lived assets when facts and circumstances suggest that cash flows emanating from those assets may be diminished. See Note 13 below for additional details.

*Acquisition of Sym-Bio LifeScience Co., Ltd.* In August 2009, the Company acquired the outstanding equity interests of Sym-Bio LifeScience Co., Ltd. (Sym-Bio). Sym-Bio is a major supplier of diagnostics instruments and related reagents to hospitals in China, particularly in the area of infectious diseases. The Company expects

---

**Table of Contents**

this acquisition to expand the Company's access to the hospital market segment in China, offering a larger base from which to expand its prenatal and newborn screening business in the country and providing the Company with a significant diagnostics manufacturing and research and development base within China. The excess of the purchase price over the fair value of the acquired net assets represents cost and revenue synergies specific to the Company as well as non-capitalizable intangible assets, such as the employee workforce acquired. The Company paid the shareholders of Sym-Bio approximately \$51.2 million in cash for this acquisition plus an additional amount of \$12.5 million held in an escrow account for contingencies, of which \$7.3 million is for potential additional contingent consideration with a fair value of \$6.9 million at the acquisition date. The excess of the purchase price over the fair value of the acquired net assets has been allocated to goodwill, none of which is tax deductible. The Company reports the operations for this acquisition within the results of the Company's Human Health segment from the acquisition date.

*Acquisition of Analytica of Branford, Inc.* In May 2009, the Company acquired the outstanding stock of Analytica of Branford, Inc. ( Analytica ). Analytica is a leading developer of mass spectrometry and ion source technology. The Company expects this acquisition to allow the Company to offer its customers access to critical technologies such as time-of-flight and quadrupole mass spectrometers and new ion sources that provide more complete information as well as better throughput. The Company will also gain significant intellectual property in the field of mass spectrometry and ion source technology. The excess of the purchase price over the fair value of the acquired net assets represents cost and revenue synergies specific to the Company as well as non-capitalizable intangible assets, such as the employee workforce acquired. The Company paid the shareholders of Analytica approximately \$21.7 million in cash for this acquisition plus up to \$1.3 million in additional consideration, which the Company expects to pay during the fourth quarter of fiscal year 2009. The excess of the purchase price over the fair value of the acquired net assets has been allocated to goodwill, which may be tax deductible if elected by the Company and approved by the shareholders of Analytica. The Company reports the operations for this acquisition within the results of the Company's Environmental Health segment from the acquisition date.

*Acquisition of Opto Technology Inc.* In January 2009, the Company acquired the outstanding stock of Opto Technology Inc. ( Opto Technology ). Opto Technology is a supplier of light-emitting diode ( LED ) based lighting components and subsystems. The Company expects this acquisition to expand its portfolio of high brightness LED components by adding optical subsystems to provide energy efficient solid state lighting solutions to original equipment manufacturers. The excess of the purchase price over the fair value of the acquired net assets represents cost and revenue synergies specific to the Company as well as non-capitalizable intangible assets, such as the customer base acquired. The Company paid the shareholders of Opto Technology approximately \$20.6 million in cash for this acquisition plus up to \$8.0 million in potential additional contingent consideration, of which the Company recorded \$4.9 million as the fair value at the acquisition date. During the first nine months of fiscal year 2009, the Company recorded a decrease of \$0.3 million to the potential additional contingent consideration as a fair value adjustment through current period earnings. During the first nine months of fiscal year 2009, the Company received approximately \$0.2 million from the former shareholders of Opto Technology for net working capital adjustments. The excess of the purchase price over the fair value of the acquired net assets has been allocated to goodwill, none of which is tax deductible. The Company reports the operations for this acquisition within the results of the Company's Environmental Health segment from the acquisition date.

The Sym-Bio, Analytica and Opto Technology acquisitions were accounted for using the acquisition method of accounting. Allocations of the purchase price for these acquisitions were based on estimates of the fair value of the net assets acquired, and are subject to adjustment upon finalization of the purchase price allocation. The fair values assigned to contingent consideration, tangible and intangible assets acquired and liabilities assumed are based on management's estimates and assumptions, as well as other information compiled by management, including valuations that utilize customary valuation procedures and techniques. Contingent consideration has been measured at fair value at the acquisition date with changes in the fair value after the acquisition date.

**Table of Contents**

affecting earnings. The excess purchase price over those assigned values was recorded as goodwill. Goodwill is reviewed at least annually for impairment. Purchased intangibles with finite lives will be amortized over their respective estimated useful lives. See Note 13 below for additional details.

As of October 4, 2009, the purchase price and related allocations for the Sym-Bio, Analytica and Opto Technology acquisitions were preliminary. The preliminary allocations may be revised as a result of additional information regarding assets acquired and liabilities assumed, including tax elections, deferred taxes and revisions of preliminary estimates of fair values made to intangible assets at the date of purchase. For acquisitions completed subsequent to fiscal year 2008, during the measurement period, the Company will recognize additional assets or liabilities if new information is obtained about facts and circumstances that existed as of the acquisition date that, if known, would have resulted in the recognition of those assets and liabilities as of that date. The Company expects to finalize any outstanding information no later than one year from the date of acquisition. Adjustments to the initial allocation of the purchase price during the measurement period require the revision of comparative prior period financial information when reissued in subsequent financial statements. The effect of measurement period adjustments to the allocation of the purchase price would be as if the adjustments had been completed on the acquisition date. The effects of measurement period adjustments may cause changes in depreciation, amortization, or other income or expense recognized in prior periods. All changes that do not qualify as measurement period adjustments are included in current period earnings.

The components of the preliminary purchase price and related allocations for the Sym-Bio, Analytica and Opto Technology acquisitions were as follows:

	Sym-Bio	Analytica (In thousands)	Opto Technology
<b>Consideration and acquisition costs:</b>			
Cash payments	\$ 63,675	\$ 21,730	\$ 20,604
Less: cash acquired	(2,887)	(293)	
Deferred consideration	(420)	1,309	4,857
Working capital adjustments			(180)
<b>Total consideration</b>	<b>\$ 60,368</b>	<b>\$ 22,746</b>	<b>\$ 25,281</b>
<b>Allocation of purchase price:</b>			
Current assets	\$ 4,562	\$ 2,448	\$ 2,155
Property, plant and equipment	10,862	91	828
Identifiable intangible assets	18,697	17,600	13,100
Goodwill	36,485	14,680	16,299
Other long-term assets	2,647		
Deferred taxes	(5,264)	(6,530)	(4,031)
Liabilities assumed	(7,621)	(5,543)	(3,070)
<b>Total</b>	<b>\$ 60,368</b>	<b>\$ 22,746</b>	<b>\$ 25,281</b>

**Note 3: Restructuring and Lease Charges, net**

The Company has undertaken a series of restructuring actions related to the impact of acquisitions and divestitures, alignment with the Company's growth strategy and the integration of its business units.

A description of the restructuring plans and the activity recorded for the nine months ended October 4, 2009 is listed below. Details of the plans initiated in previous years, particularly those listed under *Previous Restructuring and Integration Plans*, are discussed more fully in Note 3 to the audited consolidated financial statements in the 2008 Form 10-K.

**Table of Contents**

The restructuring plan for the third quarter of fiscal year 2009 was intended principally to reduce resources in anticipation of continued decreasing demand in certain end markets and to shift resources to higher growth geographic regions and end markets. The restructuring plan for the first quarter of fiscal year 2009 was intended principally to reduce resources in anticipation of decreasing demand in certain end markets. The restructuring plan for the third quarter of fiscal year 2008 was intended principally to shift resources into geographic regions and product lines that are more consistent with the Company's growth strategy. The activities associated with these plans have been reported as restructuring expenses as a component of operating expenses from continuing operations. The Company expects the impact of immediate cost savings from the restructuring plans on operating results and cash flows to approximately offset the decline in revenue. The Company expects the impact of future cost savings from these restructuring activities on operating results and cash flows to be negligible, as the Company will incur offsetting costs.

***Q3 2009 Plan***

During the third quarter of fiscal year 2009, the Company's management approved a plan to reduce resources in anticipation of continued decreasing demand in certain end markets and to shift resources to higher growth geographic regions and end markets (the Q3 2009 Plan). As a result of the Q3 2009 Plan, the Company recognized a \$4.9 million pre-tax restructuring charge in the Human Health segment related to a workforce reduction from reorganization activities and the closure of an excess facility. The Company also recognized a \$7.3 million pre-tax restructuring charge in the Environmental Health segment related to a workforce reduction from reorganization activities. As part of the Q3 2009 Plan, the Company reduced headcount by 171 employees. All notifications and actions related to the Q3 2009 Plan were completed by October 4, 2009.

The following table summarizes the Q3 2009 Plan activity for the nine months ended October 4, 2009:

	Severance	Closure of Excess Facility (In thousands)	Total
Provision	\$ 11,753	\$ 440	\$ 12,193
Amounts paid and foreign currency translation	(1,526)	(55)	(1,581)
Balance at October 4, 2009	\$ 10,227	\$ 385	\$ 10,612

All employee relationships have been severed and the Company anticipates that the remaining severance payments of \$10.2 million for workforce reductions will be completed by the end of the fourth quarter of fiscal year 2011. The Company also anticipates that the remaining payments of \$0.4 million for the closure of the excess facility will be paid through fiscal year 2011, in accordance with the terms of the applicable lease.

***Q1 2009 Plan***

During the first quarter of fiscal year 2009, the Company's management approved a plan to reduce resources in anticipation of decreasing demand in certain end markets (the Q1 2009 Plan). As a result of the Q1 2009 Plan, the Company recognized a \$4.8 million pre-tax restructuring charge in the Human Health segment related to a workforce reduction from reorganization activities and the closure of an excess facility. The Company also recognized a \$3.0 million pre-tax restructuring charge in the Environmental Health segment related to a workforce reduction from reorganization activities and the closure of an excess facility. As part of the Q1 2009 Plan, the Company reduced headcount by 166 employees. All notifications and actions related to the Q1 2009 Plan were completed by April 5, 2009.



**Table of Contents**

The following table summarizes the Q1 2009 Plan activity for the nine months ended October 4, 2009:

	Severance	Closure of Excess Facility (In thousands)	Total
Provision	\$ 7,365	\$ 458	\$ 7,823
Amounts paid and foreign currency translation	(3,672)	(126)	(3,798)
Balance at October 4, 2009	\$ 3,693	\$ 332	\$ 4,025

All employee relationships have been severed and the Company anticipates that the remaining severance payments of \$3.7 million for workforce reductions will be completed by the end of the fourth quarter of fiscal year 2010. The Company also anticipates that the remaining payments of \$0.3 million for the closure of the excess facility will be paid through fiscal year 2012, in accordance with the terms of the applicable lease.

**Q3 2008 Plan**

During the third quarter of fiscal year 2008, the Company's management approved a plan to shift resources into product lines that are more consistent with the Company's growth strategy (the Q3 2008 Plan). As a result of the Q3 2008 Plan, the Company recognized a \$4.5 million pre-tax restructuring charge in the Human Health segment related to a workforce reduction from reorganization activities and the closure of excess facilities. The Company also recognized a \$3.3 million pre-tax restructuring charge in the Environmental Health segment related to a workforce reduction from reorganization activities and the closure of excess facilities. As part of the Q3 2008 Plan, the Company reduced headcount by 107 employees. All notifications and actions related to the Q3 2008 Plan were completed by September 28, 2008.

The following table summarizes the Q3 2008 Plan activity for the nine months ended October 4, 2009:

	Severance	Closure of Excess Facilities (In thousands)	Total
Balance at December 28, 2008	\$ 2,659	\$ 1,152	\$ 3,811
Amounts paid and foreign currency translation	(1,581)	(295)	(1,876)
Balance at October 4, 2009	\$ 1,078	\$ 857	\$ 1,935

All employee relationships have been severed and the Company anticipates that the remaining severance payments of \$1.1 million for workforce reductions will be completed by the end of the fourth quarter of fiscal year 2010. The Company also anticipates that the remaining payments of \$0.9 million for the closure of excess facilities will be paid through fiscal year 2011, in accordance with the terms of the applicable leases.

**Previous Restructuring and Integration Plans**

The principal actions of the restructuring and integration plans from fiscal years 2001 through 2007 were workforce reductions related to the integration of the Company's businesses in order to reduce costs and achieve operational efficiencies as well as workforce reductions in both the Human Health and Environmental Health segments by shifting resources into geographic regions and product lines that are more consistent with the Company's growth strategy. During the nine months ended October 4, 2009, the Company paid \$0.4 million related to these plans and recorded a reversal of \$0.7 million related to lower than expected severance costs for several of these plans. As of October 4, 2009, the Company had approximately \$1.0 million of remaining liabilities associated with these restructuring and integration plans, primarily for residual lease obligations related to closed facilities in both the Human Health and Environmental Health segments. Payments for these leases, the terms of which vary in length, will be made through fiscal year 2011.

**Table of Contents****Lease Charges**

To facilitate the sale of a business in fiscal year 2001, the Company was required to guarantee the lease obligations that the buyer assumed related to the lease for the building in which the business operated. The lease obligations continue through March 2011. While the Company assigned its interest in the lease to the buyer at the time of the sale of the business, the buyer subsequently defaulted under the lease, and the lessor sought reimbursement from the Company. The Company recorded a charge of \$2.7 million in fiscal year 2007 related to payments for this lease obligation. The buyer filed for bankruptcy protection during the third quarter of fiscal year 2008 and was delinquent in making both its lease payments and payments for certain building expenses, requiring the Company to make payments of \$0.4 million during fiscal year 2008 and \$0.5 million during the first nine months of fiscal year 2009. The buyer ceased operations in the third quarter of fiscal year 2009 and vacated the property. As of October 4, 2009, the Company recorded an additional charge of \$0.9 million related to waste removal and restoration costs, and reduced the estimated sublease rental payments reasonably expected to be obtained for the property.

**Note 4: Interest and Other Expense, net**

Interest and other expense, net, consisted of the following:

	Three Months Ended		Nine Months Ended	
	October 4, 2009	September 28, 2008	October 4, 2009	September 28, 2008
	(In thousands)			
Interest income	\$ (124)	\$ (1,064)	\$ (777)	\$ (3,249)
Interest expense	4,147	6,371	12,964	18,435
Gains on dispositions of investments, net				(1,158)
Other expense, net	798	742	1,652	2,280
<b>Total interest and other expense, net</b>	<b>\$ 4,821</b>	<b>\$ 6,049</b>	<b>\$ 13,839</b>	<b>\$ 16,308</b>

**Note 5: Inventories, net**

Inventories consisted of the following:

	October 4, 2009	December 28, 2008
	(In thousands)	
Raw materials	\$ 84,614	\$ 78,097
Work in progress	21,550	16,191
Finished goods	118,263	103,679
<b>Total inventories, net</b>	<b>\$ 224,427</b>	<b>\$ 197,967</b>

**Note 6: Income Taxes**

The Company regularly reviews its tax positions in each significant taxing jurisdiction in the process of evaluating its unrecognized tax benefits. The Company makes adjustments to its unrecognized tax benefits when: (i) facts and circumstances regarding a tax position change, causing a change in management's judgment regarding that tax position; (ii) a tax position is effectively settled with a tax authority; and/or (iii) the statute of limitations expires regarding a tax position.

At October 4, 2009, the Company had gross tax effected unrecognized tax benefits of \$40.4 million, of which \$37.4 million, if recognized, would affect the continuing operations effective tax rate. The remaining



---

**Table of Contents**

amount, if recognized, would affect discontinued operations. With the Company's adoption of the new authoritative guidance on business combinations in the first quarter of fiscal year 2009, changes in deferred tax asset valuation allowances and income tax uncertainties, after the acquisition date, will affect income tax expense, including those associated with acquisitions that closed prior to the effective date of the new authoritative guidance on business combinations.

At October 4, 2009, the Company had \$5.6 million of accrued liabilities for uncertain tax positions, including accrued interest, net of tax benefits, and penalties, which should be resolved within the next year. A portion of the accrued liabilities for uncertain tax positions could affect the continuing operations effective tax rate depending on the ultimate resolution; however, the Company cannot quantify an estimated range at this time. The Company is subject to U.S. federal income tax as well as to income tax of numerous state and foreign jurisdictions.

The Company re-measured several of its uncertain tax positions related to fiscal years 2006 and 2007 during the third quarter of fiscal year 2009 based on new information arising from events during the quarter that affected positions for those years. The Company also effectively settled several income tax audits worldwide. The re-measurements and closure of audits included positions in Hong Kong, the United Kingdom and the United States. The re-measurements and closure of audits, as well as other discrete items, resulted in the recognition of \$1.7 million of income tax benefits in continuing operations during the third quarter of fiscal year 2009. Tax years ranging from 1998 through 2008 remain open to examination by various state and foreign tax jurisdictions in which the Company has significant business operations, such as Singapore, Canada, Germany, the United Kingdom and the United States. The tax years under examination vary by jurisdiction.

**Note 7: Debt**

*Amended Senior Unsecured Revolving Credit Facility.* On August 13, 2007, the Company entered into an amended and restated senior unsecured revolving credit facility providing for a facility through August 13, 2012, which amended and restated in its entirety the Company's previous senior revolving credit agreement dated as of October 31, 2005. During the first quarter of fiscal year 2008, the Company exercised its option to increase the amended senior unsecured revolving credit facility to \$650.0 million from \$500.0 million. Letters of credit in the aggregate amount of approximately \$13.0 million were issued under the previous facility, which are treated as issued under the amended facility. The Company uses the amended senior unsecured revolving credit facility for general corporate purposes, which may include working capital, refinancing existing indebtedness, capital expenditures, share repurchases, acquisitions and strategic alliances. The interest rates under the amended senior unsecured revolving credit facility are based on the Eurocurrency rate at the time of borrowing plus a margin, or the base rate from time to time. The base rate is the higher of (i) the corporate base rate announced from time to time by Bank of America, N.A. and (ii) the Federal Funds rate plus 50 basis points. The Company may allocate all or a portion of its indebtedness under the amended senior unsecured revolving credit facility to interest based upon the Eurocurrency rate plus a margin, or the base rate. The Eurocurrency margin as of October 4, 2009 was 40 basis points. The weighted average Eurocurrency interest rate as of October 4, 2009 was 0.24%, resulting in a weighted average effective Eurocurrency rate, including the margin, of 0.64%. The Company had drawn down approximately \$424.5 million of borrowings in U.S. Dollars under the facility as of October 4, 2009, with interest based on the above described Eurocurrency rate. The agreement for the facility contains affirmative, negative and financial covenants and events of default customary for financings of this type, which are consistent with those financial covenants contained in the Company's previous senior revolving credit agreement. The financial covenants in the Company's amended and restated senior unsecured revolving credit facility include debt-to-capital ratios and a contingent maximum total leverage ratio, applicable if the Company's credit rating is down-graded below investment grade. The Company was in compliance with all applicable covenants as of October 4, 2009.

*6% Senior Unsecured Notes.* On May 30, 2008, the Company issued and sold seven-year senior notes at a rate of 6% with a face value of \$150.0 million and received \$150.0 million in gross proceeds from the issuance.

**Table of Contents**

The debt, which matures in May 2015, is unsecured. Interest on the 6% senior notes is payable semi-annually on May 30th and November 30th. The Company may redeem some or all of its 6% senior notes at any time in an amount not less than 10% of the original aggregate principal amount, plus accrued and unpaid interest, plus the applicable make-whole amount. The financial covenants in the Company's 6% senior notes include debt-to-capital ratios which, if the Company's credit rating is down-graded below investment grade, would be replaced by a contingent maximum total leverage ratio. The Company was in compliance with all applicable covenants as of October 4, 2009.

The Company entered into forward interest rate contracts in October 2007 that were intended to hedge movements in interest rates prior to the Company's expected debt issuance. In May 2008, the Company settled forward interest rate contracts with notional amounts totaling \$150.0 million upon the issuance of the Company's 6% senior unsecured notes, and recognized \$8.4 million, net of taxes of \$5.4 million, of accumulated derivative losses in other comprehensive loss. The Company did not recognize any ineffectiveness related to these cash flow hedges. As of October 4, 2009, the balance remaining in accumulated other comprehensive loss related to these cash flow hedges, net of taxes of \$4.4 million, was \$6.8 million. The derivative losses are amortized into interest expense when the hedged exposure affects interest expense. The Company amortized into interest expense \$1.5 million during the first nine months of fiscal year 2009 and \$1.2 million during fiscal year 2008 for these derivative losses.

**Note 8: Earnings Per Share**

Basic earnings per share was computed by dividing net income by the weighted-average number of common shares outstanding during the period less restricted unvested shares. Diluted earnings per share was computed by dividing net income by the weighted-average number of common shares outstanding plus all potentially dilutive common stock equivalents, primarily shares issuable upon the exercise of stock options using the treasury stock method. The following table reconciles the number of shares utilized in the earnings per share calculations:

	Three Months Ended		Nine Months Ended	
	October 4, 2009	September 28, 2008	October 4, 2009	September 28, 2008
	(In thousands)			
Number of common shares basic	116,211	118,347	116,227	117,821
Effect of dilutive securities:				
Stock options	332	1,182	186	1,140
Restricted stock	98	80	74	68
Number of common shares diluted	116,641	119,609	116,487	119,029
Number of potentially dilutive securities excluded from calculation due to antidilutive impact	6,252	4,846	8,707	6,274

Antidilutive securities include outstanding stock options with exercise prices and average unrecognized compensation cost in excess of the average fair market value of the Company's common stock for the related period. Antidilutive options were excluded from the calculation of diluted net income per share and could become dilutive in the future.

**Table of Contents****Note 9: Comprehensive Income**

The components of comprehensive income, net of income taxes, consist of the following:

	Three Months Ended		Nine Months Ended	
	October 4, 2009	September 28, 2008	October 4, 2009	September 28, 2008
	(In thousands)			
Net income	\$ 13,589	\$ 51,902	\$ 45,653	\$ 95,746
Other comprehensive income (loss), net of income taxes:				
Foreign currency translation adjustments	19,808	(35,884)	13,667	(1,096)
Unrealized net gains (losses) on securities	42	(60)	192	(72)
Losses on effective cash flow hedges reclassified to earnings	299	299	897	399
Unrealized and realized net losses on effective cash flow hedges		(1,696)		(9,809)
	20,149	(37,341)	14,756	(10,578)
Comprehensive income, net of income taxes	\$ 33,738	\$ 14,561	\$ 60,409	\$ 85,168

The components of accumulated other comprehensive loss, net of income taxes, consist of the following:

	October 4, 2009	December 28, 2008
	(In thousands)	
Foreign currency translation adjustments	\$ 96,772	\$ 83,105
Unrecognized losses and prior service costs	(106,300)	(106,300)
Unrealized net losses on securities	(176)	(368)
Net losses on cash flow hedges	(6,779)	(7,676)
Accumulated other comprehensive loss, net of income taxes	\$ (16,483)	\$ (31,239)

**Note 10: Industry Segment Information**

The Company discloses information about its operating segments based on the way that management organizes the segments within the Company for making operating decisions and assessing financial performance.

Beginning with fiscal year 2009, the Company has realigned its businesses in a manner intended to allow the Company to prioritize its capabilities on two key strategic operating areas Human Health and Environmental Health. The Company realigned into these two new operating segments to align its resources to meet the demands of the markets the Company serves and to focus on the important outcomes enabled by its technologies. The Company evaluates the performance of its operating segments based on sales and operating income. Intersegment sales and transfers are not significant. The Company's management reviews the results of the operations by these two new operating segments. The accounting policies of the operating segments are the same as those described in Note 1 to the audited consolidated financial statements in the 2008 Form 10-K. The results reported for the three and nine months ended October 4, 2009 reflect this new alignment of the Company's operating segments. Financial information in this report relating to the three and nine months ended September 28, 2008 has been retrospectively adjusted to reflect the changes in the Company's operating segments. The principal products and services of these operating segments are:

*Human Health.* Develops diagnostics, tools and applications to help detect disease earlier and more accurately and to accelerate the discovery and development of critical new therapies. Within the

**Table of Contents**

Human Health segment, the Company serves both the diagnostics and research markets. Specifically, the Human Health segment includes the Company's products and services that address the genetic screening and bio-discovery markets, formerly in its Life and Analytical Sciences segment, and its technology serving the medical imaging market, formerly in its Optoelectronics segment.

*Environmental Health.* Provides technologies and applications to facilitate the creation of safer food and consumer products, more secure surroundings and efficient energy resources. The Environmental Health segment serves the environmental, safety and security, industrial and laboratory services markets. Specifically, the Environmental Health segment includes the Company's products and services that address the analytical sciences and laboratory service and support markets, formerly in its Life and Analytical Sciences segment, and its technology designed for the sensors and specialty lighting markets, formerly in its Optoelectronics segment.

The assets and expenses for the Company's corporate headquarters, such as legal, tax, audit, human resources, information technology, and other management and compliance costs, have been included as Corporate below. The Company has a process to allocate and recharge expenses to the reportable segments when such costs are administered or paid by the corporate headquarters based on the extent to which the segment benefited from the expenses. These amounts have been calculated in a consistent manner and are included in the Company's calculations of segment results to internally plan and assess the performance of each segment for all purposes, including determining the compensation of the business leaders for each of the Company's operating segments.

Sales and operating profit by segment, excluding discontinued operations, are shown in the table below:

	Three Months Ended		Nine Months Ended	
	October 4, 2009	September 28, 2008	October 4, 2009	September 28, 2008
	(In thousands)			
<b>Human Health</b>				
Sales	\$ 180,197	\$ 196,697	\$ 542,311	\$ 580,699
Operating income from continuing operations	18,890	21,392	55,646	52,854
<b>Environmental Health</b>				
Sales	256,868	282,050	760,903	861,733
Operating income from continuing operations	15,505	30,512	58,622	98,468
<b>Corporate</b>				
Operating loss from continuing operations	(7,975)	(8,768)	(24,160)	(30,092)
<b>Continuing Operations</b>				
Sales	\$ 437,065	\$ 478,747	\$ 1,303,214	\$ 1,442,432
Operating income from continuing operations	26,420	43,136	90,108	121,230
Interest and other expense, net (see Note 4)	4,821	6,049	13,839	16,308
Income from continuing operations before income taxes	\$ 21,599	\$ 37,087	\$ 76,269	\$ 104,922

**Note 11: Discontinued Operations**

As part of the Company's continuing efforts to focus on higher growth opportunities, the Company has discontinued certain businesses. The Company has accounted for these businesses as discontinued operations and, accordingly, has presented the results of operations and related cash flows as discontinued operations for all periods presented. The assets and liabilities of these businesses have been presented separately, and are reflected within the assets and liabilities from discontinued operations in the accompanying condensed consolidated balance sheets as of October 4, 2009 and December 28, 2008.



**Table of Contents**

The Company recorded the following gains and losses, which have been reported as (loss) gain on disposition of discontinued operations:

	Three Months Ended		Nine Months Ended	
	October 4, 2009	September 28, 2008	October 4, 2009	September 28, 2008
	(In thousands)			
Net gain (loss) on disposition of ViaCyte <sup>SM</sup> and Cellular Therapy Technology businesses	\$ 85	\$ 113	\$ (2,301)	\$ (8,338)
Net loss on disposition of other discontinued operations	(1,365)	(300)	(1,371)	(254)
Net loss on disposition of discontinued operations before income taxes	(1,280)	(187)	(3,672)	(8,592)
Provision for (benefit from) income taxes	288	(8,331)	(116)	(9,577)
(Loss) gain on disposition of discontinued operations, net of income taxes	\$ (1,568)	\$ 8,144	\$ (3,556)	\$ 985

As part of the Company's new strategic business alignment into the Human Health and Environmental Health segments and the Company's continuing efforts to focus on higher growth opportunities, in December 2008, the Company's management approved separate plans to divest its Photonics and Photoflash businesses within the Environmental Health segment. Photonics and Photoflash products and technologies include xenon flashtubes and modules. These products are used in a variety of applications including mobile phones and laser machine tools. The Company is actively marketing and is currently committed to a plan to sell both of these businesses.

In addition, during December 2008, the Company's management approved the shut down of certain instrument businesses within the Human Health segment: Cellular Screening Fluorescence and Luminescence workstations, Analytical Proteomics Instruments and Proteomics and Genomics Instruments. The shut down of the Cellular Screening Fluorescence and Luminescence workstations business, the Analytical Proteomics Instruments business, and the Proteomics and Genomics Instruments business resulted in a pre-tax loss of \$4.8 million related to lease and severance costs and the reduction of fixed assets and inventory to net realizable value during fiscal year 2008.

In November 2007, the Company acquired ViaCell, Inc. (ViaCell), which specializes in the collection, testing, processing and preservation of umbilical cord blood stem cells. Following the ViaCell acquisition, the Board of Directors of the Company (the Board) approved a plan to sell the ViaCyte<sup>SM</sup> and Cellular Therapy Technology businesses that were acquired with ViaCell. The Company determined that both businesses did not strategically fit with the other products offered by the Human Health segment. The Company also determined that without investing capital into the operations of both businesses, the Company could not effectively compete with larger companies that focus on the market for such products. After careful consideration, the Company decided in the second quarter of fiscal year 2008 to shut down the ViaCyte<sup>SM</sup> and Cellular Therapy Technology businesses. The Company recorded a pre-tax loss of \$8.0 million for severance and facility closure costs during fiscal year 2008 and recorded an additional pre-tax loss of \$2.3 million related to facility closure costs during the first nine months of fiscal year 2009.

During the first nine months of both fiscal years 2009 and 2008, the Company settled various commitments related to the divestiture of other discontinued operations. The Company recognized a pre-tax loss of \$1.4 million in the first nine months of fiscal year 2009 in connection with the closure of a facility and a pre-tax loss of \$0.3 million in the first nine months of fiscal year 2008 in connection with other various commitments. The benefit from income taxes of \$9.6 million recorded in discontinued operations in the first nine months of fiscal year 2008 includes \$8.5 million of income tax benefits related to the favorable settlement of several income tax audits worldwide during the fiscal quarter ended September 28, 2008.

**Table of Contents**

Summary operating results of the discontinued operations for the periods prior to disposition were as follows:

	Three Months Ended		Nine Months Ended	
	October 4, 2009	September 28, 2008	October 4, 2009	September 28, 2008
	(In thousands)			
Sales	\$ 11,485	\$ 26,370	\$ 28,415	\$ 73,664
Costs and expenses	12,255	24,204	33,345	70,447
Operating (loss) income from discontinued operations	(770)	2,166	(4,930)	3,217
Other expense, net				
(Loss) income from discontinued operations before income taxes	(770)	2,166	(4,930)	3,217
Provision for (benefit from) income taxes	94	91	(102)	470
(Loss) income from discontinued operations, net of income taxes	\$ (864)	\$ 2,075	\$ (4,828)	\$ 2,747

**Note 12: Stock Plans**

In addition to the Company's Employee Stock Purchase Plan, the Company formerly had three stock-based compensation plans, the Amended and Restated 2001 Incentive Plan, the 2005 Incentive Plan and the Amended and Restated Life Sciences Incentive Plan (collectively the "Prior Plans"), under which the Company's common stock was made available for stock option grants, restricted stock awards, and stock grants as part of the Company's compensation programs. The Prior Plans are described in more detail in the Company's definitive proxy statement filed with the SEC on March 20, 2009 and Note 20 to the Company's audited consolidated financial statements included in the Company's 2008 Form 10-K filed with the SEC on February 26, 2009. On April 28, 2009, the Company's shareholders approved the 2009 Incentive Plan (the "2009 Plan"), which is described in more detail in the Company's definitive proxy statement filed with the SEC on March 20, 2009. Under the 2009 Plan, 10.0 million shares of the Company's common stock, as well as shares of the Company's common stock previously granted under the Amended and Restated 2001 Incentive Plan and the 2005 Incentive Plan that were cancelled or forfeited without the shares being issued, are authorized for stock option grants, restricted stock awards, and stock grants as part of the Company's compensation programs. The 2009 Plan replaced the Prior Plans. Awards granted under the Prior Plans prior to the approval of the 2009 Plan remain outstanding.

For the three and nine months ended October 4, 2009, the total pre-tax stock-based compensation expense for the cost of stock options, restricted stock, restricted stock units, performance units and stock grants was \$3.8 million and \$11.9 million, respectively. For the three and nine months ended September 28, 2008, the total pre-tax stock-based compensation expense for the cost of stock options, restricted stock, restricted stock units, performance units and stock grants was \$5.5 million and \$16.4 million, respectively. The total income tax benefit recognized in the condensed consolidated income statements for stock-based compensation was \$1.4 million and \$4.0 million for the three and nine months ended October 4, 2009, respectively. The total income tax benefit recognized in the condensed consolidated income statements for stock-based compensation was \$1.8 million and \$5.4 million for the three and nine months ended September 28, 2008, respectively. Stock-based compensation costs capitalized as part of inventory were approximately \$0.2 million as of both October 4, 2009 and September 28, 2008.

**Table of Contents**

**Stock Options:** The fair value of each option grant is estimated using the Black-Scholes option pricing model. The Company's weighted-average assumptions used in the Black-Scholes option pricing model were as follows:

	Three and Nine Months Ended	
	October 4, 2009	September 28, 2008
Risk-free interest rate	1.6%	2.6%
Expected dividend yield	1.9%	1.2%
Expected lives	4 years	4 years
Expected stock volatility	35%	28%

The following table summarizes stock option activity for the nine months ended October 4, 2009:

	Number of Shares (Shares in thousands)	Weighted- Average Price	Weighted-Average Remaining Contractual Term (In years)	Total Intrinsic Value (In millions)
Outstanding at December 28, 2008	9,424	\$ 24.81		
Granted	2,250	13.24		
Exercised	(212)	10.65		
Canceled	(2,552)	28.61		
Forfeited	(175)	21.65		
Outstanding at October 4, 2009	8,735	\$ 21.13	3.9	\$ 12.7
Exercisable at October 4, 2009	5,170	\$ 23.56	2.5	\$ 1.9
Vested and expected to vest in the future	7,856	\$ 21.13	3.9	\$ 11.4

The weighted-average grant-date fair value of options granted for the three and nine months ended October 4, 2009 were \$4.43 and \$3.32, respectively. The weighted-average grant-date fair value of options granted for the three and nine months ended September 28, 2008 were \$6.59 and \$5.88, respectively. The total intrinsic value of options exercised for the three and nine months ended October 4, 2009 were \$0.2 million and \$1.0 million, respectively. The total intrinsic value of options exercised for the three and nine months ended September 28, 2008 were \$11.1 million and \$19.1 million, respectively. Cash received from option exercises for the nine months ended October 4, 2009 and September 28, 2008 was \$2.3 million and \$43.4 million, respectively. The related excess tax benefit, classified as a financing cash activity, was \$0.03 million and \$0.4 million for the nine months ended October 4, 2009 and September 28, 2008, respectively.

There was \$9.6 million of total unrecognized compensation cost, net of estimated forfeitures, related to nonvested stock options granted as of October 4, 2009. This cost is expected to be recognized over a weighted-average period of 1.8 fiscal years and will be adjusted for any future changes in estimated forfeitures.

**Table of Contents**

The following table summarizes total compensation expense recognized related to the Company's outstanding stock options, which is a function of current and prior year awards, net of estimated forfeitures, included in the Company's condensed consolidated income statements for the three and nine months ended October 4, 2009 and September 28, 2008:

	Three Months Ended		Nine Months Ended	
	October 4, 2009	September 28, 2008	October 4, 2009	September 28, 2008
	(In thousands)			
Cost of sales	\$ 288	\$ 359	\$ 887	\$ 948
Research and development expenses	110	32	352	265
Selling, general and administrative and other expenses	1,381	2,085	4,348	5,010
Compensation expense related to stock options	1,779	2,476	5,587	6,223
Less: income tax benefit	(722)	(764)	(1,919)	(1,922)
Net compensation expense related to stock options	\$ 1,057	\$ 1,712	\$ 3,668	\$ 4,301

**Restricted Stock Awards:** The following table summarizes restricted stock award activity for the nine months ended October 4, 2009:

	Number of Shares (Shares in thousands)	Weighted- Average Grant- Date Fair Value
Nonvested at December 28, 2008	321	\$ 24.54
Granted	283	13.24
Vested	(31)	20.85
Forfeited	(35)	23.80
Nonvested at October 4, 2009	538	\$ 18.85

The weighted-average grant-date fair value of restricted stock awards granted during the three and nine months ended October 4, 2009 were \$18.25 and \$13.24, respectively. The weighted-average grant-date fair value of restricted stock awards granted during the three and nine months ended September 28, 2008 were \$28.23 and \$25.38, respectively. The fair value of restricted stock awards vested were \$0.7 million and \$0.2 million for the nine months ended October 4, 2009 and September 28, 2008, respectively. The total compensation expense recognized related to the Company's outstanding restricted stock awards, which is a function of current and prior year awards, was approximately \$0.9 million and \$2.5 million for the three and nine months ended October 4, 2009, respectively. The total compensation expense recognized related to the Company's outstanding restricted stock awards, which is a function of current and prior year awards, was approximately \$1.9 million and \$4.5 million for the three and nine months ended September 28, 2008, respectively.

As of October 4, 2009, there was \$4.6 million of total unrecognized compensation cost, net of forfeitures, related to nonvested restricted stock awards. That cost is expected to be recognized over a weighted-average period of 1.8 fiscal years.

**Performance Units:** The Company granted 205,900 performance units and 131,151 performance units during the nine months ended October 4, 2009 and September 28, 2008, respectively. The weighted-average grant-date fair value of performance units granted during the nine months ended October 4, 2009 and September 28, 2008 were \$13.17 and \$24.95, respectively. The total compensation expense recognized related to these performance units, which is a function of current and prior year awards, was approximately \$1.1 million and \$3.0 million for the three and nine months ended October 4, 2009, respectively. The total compensation



---

**Table of Contents**

expense recognized related to these performance units, which is a function of current and prior year awards, was approximately \$1.2 million and \$4.8 million for the three and nine months ended September 28, 2008, respectively. As of October 4, 2009, there were 387,863 performance units outstanding subject to forfeiture.

**Stock Awards:** The Company granted 5,790 shares and 3,740 shares to each non-employee Director during the nine months ended October 4, 2009 and September 28, 2008, respectively. During the first quarter of fiscal year 2008, a new non-employee Director was granted 667 shares. The weighted-average grant-date fair value of stock awards granted during the nine months ended October 4, 2009 and September 28, 2008 was \$17.27 and \$26.70, respectively. The total compensation expense recognized related to these stock awards was approximately \$0.8 million for each of the nine months ended October 4, 2009 and September 28, 2008.

**Employee Stock Purchase Plan:** During the nine months ended October 4, 2009, the Company issued 138,691 shares of common stock under the Company's Employee Stock Purchase Plan at a weighted-average price of \$14.62 per share. At October 4, 2009, there remained available for sale to employees an aggregate of 1.5 million shares of the Company's common stock out of the 5.0 million shares authorized by shareholders for issuance under this plan.

**Stock Repurchase Program:** On October 23, 2008, the Company announced that the Board authorized the Company to repurchase up to 10.0 million shares of common stock under a stock repurchase program (the Repurchase Program). The Repurchase Program will expire on October 22, 2012 unless terminated earlier by the Board, and may be suspended or discontinued at any time. During the first nine months of fiscal year 2009, the Company repurchased 1,000,833 shares of its common stock in the open market at an aggregate cost of \$14.2 million, including commissions, under the Repurchase Program. Approximately 8.0 million shares of the Company's common stock remain available for repurchase from the 10.0 million shares authorized by the Board under the Repurchase Program. The repurchased shares have been reflected as additional authorized but unissued shares, with the payments reflected in common stock and capital in excess of par value.

The Board has authorized the Company to repurchase shares of common stock to satisfy minimum statutory tax withholding obligations in connection with the vesting of restricted stock awards and restricted stock unit awards granted pursuant to the Company's equity incentive plans. During the first nine months of fiscal year 2009, the Company repurchased 28,890 shares of common stock for this purpose. The repurchased shares have been reflected as additional authorized but unissued shares, with the payments reflected in common stock and capital in excess of par value.

**Note 13: Goodwill and Intangible Assets, net**

The Company tests goodwill and non-amortizing intangible assets at least annually for possible impairment. Accordingly, the Company completes the annual testing of impairment for goodwill and non-amortizing intangible assets on the later of January 1 or the first day of each fiscal year. In addition to its annual test, the Company regularly evaluates whether events and circumstances have occurred that may indicate a potential impairment of goodwill or non-amortizing intangible assets.

As discussed in Note 10, the Company realigned its organization into two new operating segments at the beginning of fiscal year 2009. In conjunction with the realignment of its operating segments, the Company also redefined its reporting units based on the new alignment of its operating segments. Financial information in this report relating to the first nine months of fiscal year 2008 has been retrospectively adjusted to reflect the changes in the Company's operating segments. The Company's segment management reviews the results of the operations one level below its operating segments. The Company has determined that the reporting units that should be used to test goodwill for impairment are the analytical sciences and laboratory services business, illumination and detection solutions business, genetic screening business, bio-discovery business and medical imaging business. The income approach, specifically the discounted cash flow model, was used to determine the fair values of each of the reporting units in order to allocate goodwill on a relative fair value basis.

**Table of Contents**

The process of testing goodwill for impairment involves the determination of the fair value of the applicable reporting units. The test consists of a two-step process. The first step is the comparison of the fair value to the carrying value of the reporting unit to determine if the carrying value exceeds the fair value. The second step measures the amount of an impairment loss, and is only performed if the carrying value exceeds the fair value of the reporting unit. The Company performed its annual impairment testing for its reporting units as of January 1, 2009, its annual impairment date, and concluded based on the first step of the process that there was no goodwill impairment.

The Company has consistently employed the income approach to estimate the current fair value when testing for impairment of goodwill. A number of significant assumptions and estimates are involved in the application of the income approach to forecast operating cash flows, including markets and market share, sales volumes and prices, costs to produce, tax rates, capital spending, discount rate, and working capital changes. Cash flow forecasts are based on approved business unit operating plans for the early years' cash flows and historical relationships in later years. The income approach is sensitive to changes in long-term terminal growth rates and the discount rate. The long-term terminal growth rates are consistent with the Company's historical long-term terminal growth rates, as the current economic trends are not expected to affect the long-term terminal growth rates of the Company. In fiscal year 2009, the long-term terminal growth rates for the Company's reporting units ranged from 5.0% to 7.5%. The range for the discount rates for the reporting units was 10.5% to 11.5%. Keeping all other variables constant, a 5.0% to 10.0% change in any one of the input assumptions for the various reporting units would still allow the Company to conclude, based on the first step of the process, that there was no impairment of goodwill.

The Company has consistently employed the Relief from Royalty model to estimate the current fair value when testing for impairment of non-amortizing intangible assets. The impairment test consists of a comparison of the fair value of the non-amortizing intangible asset with its carrying amount. If the carrying amount of a non-amortizing intangible asset exceeds its fair value, an impairment loss in an amount equal to that excess is recognized. In addition, the Company currently evaluates the remaining useful life of its non-amortizing intangible assets at least annually to determine whether events or circumstances continue to support an indefinite useful life. If events or circumstances indicate that the useful lives of non-amortizing intangible assets are no longer indefinite, the assets will be tested for impairment. These intangible assets will then be amortized prospectively over their estimated remaining useful life and accounted for in the same manner as other intangible assets that are subject to amortization. The Company performed its annual impairment testing as of January 1, 2009, its annual impairment date, and concluded that there was no impairment of non-amortizing intangible assets.

The changes in the carrying amount of goodwill for the period ended October 4, 2009 from December 28, 2008 were as follows:

	<b>Human Health</b>	<b>Environmental Health</b>	<b>Consolidated</b>
	<b>(In thousands)</b>		
Balance at December 28, 2008	\$ 888,172	\$ 508,120	\$ 1,396,292
Foreign currency translation	4,535	3,403	7,938
Acquisitions and earn-out adjustments	37,235	32,082	69,317
Balance at October 4, 2009	\$ 929,942	\$ 543,605	\$ 1,473,547

**Table of Contents**

Identifiable intangible asset balances at October 4, 2009 and December 28, 2008 by category were as follows:

	October 4, 2009	December 28, 2008
	(In thousands)	
Patents	\$ 138,420	\$ 124,693
Less: Accumulated amortization	(79,981)	(73,183)
<b>Net patents</b>	<b>58,439</b>	<b>51,510</b>
Licenses	73,359	63,963
Less: Accumulated amortization	(39,588)	(35,238)
<b>Net licenses</b>	<b>33,771</b>	<b>28,725</b>
Core technology	410,443	372,861
Less: Accumulated amortization	(191,553)	(159,788)
<b>Net core technology</b>	<b>218,890</b>	<b>213,073</b>
IPR&D	4,349	
Less: Accumulated amortization		
<b>Net IPR&amp;D</b>	<b>4,349</b>	
<b>Net amortizable intangible assets</b>	<b>315,449</b>	<b>293,308</b>
Non-amortizing intangible assets:		
Trade names and trademarks	159,165	159,165
<b>Totals</b>	<b>\$ 474,614</b>	<b>\$ 452,473</b>

Total amortization expense related to finite-lived intangible assets was \$42.0 million for both the nine months ended October 4, 2009 and September 28, 2008.

**Note 14: Warranty Reserves**

The Company provides warranty protection for certain products for periods usually ranging from one to three years beyond the date of sale. The majority of costs associated with warranty obligations include the replacement of parts and the time for service personnel to respond to repair and replacement requests. A warranty reserve is recorded based upon historical results, supplemented by management's expectations of future costs. Warranty reserves are included in Accrued expenses on the condensed consolidated balance sheets. A summary of warranty reserve activity for the three and nine months ended October 4, 2009 and September 28, 2008 is as follows:

	Three Months Ended		Nine Months Ended	
	October 4, 2009	September 28, 2008	October 4, 2009	September 28, 2008
	(In thousands)			
Balance beginning of period	\$ 9,771	\$ 9,610	\$ 9,433	\$ 10,362
Provision charged to income	3,271	3,283	9,554	9,964
Payments	(3,655)	(3,495)	(10,731)	(10,536)
Adjustments to previously provided warranties, net	88	185	1,001	(586)



Edgar Filing: PERKINELMER INC - Form 10-Q

Foreign currency and acquisitions	285	(381)	503	(2)
Balance end of period	\$ 9,760	\$ 9,202	\$ 9,760	\$ 9,202

**Table of Contents****Note 15: Employee Benefit Plans**

The following table summarizes the components of net periodic benefit cost (credit) for the Company's various defined benefit employee pension and post-retirement plans for the three and nine months ended October 4, 2009 and September 28, 2008:

	Defined Benefit Pension Benefits		Post-Retirement Medical Benefits	
	October 4, 2009	Three Months Ended		September 28, 2008
		September 28, 2008	October 4, 2009	
	(In thousands)			
Service cost	\$ 991	\$ 1,295	\$ 21	\$ 22
Interest cost	6,149	6,878	48	54
Expected return on plan assets	(5,636)	(6,602)	(190)	(259)
Amortization of prior service	(43)	(48)	(79)	(78)
Recognition of actuarial losses (gains)	1,284	955	(14)	(109)
Net periodic benefit cost (credit)	\$ 2,745	\$ 2,478	\$ (214)	\$ (370)

	Defined Benefit Pension Benefits		Post-Retirement Medical Benefits	
	October 4, 2009	Nine Months Ended		September 28, 2008
		September 28, 2008	October 4, 2009	
	(In thousands)			
Service cost	\$ 3,424	\$ 3,802	\$ 73	\$ 72
Interest cost	18,440	20,524	160	168
Expected return on plan assets	(16,802)	(20,108)	(568)	(776)
Amortization of prior service	(123)	(149)	(237)	(236)
Recognition of actuarial losses (gains)	4,040	2,475	(16)	(290)
Net periodic benefit cost (credit)	\$ 8,979	\$ 6,544	\$ (588)	\$ (1,062)

**Note 16: Settlement of Insurance Claim**

During fiscal year 2007, the Company settled an insurance claim resulting from a fire that occurred at its facility in Boston, Massachusetts in March 2005. In connection with the settlement, the Company accrued \$9.7 million representing management's estimate of the total cost for decommissioning the building, including environmental matters, that was damaged in the fire. The Company paid \$2.5 million during the first nine months of fiscal year 2009, \$1.6 million during fiscal year 2008 and \$3.9 million during fiscal year 2007 towards decommissioning the building. The Company anticipates that the remaining payments of \$1.7 million will be completed by the end of the second quarter of fiscal year 2010.

**Note 17: Derivatives and Hedging Activities**

In March 2008, the FASB issued authoritative guidance on disclosures about derivative instruments and hedging activities, which requires entities to provide enhanced disclosure about how and why the entity uses derivative instruments, how the instruments and related hedged items are accounted for, and how the instruments and related hedged items affect the Company's financial position, results of operations and cash flows. The Company adopted this new authoritative guidance on disclosures about derivative instruments and hedging activities during the first quarter of fiscal year 2009.

The Company uses derivative instruments as part of its risk management strategy only, and includes derivatives utilized as economic hedges that are not designated as hedging instruments. The Company does not enter into derivative contracts for trading or other speculative purposes, nor does the Company use leveraged



**Table of Contents**

financial instruments. Approximately 60% of the Company's business is conducted outside of the United States, generally in foreign currencies. The fluctuations in foreign currency can increase the costs of financing, investing and operating the business. The intent of these economic hedges is to offset gains and losses that occur on the underlying exposures from these currencies, with gains and losses resulting from the forward currency contracts that hedge these exposures.

Principal hedged currencies include the British Pound (GBP), Canadian Dollar (CAD), Euro (EUR), Japanese Yen (JPY), and Singapore Dollar (SGD). The Company held forward foreign exchange contracts with U.S. equivalent notional amounts totaling \$173.8 million and \$107.8 million as of October 4, 2009 and September 28, 2008, respectively. The fair value of these foreign currency derivative contracts was insignificant. The gains and losses realized on foreign currency derivative contracts are not material and the duration of these contracts was generally 30 days during both fiscal years 2009 and 2008.

By nature, all financial instruments involve market and credit risks. The Company enters into derivative instruments with major investment grade financial institutions and has policies to monitor the credit risk of those counterparties.

**Note 18: Fair Value Measurements**

The Company adopted FASB's authoritative guidance on fair value measurements as of December 31, 2007, with the exception of the application of the guidance on non-recurring nonfinancial assets and nonfinancial liabilities that was delayed to fiscal years beginning after November 15, 2008, which the Company adopted as of December 29, 2008. The Company uses the market approach technique to value its financial instruments and there were no changes in valuation techniques during the nine months ended October 4, 2009. The Company's financial assets and liabilities carried at fair value are primarily comprised of marketable securities and derivative contracts used to hedge the Company's currency risk. The Company has not elected to measure any additional financial instruments or other items at fair value.

**Valuation Hierarchy:** The following summarizes the three levels of inputs required by the guidance to measure fair value: Level 1 inputs are quoted prices in active markets for identical assets or liabilities; Level 2 inputs are observable prices that are based on inputs not quoted on active markets, but corroborated by market data; and Level 3 inputs are unobservable estimates that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities based on the Company's assumptions. A financial asset's or liability's classification within the hierarchy is determined based on the lowest level input that is significant to the fair value measurement. In determining fair value, the Company utilizes valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs to the extent possible.

The following table shows the assets and liabilities carried at fair value measured on a recurring basis at October 4, 2009 classified in one of the three classifications described above:

	Total Carrying Value at October 4, 2009	Fair Value Measurements at October 4, 2009 Using:		
		Quoted Prices in Active Markets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
		(In thousands)		
Marketable securities	\$ 1,280	\$ 992	\$	\$
Foreign exchange derivative liabilities, net	(44)		(44)	
Contingent consideration	(4,105)			(4,105)

**Valuation Techniques:** The Company's Level 1 and Level 2 assets and liabilities are comprised of investments in equity and fixed-income securities as well as derivative contracts. For financial assets and liabilities that utilize Level 1 and Level 2 inputs, the Company utilizes both direct and indirect observable price

**Table of Contents**

quotes, including common stock price quotes, foreign exchange forward prices, and bank price quotes. Below is a summary of valuation techniques for Level 1 and Level 2 financial assets and liabilities.

Marketable securities                                 Include equity and fixed-income securities measured at fair value using the quoted market prices at the reporting date.

Foreign exchange derivative assets and liabilities                                 Include foreign exchange derivative contracts that are valued using quoted forward foreign exchange prices at the reporting date.

For the nine months ended October 4, 2009, the Company has classified its net liabilities for contingent consideration relating to its acquisitions of Opto Technology and Sym-Bio within Level 3 of the fair value hierarchy because the fair value is determined using significant unobservable inputs. A description of these acquisitions and determination of fair value for the contingent consideration is included within Note 2. A reconciliation of the beginning and ending Level 3 net liabilities for the nine months ended October 4, 2009 is as follows:

	Fair Value Measurements Using Significant Unobservable Inputs (Level 3) (In thousands)
Beginning balance	\$
Transfers into Level 3	(4,437)
Change in fair value (included within selling, general and administrative expenses)	332
Ending balance	\$ (4,105)

The carrying amounts of cash and cash equivalents, accounts receivable, accounts payable and accrued expenses approximate fair value due to the short-term maturities of these assets and liabilities.

The Company's amended senior unsecured revolving credit facility, with a \$650.0 million available limit, and the Company's 6% senior unsecured notes, with a face value of \$150.0 million, had outstanding balances as of October 4, 2009 of \$424.5 million and \$150.0 million, respectively, and as of December 28, 2008 of \$359.0 million and \$150.0 million, respectively. The interest rate on the Company's amended senior unsecured revolving credit facility is reset at least monthly to correspond to variable rates that reflect currently available terms and conditions for similar debt. The Company had no change in credit standing during the first nine months of fiscal year 2009. Consequently, the carrying value of the current year and prior year credit facilities approximate fair value. The fair value of the 6.0% senior unsecured notes is estimated using market quotes from brokers or is based on current rates offered for similar debt. At October 4, 2009, the 6.0% senior unsecured notes had an aggregate carrying value of \$150.0 million and a fair value of \$160.3 million. At December 28, 2008, the 6.0% senior unsecured notes had an aggregate carrying value of \$150.0 million and a fair value of \$146.3 million.

As of October 4, 2009, there has not been any significant impact to the fair value of the Company's derivative liabilities due to its credit risk. Similarly, there has not been any significant adverse impact to the Company's derivative assets based on the evaluation of its counterparties credit risks.

**Note 19: Contingencies**

The Company is conducting a number of environmental investigations and remedial actions at current and former locations of the Company and, along with other companies, has been named a potentially responsible



**Table of Contents**

party ( PRP ) for certain waste disposal sites. The Company accrues for environmental issues in the accounting period that the Company's responsibility is established and when the cost can be reasonably estimated. The Company has accrued \$4.7 million as of October 4, 2009, which represents management's estimate of the total cost of ultimate disposition of known environmental matters. This amount is not discounted and does not reflect the recovery of any amounts through insurance or indemnification arrangements. These cost estimates are subject to a number of variables, including the stage of the environmental investigations, the magnitude of the possible contamination, the nature of the potential remedies, possible joint and several liability, the time period over which remediation may occur, and the possible effects of changing laws and regulations. For sites where the Company has been named a PRP, management does not currently anticipate any additional liability to result from the inability of other significant named parties to contribute. The Company expects that the majority of such accrued amounts could be paid out over a period of up to ten years. As assessment and remediation activities progress at each individual site, these liabilities are reviewed and adjusted to reflect additional information as it becomes available. There have been no environmental problems to date that have had or are expected to have a material adverse effect on the Company's condensed consolidated financial statements. While it is possible that a loss exceeding the amounts recorded in the condensed consolidated financial statements may be incurred, the potential exposure is not expected to be materially different from those amounts recorded.

Enzo Biochem, Inc. and Enzo Life Sciences, Inc. (collectively, Enzo) filed a complaint dated October 23, 2002 in the United States District Court for the Southern District of New York, Civil Action No. 02-8448, against Amersham plc, Amersham BioSciences, PerkinElmer, Inc., PerkinElmer Life Sciences, Inc., Sigma-Aldrich Corporation, Sigma Chemical Company, Inc., Molecular Probes, Inc., and Orchid BioSciences, Inc. The complaint alleges that the Company has breached its distributorship and settlement agreements with Enzo, infringed Enzo's patents, engaged in unfair competition and fraud, and committed torts against Enzo by, among other things, engaging in commercial development and exploitation of Enzo's patented products and technology, separately and together with the other defendants. Enzo seeks injunctive and monetary relief. In 2003, the court severed the lawsuit and ordered Enzo to serve individual complaints against the five defendants. The Company subsequently filed an answer and a counterclaim alleging that Enzo's patents are invalid. In July 2006, the court issued a decision regarding the construction of the claims in Enzo's patents that effectively limited the coverage of certain of those claims and, the Company believes, excludes certain of the Company's products from the coverage of Enzo's patents. Summary judgment motions were filed by the defendants in January 2007, and a hearing with oral argument on those motions took place in July 2007. In January 2009, the case was assigned to a new district court judge. On March 16, 2009, the new judge denied the pending summary judgment motions without prejudice and ordered a stay of the case until the federal appellate court decides Enzo's appeal of the judgment of the United States District Court for the District of Connecticut in Enzo Biochem vs. Applera Corp. and Tropix, Inc., which involves a number of the same patents and which could materially affect the scope of Enzo's case against the Company.

PharmaStem Therapeutics, Inc. (PharmaStem) filed a complaint dated February 22, 2002 against ViaCell, Inc., which is now a wholly owned subsidiary of the Company, and several other defendants in the United States District Court for the District of Delaware, alleging infringement of United States Patents No. 5,004,681 and No. 5,192,553, relating to certain aspects of the collection, cryopreservation and storage of hematopoietic stem cells and progenitor cells from umbilical cord blood (PharmaStem I). After several years of proceedings at the District Court level, the United States Court of Appeals for the Federal Circuit issued a decision in July 2007 that ViaCell did not infringe these two patents and that the two patents are invalid. PharmaStem filed a certiorari petition in January 2008 seeking to have the United States Supreme Court review the appellate court's decision as to the invalidity of the patents, but did not seek any further review of the non-infringement decision. However, the United States Supreme Court denied certiorari in March 2008, so the decision by the United States Court of Appeals for the Federal Circuit in favor of ViaCell is final and non-appealable. PharmaStem had also filed a second complaint against ViaCell and other defendants in July 2004 in the United States District Court for the District of Massachusetts, alleging infringement of United States Patents No. 6,461,645 and 6,569,427, which also relate to certain aspects of the collection, cryopreservation and storage of hematopoietic stem cells and progenitor cells from umbilical cord blood (PharmaStem II). The Delaware court granted ViaCell's motion in

**Table of Contents**

October 2005 to stay the proceedings in PharmaStem II pending the outcome of PharmaStem I and a decision from the United States Patent and Trademark Office ( U.S. PTO ) on certain patent re-examination issues. On September 2, 2008, the U.S. PTO issued a Re-examination Certificate cancelling all claims of United States Patent No. 6,461,645, and on September 16, 2008, the U.S. PTO issued a Re-examination Certificate cancelling all claims of United States Patent No. 6,569,427. As a result of the cancellation of all patent claims involved in PharmaStem II by the U.S. PTO, the Company will seek a dismissal of all claims for relief set forth by PharmaStem in PharmaStem II.

The Company believes it has meritorious defenses to these lawsuits and other proceedings, and it is contesting the actions vigorously in all of the above unresolved matters. While each of these matters is subject to uncertainty, in the opinion of the Company's management, based on its review of the information available at this time, the resolution of these matters will not have a material adverse effect on the Company's condensed consolidated financial statements.

The Company is also subject to various other claims, legal proceedings and investigations covering a wide range of matters that arise in the ordinary course of its business activities. Although the Company has established accruals for potential losses that it believes are probable and reasonably estimable, in the opinion of the Company's management, based on its review of the information available at this time, the total cost of resolving these other contingencies at October 4, 2009 should not have a material adverse effect on the Company's condensed consolidated financial statements. However, each of these matters is subject to uncertainties, and it is possible that some of these matters may be resolved unfavorably to the Company.



---

**Table of Contents**

**Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations**

*This quarterly report on Form 10-Q, including the following management's discussion and analysis, contains forward-looking information that you should read in conjunction with the condensed consolidated financial statements and notes to condensed consolidated financial statements that we have included elsewhere in this report. For this purpose, any statements contained in this report that are not statements of historical fact may be deemed to be forward-looking statements. Words such as believes, plans, anticipates, intends, expects, will and similar expressions are intended to identify forward-looking statements. Our actual results may differ materially from the plans, intentions or expectations we disclose in the forward-looking statements we make. We have included important factors below under the heading Risk Factors in Part II, Item 1A. that we believe could cause actual results to differ materially from the forward-looking statements we make. We are not obligated to publicly update any forward-looking statements, whether as a result of new information, future events or otherwise.*

**Overview**

We are a leading provider of technology, services and solutions to the diagnostics, research, environmental monitoring, safety and security, and laboratory services markets. Through our advanced technologies, applications, and services, we address critical issues that help to improve the health and safety of people and their environment.

We announced a new alignment of our businesses to allow us to prioritize our capabilities on two key strategic operating areas Human Health and Environmental Health. We reorganized into these two new operating segments to align our resources to meet the demands of the markets we serve and to focus on the important outcomes enabled by our technologies. This new alignment became effective at the start of our fiscal year 2009. The results reported for the three and nine months ended October 4, 2009 reflect this new alignment of our operating segments. Financial information in this report relating to the three and nine months ended September 28, 2008 has been retrospectively adjusted to reflect the changes in our operating segments. In conjunction with the realignment of our operating segments, we also redefined the reporting units we use to test for the impairment of goodwill related to our businesses. We performed our annual impairment testing as of January 1, 2009, our annual impairment date for our reporting units, and based on the first step of the impairment process, the comparison of the fair value to the carrying value of the reporting unit to determine if the carrying value exceeds the fair value, we concluded that there was no goodwill impairment.

**Human Health**

Our new Human Health segment concentrates on developing diagnostics, tools and applications to help detect disease earlier and more accurately and to accelerate the discovery and development of critical new therapies. Within the Human Health segment, we serve both the diagnostics and research markets. The Human Health segment includes our products and services that address the genetic screening and bio-discovery markets, formerly in our Life and Analytical Sciences segment, and our technology serving the medical imaging market, formerly in our Optoelectronics segment. Our Human Health segment generated sales of \$180.2 million in the third quarter of fiscal year 2009 and \$542.3 million in the first nine months of fiscal year 2009.

*Diagnostics Market:*

We provide early detection for genetic disorders from pre-conception to early childhood as well as medical imaging for the diagnostics market. We provide early and accurate insights into the health of expectant mothers during pregnancy and their newborns. Our instruments, reagents and software test and screen for disorders and diseases, including Down syndrome, infertility, anemia and diabetes. Our medical imaging detectors are used to enable doctors to make faster and more accurate diagnoses of conditions ranging from broken bones to reduced blood flow in vascular systems. In addition, our detectors improve oncology treatments by focusing radiation directly at tumors.

## **Table of Contents**

### *Research Market:*

In the research market, we provide a broad suite of solutions including reagents, liquid handling and detection technologies that enable researchers to improve the drug discovery process. These applications, solutions and services enable pharmaceutical companies to create better therapeutics by helping to bring such therapeutics to market faster and more efficiently. The portfolio of liquid handling and detection technologies includes a wide range of systems consisting of instrumentation for automation and detection solutions, cellular imaging and analysis hardware and software, and a portfolio of consumables products, including drug discovery and research reagents. We sell our research solutions to pharmaceutical, biotechnology and academic research customers globally.

### *Environmental Health*

Our new Environmental Health segment provides technologies and applications to facilitate the creation of safer food and consumer products, more secure surroundings and efficient energy resources. The Environmental Health segment serves the environmental, safety and security, industrial and laboratory services markets. The Environmental Health segment includes our products and services that address the analytical sciences and laboratory service and support markets, formerly in our Life and Analytical Sciences segment, and our technology designed for the sensors and specialty lighting markets, formerly in our Optoelectronics segment. Our Environmental Health segment generated sales of \$256.9 million in the third quarter of fiscal year 2009 and \$760.9 million in the first nine months of fiscal year 2009.

### *Environmental and Safety and Security Markets:*

For the environmental and safety and security markets, we provide analytical technologies that address the quality of our environment, sustainable energy development, and ensure safer food and consumer products as well as sensor and detection solutions that contribute to safer homes, offices and buildings.

We take an active part in minimizing the impact of products and industrial processes on our environment, including our water quality solutions to detect harmful substances, such as trace metal, organic, pesticide, chemical and radioactive contaminants, in the world's water supply. Through our EcoAnalytix™ initiative, we deliver systems that combine applications, methodologies, standard operating procedures and training required for the specific analyses required.

We also develop the sensors and detectors that maintain safe and sustainable environments. To help ensure safety, our motion detectors turn lights on and off automatically and our gas sensors detect harmful levels of carbon dioxide in the air to help maintain optimal air quality. In addition, our sensors are integral to security systems, helping to ensure the safety of an environment from intruders.

### *Industrial Market:*

We provide analytical instrumentation, detectors, and sensors for the industrial market which includes the semiconductor, chemical, lubricants, construction, office equipment and quality assurance industries.

### *Laboratory Services Market:*

We have over 1,300 service engineers to support our customers throughout the world and to help them improve the productivity of their labs. Our OneSource service business strategy is aligned with customer needs to consolidate laboratory services and improve efficiencies within their labs.

### *Overview of the Third Quarter of Fiscal Year 2009*

Our fiscal year ends on the Sunday nearest December 31. We report fiscal years under a 52/53 week format, and as a result certain fiscal years will contain 53 weeks. Our 2009 fiscal year will include 53 weeks, while our 2008 fiscal year included 52 weeks. This additional week has been reflected in the first quarter of fiscal year 2009.

---

**Table of Contents**

The distressed global economy has continued to negatively impact certain of our end markets during the third quarter of fiscal year 2009; however, several of our other end markets continued to perform better than we anticipated. Our overall sales in the third quarter of fiscal year 2009 declined \$41.7 million, or 9%, as compared to the third quarter of fiscal year 2008, reflecting a decline of \$16.5 million, or 8%, in our Human Health segment sales and a decline of \$25.2 million, or 9%, in our Environmental Health segment sales. This decline in our Human Health segment sales during the three months ended October 4, 2009 was due primarily to decreased demand for our medical imaging products in the diagnostics market, as well as government stimulus related order delays in the research market. The decreased demand for our medical imaging products resulted from continued constraints on medical providers' capital budgets, and a lack of financing availability. The government stimulus related order delays in the research market resulted from many of our customers continuing to redirect their budgets in hopes of obtaining grants for larger instrument purchases. The decline in our Environmental Health segment sales during the three months ended October 4, 2009 was due primarily to the decline in spending by private testing labs, and continued weak demand in fire detection and intrusion alarm sensors in the environmental and safety and security markets, as well as traditional chemical and semiconductor markets reducing capital purchases in response to continued tight capital budgets and difficulty accessing credit markets.

These declines have been offset in part by certain of our businesses operating in markets which are more isolated from current economic trends, or where our businesses have benefited from a push for more efficient spending. In our Human Health segment, we experienced strong growth in sales in the diagnostics market related to our genetic screening business during the third quarter of fiscal year 2009 as compared to that market in the third quarter of fiscal year 2008. The genetic screening business was driven by continued expansion of neonatal and prenatal screening platforms, with broad-based growth experienced across all major geographies. Our cord blood business also contributed to the growth of our genetic screening business during the third quarter of fiscal year 2009. In the research market, demand for our broad suite of reagents and low-end instruments was encouraging as customers continued to spend on basic research. As the rising cost of healthcare continues to be one of the critical issues contributing to the economic downturn, we anticipate that while there is continued pressure on lab budgets and credit availability, we may continue to see growth in our newborn screening business during the fourth quarter of fiscal year 2009 as the benefits of providing earlier detection of disease, which can result in savings of long-term health care cost as well as creating better outcomes for patients, are increasingly valued.

In our Environmental Health segment, our laboratory services business enables our customers to drive efficiencies, increase production time and reduce maintenance costs, all of which are increasingly critical in this distressed economic environment. During the third quarter of fiscal year 2009, we continued to grow by adding new customers to our OneSource multivendor service and we continued to expand in markets beyond our traditional customer base and services. The increase in sales in the laboratory service market partially offset decreased sales in the environmental, safety and security and industrial markets. While overall sales in the environmental and safety and security markets were driven down by the decline in spending by private testing labs in the pharmaceutical market and the decline in spending for fire detection and intrusion alarm sensors, sales of consumer safety and food testing products grew in the third quarter of fiscal year 2009 due to increased demand for the production and analysis of renewable energy sources and new testing requirements for consumer product safety applications. We believe that the need for increased inspection, testing and tracking of contaminants will drive increased demand for our products during the fourth quarter of fiscal year 2009.

Our gross margins declined approximately 10 basis points in the third quarter of fiscal year 2009 as compared to the third quarter of fiscal year 2008 due to lower demand, partially offset by changes in product mix, especially growth in sales of higher gross margin product offerings, and cost containment initiatives. In addition, our consolidated operating margin declined approximately 300 basis points in the third quarter of fiscal year 2009 as compared to the third quarter of fiscal year 2008, primarily as a result of lower demand, additional restructuring activities and increased pension expenses, partially offset by cost containment initiatives.

We believe we are well positioned to continue to take advantage of our end markets where spending trends have countered the prevailing downturn, and to promote our efficiencies in markets where current conditions

---

**Table of Contents**

may increase demand for certain services. Overall, we believe that our strategic focus on Human Health and Environmental Health coupled with our breadth of end markets, deep portfolio of technologies and applications, leading market positions, global scale and financial strength will provide us with a strong foundation to weather the current economic climate.

**Recent Developments*****Acquisitions and Asset Purchases***

*Purchase of Intangible Assets from GE Healthcare.* In September 2009, we purchased the core technology and patents of GE Healthcare's 3H and 14C Catalog Radiochemicals, Scintillation Proximity Assay (SPA) reagents and Cytostar-T plate portfolios for aggregate consideration of \$12.0 million in cash. The Catalog Radiochemical products are used for a variety of research applications, including screening of potential drug candidates through binding assays. The SPA bead-based light-emitting assay and Cytostar-T plate technologies are offerings that enable the automation of High Throughput Screening (HTS) processes to help drug discovery researchers determine if potential new drug compounds are effective against their intended disease targets. We expect that incorporation of these technologies will strengthen our G-protein-coupled receptor and Kinase research product lines and complement our HTS and research reagent solutions. The purchased core technology and patents do not meet the definition of a business as the purchased assets were not accompanied by any associated processes. Purchased intangible assets are amortized over their estimated useful lives. We report the amortization of these intangible assets within the results of our Human Health segment from the purchase date. We periodically review the carrying value of these assets based, in part, upon current estimated market values and our projections of anticipated future cash flows. We undertake this review on a periodic basis for long-lived assets when facts and circumstances suggest that cash flows emanating from those assets may be diminished.

*Acquisition of Sym-Bio LifeScience Co., Ltd.* In August 2009, we acquired the outstanding equity interests of Sym-Bio LifeScience Co., Ltd. (Sym-Bio). Sym-Bio is a major supplier of diagnostics instruments and related reagents to hospitals in China, particularly in the area of infectious diseases. We expect this acquisition to expand our access to the hospital market segment in China, offering a larger base from which to expand our prenatal and newborn screening business in the country and providing us with a significant diagnostics manufacturing and research and development base within China. The excess of the purchase price over the fair value of the acquired net assets represents cost and revenue synergies specific to us as well as non-capitalizable intangible assets, such as the employee workforce acquired. We paid the shareholders of Sym-Bio approximately \$51.2 million in cash for this acquisition plus an additional amount of \$12.5 million held in an escrow account for contingencies, of which \$7.3 million is for potential additional contingent consideration with a fair value of \$6.9 million at the acquisition date. The excess of the purchase price over the fair value of the acquired net assets has been allocated to goodwill, none of which is tax deductible. We report the operations for this acquisition within the results of our Human Health segment from the acquisition date.

*Acquisition of Analytica of Branford, Inc.* In May 2009, we acquired the outstanding stock of Analytica of Branford, Inc. (Analytica). Analytica is a leading developer of mass spectrometry and ion source technology. We expect this acquisition to allow us to offer our customers access to critical technologies such as time-of-flight and quadrupole mass spectrometers and new ion sources that provide more complete information as well as better throughput. We will also gain significant intellectual property in the field of mass spectrometry and ion source technology. The excess of the purchase price over the fair value of the acquired net assets represents cost and revenue synergies specific to us as well as non-capitalizable intangible assets, such as the employee workforce acquired. We paid the shareholders of Analytica approximately \$21.7 million in cash for this acquisition plus up to \$1.3 million in additional consideration, which we expect to pay during the fourth quarter of fiscal year 2009. The excess of the purchase price over the fair value of the acquired net assets has been allocated to goodwill, which may be tax deductible if elected by us and approved by the shareholders of Analytica. We report the operations for this acquisition within the results of our Environmental Health segment from the acquisition date.

---

## **Table of Contents**

*Acquisition of Opto Technology Inc.* In January 2009, we acquired the outstanding stock of Opto Technology Inc. ( Opto Technology ). Opto Technology is a supplier of light-emitting diode ( LED ) based lighting components and subsystems. We expect this acquisition to expand our portfolio of high brightness LED components by adding optical subsystems to provide energy efficient solid state lighting solutions to original equipment manufacturers. The excess of the purchase price over the fair value of the acquired net assets represents cost and revenue synergies specific to us as well as non-capitalizable intangible assets, such as the customer base acquired. We paid the shareholders of Opto Technology approximately \$20.6 million in cash for this acquisition plus up to \$8.0 million in potential additional contingent consideration, of which we recorded \$4.9 million as the fair value at the acquisition date. During the first nine months of fiscal year 2009, we recorded a decrease of \$0.3 million to the potential additional contingent consideration as a fair value adjustment through current period earnings. During the first nine months of fiscal year 2009, we received approximately \$0.2 million from the former shareholders of Opto Technology for net working capital adjustments. The excess of the purchase price over the fair value of the acquired net assets has been allocated to goodwill, none of which is tax deductible. We report the operations for this acquisition within the results of our Environmental Health segment from the acquisition date.

### **Critical Accounting Policies and Estimates**

The preparation of condensed consolidated financial statements requires us to make estimates and judgments that affect the reported amounts of assets, liabilities, sales and expenses, and related disclosure of contingent assets and liabilities. On an ongoing basis, we evaluate our estimates, including those related to bad debts, inventories, intangible assets, income taxes, restructuring, pensions and other post-retirement benefits, stock-based compensation, warranty costs, contingencies and litigation. We base our estimates on historical experience and on various other assumptions that we believe to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates under different assumptions or conditions.

Critical accounting policies are those policies that affect our more significant judgments and estimates used in the preparation of our condensed consolidated financial statements. We believe our critical accounting policies include our policies regarding revenue recognition, allowances for doubtful accounts, inventory valuation, business combinations, value of long-lived assets, including intangibles, employee compensation and benefits, restructuring activities, gains or losses on dispositions and income taxes.

For a more detailed discussion of our critical accounting policies, please refer to the Notes to our Audited Consolidated Financial Statements and Item 7. *Management's Discussion and Analysis of Financial Condition and Results of Operations*, in our Annual Report on Form 10-K for the fiscal year ended December 28, 2008, as filed with the Securities and Exchange Commission (the SEC ) (the 2008 Form 10-K ).

### **Consolidated Results of Continuing Operations**

#### ***Sales***

Sales for the three months ended October 4, 2009 were \$437.1 million, as compared to \$478.7 million for the three months ended September 28, 2008, a decrease of \$41.7 million, or 9%, which includes an approximate 2% decrease in sales attributable to unfavorable changes in foreign exchange rates and an approximate 1% increase from acquisitions. The analysis in the remainder of this paragraph compares segment sales for the three months ended October 4, 2009 as compared to the three months ended September 28, 2008 and includes the effect of foreign exchange rate fluctuations and acquisitions. The total decrease in sales reflects a \$16.5 million, or 8%, decrease in our Human Health segment sales, due to a decrease in diagnostics market sales of \$8.5 million and a decrease in research market sales of \$8.0 million. Our Environmental Health segment sales decreased \$25.2 million, or 9%, due to decreases in environmental, safety and security and industrial markets sales of \$26.6 million, partially offset by an increase in laboratory services market sales of \$1.4 million.

---

**Table of Contents**

Sales for the nine months ended October 4, 2009 were \$1,303.2 million, as compared to \$1,442.4 million for the nine months ended September 28, 2008, a decrease of \$139.2 million, or 10%, which includes an approximate 5% decrease in sales attributable to unfavorable changes in foreign exchange rates and an approximate 1% increase from acquisitions. The analysis in the remainder of this paragraph compares segment sales for the nine months ended October 4, 2009 as compared to the nine months ended September 28, 2008 and includes the effect of foreign exchange rate fluctuations and acquisitions. The total decrease in sales reflects a \$38.4 million, or 7%, decrease in our Human Health segment sales, due to a decrease in diagnostics market sales of \$23.8 million and a decrease in research market sales of \$14.6 million. Our Environmental Health segment sales decreased \$100.8 million, or 12%, due to decreases in the environmental, safety and security and industrial markets sales of \$99.6 million and a decrease in laboratory services market sales of \$1.2 million.

***Cost of Sales***

Cost of sales for the three months ended October 4, 2009 was \$249.5 million, as compared to \$273.1 million for the three months ended September 28, 2008, a decrease of approximately \$23.6 million, or 9%. As a percentage of sales, cost of sales increased to 57.1% for the three months ended October 4, 2009, from 57.0% for the three months ended September 28, 2008, resulting in a decrease in gross margin of approximately 10 basis points to 42.9% for the three months ended October 4, 2009, from 43.0% for the three months ended September 28, 2008. Amortization of intangible assets was \$9.5 million for each of the three month periods ended October 4, 2009 and September 28, 2008. Stock option expense decreased and was \$0.3 million for the three months ended October 4, 2009, as compared to \$0.4 million for the three months ended September 28, 2008. The amortization of purchase accounting adjustments to record the inventory from certain acquisitions completed to date in fiscal year 2009 added an expense of approximately \$0.3 million for the three months ended October 4, 2009. The decrease in gross margin was primarily the result of lower demand, partially offset by changes in product mix, especially growth in sales of higher gross margin product offerings, and cost containment initiatives.

Cost of sales for the nine months ended October 4, 2009 was \$740.2 million, as compared to \$829.7 million for the nine months ended September 28, 2008, a decrease of approximately \$89.4 million, or 11%. As a percentage of sales, cost of sales decreased to 56.8% for the nine months ended October 4, 2009, from 57.5% for the nine months ended September 28, 2008, resulting in an increase in gross margin of approximately 70 basis points to 43.2% for the nine months ended October 4, 2009, from 42.5% for the nine months ended September 28, 2008. Amortization of intangible assets decreased and was \$27.4 million for the nine months ended October 4, 2009, as compared to \$28.3 million for the nine months ended September 28, 2008. Stock option expense was \$0.9 million for each of the nine month periods ended October 4, 2009 and September 28, 2008. The amortization of purchase accounting adjustments to record the inventory from certain acquisitions completed to date in fiscal year 2009 added an expense of approximately \$0.5 million for the nine months ended October 4, 2009. The increase in gross margin was primarily the result of the combined favorable impact of changes in product mix, especially growth in sales of higher gross margin product offerings, productivity improvements and cost containment initiatives.

***Selling, General and Administrative Expenses***

Selling, general and administrative expenses for the three months ended October 4, 2009 were \$121.4 million, as compared to \$129.8 million for the three months ended September 28, 2008, a decrease of approximately \$8.4 million, or 6%. As a percentage of sales, selling, general and administrative expenses were 27.8% for the three months ended October 4, 2009, as compared to 27.1% for the three months ended September 28, 2008. Amortization of intangible assets increased and was \$4.5 million for the three months ended October 4, 2009, as compared to \$4.1 million for the three months ended September 28, 2008. Stock option expense decreased and was \$1.4 million for the three months ended October 4, 2009, as compared to \$2.1 million for the three months ended September 28, 2008. Purchase accounting adjustments for contingent consideration and other acquisition costs related to certain acquisitions completed to date in fiscal year 2009 added an expense of approximately \$0.7 million for the three months ended October 4, 2009. The decrease in selling, general and administrative expenses was primarily the result of cost containment initiatives, partially offset by increased pension expenses.

---

**Table of Contents**

Selling, general and administrative expenses for the nine months ended October 4, 2009 were \$373.8 million, as compared to \$402.4 million for the nine months ended September 28, 2008, a decrease of approximately \$28.6 million, or 7%. As a percentage of sales, selling, general and administrative expenses were 28.7% for the nine months ended October 4, 2009, as compared to 27.9% for the nine months ended September 28, 2008. Amortization of intangible assets increased and was \$13.1 million for the nine months ended October 4, 2009, as compared to \$12.1 million for the nine months ended September 28, 2008. Stock option expense decreased and was \$4.3 million for the nine months ended October 4, 2009, as compared to \$5.0 million for the nine months ended September 28, 2008. Purchase accounting adjustments for contingent consideration and other acquisition costs related to certain acquisitions completed to date in fiscal year 2009 added an expense of approximately \$1.8 million for the nine months ended October 4, 2009. The decrease in selling, general and administrative expenses was primarily the result of cost containment initiatives, partially offset by increased sales and marketing expenses, particularly in emerging territories, increased pension expenses and foreign exchange.

***Research and Development Expenses***

Research and development expenses for the three months ended October 4, 2009 were \$27.3 million, as compared to \$26.2 million for the three months ended September 28, 2008, an increase of \$1.1 million, or 4%. As a percentage of sales, research and development expenses increased to 6.3% for the three months ended October 4, 2009, as compared to 5.5% for the three months ended September 28, 2008. Amortization of intangible assets was \$0.5 million for each of the three month periods ended October 4, 2009 and September 28, 2008. Research and development expenses also included stock option expense of \$0.1 million for the three months ended October 4, 2009, as compared to \$0.03 million for the three months ended September 28, 2008. We directed research and development efforts similarly during fiscal years 2009 and 2008, primarily toward the diagnostics and research markets within our Human Health segment, and the environmental and safety and security markets within our Environmental Health segment, in order to help accelerate our growth initiatives.

Research and development expenses for the nine months ended October 4, 2009 were \$78.9 million, as compared to \$83.0 million for the nine months ended September 28, 2008, a decrease of \$4.1 million, or 5%. As a percentage of sales, research and development expenses increased to 6.1% for the nine months ended October 4, 2009, as compared to 5.8% for the nine months ended September 28, 2008. Amortization of intangible assets decreased and was \$1.5 million for the nine months ended October 4, 2009, as compared to \$1.6 million for the nine months ended September 28, 2008. Research and development expenses also included stock option expense of \$0.4 million for the nine months ended October 4, 2009, as compared to \$0.3 million for the nine months ended September 28, 2008.

***Restructuring and Lease Charges, Net***

We have undertaken a series of restructuring actions related to the impact of acquisitions and divestitures, alignment with our growth strategy and the integration of our business units.

A description of the restructuring plans and the activity recorded for the nine months ended October 4, 2009 is listed below. Details of the plans initiated in previous years, particularly those listed under *Previous Restructuring and Integration Plans*, are discussed more fully in Item 7 *Management's Discussion and Analysis of Financial Condition and Results of Operations* in the 2008 Form 10-K.

The restructuring plan for the third quarter of fiscal year 2009 was intended principally to reduce resources in anticipation of continued decreasing demand in certain end markets and to shift resources to higher growth geographic regions and end markets. The restructuring plan for the first quarter of fiscal year 2009 was intended principally to reduce resources in anticipation of decreasing demand in certain end markets. The restructuring plan for the third quarter of fiscal year 2008 was intended principally to shift resources into geographic regions and product lines that are more consistent with our growth strategy. The activities associated with these plans

**Table of Contents**

have been reported as restructuring expenses as a component of operating expenses from continuing operations. We expect the impact of immediate cost savings from the restructuring plans on operating results and cash flows to approximately offset the decline in revenue. We expect the impact of future cost savings from these restructuring activities on operating results and cash flows to be negligible, as we will incur offsetting costs.

**Q3 2009 Plan**

During the third quarter of fiscal year 2009, our management approved a plan to reduce resources in anticipation of continued decreasing demand in certain end markets and to shift resources to higher growth geographic regions and end markets (the Q3 2009 Plan). As a result of the Q3 2009 Plan, we recognized a \$4.9 million pre-tax restructuring charge in our Human Health segment related to a workforce reduction from reorganization activities and the closure of an excess facility. We also recognized a \$7.3 million pre-tax restructuring charge in our Environmental Health segment related to a workforce reduction from reorganization activities. As part of our Q3 2009 Plan, we reduced headcount by 171 employees. All notifications and actions related to the Q3 2009 Plan were completed by October 4, 2009.

The following table summarizes the Q3 2009 Plan activity for the nine months ended October 4, 2009:

	Severance	Closure of Excess Facility (In thousands)	Total
Provision	\$ 11,753	\$ 440	\$ 12,193
Amounts paid and foreign currency translation	(1,526)	(55)	(1,581)
Balance at October 4, 2009	\$ 10,227	\$ 385	\$ 10,612

All employee relationships have been severed and we anticipate that the remaining severance payments of \$10.2 million for workforce reductions will be completed by the end of the fourth quarter of fiscal year 2011. We also anticipate that the remaining payments of \$0.4 million for the closure of the excess facility will be paid through fiscal year 2011, in accordance with the terms of the applicable lease.

**Q1 2009 Plan**

During the first quarter of fiscal year 2009, our management approved a plan to reduce resources in anticipation of decreasing demand in certain end markets (the Q1 2009 Plan). As a result of the Q1 2009 Plan, we recognized a \$4.8 million pre-tax restructuring charge in our Human Health segment related to a workforce reduction from reorganization activities and the closure of an excess facility. We also recognized a \$3.0 million pre-tax restructuring charge in our Environmental Health segment related to a workforce reduction from reorganization activities and the closure of an excess facility. As part of our Q1 2009 Plan, we reduced headcount by 166 employees. All notifications and actions related to the Q1 2009 Plan were completed by April 5, 2009.

The following table summarizes the Q1 2009 Plan activity for the nine months ended October 4, 2009:

	Severance	Closure of Excess Facility (In thousands)	Total
Provision	\$ 7,365	\$ 458	\$ 7,823
Amounts paid and foreign currency translation	(3,672)	(126)	(3,798)
Balance at October 4, 2009	\$ 3,693	\$ 332	\$ 4,025

All employee relationships have been severed and we anticipate that the remaining severance payments of \$3.7 million for workforce reductions will be completed by the end of the fourth quarter of fiscal year 2010. We also anticipate that the remaining payments of \$0.3 million for the closure of the excess facility will be paid through fiscal year 2012, in accordance with the terms of the applicable lease.





**Table of Contents****Q3 2008 Plan**

During the third quarter of fiscal year 2008, our management approved a plan to shift resources into product lines that are more consistent with our growth strategy (the Q3 2008 Plan). As a result of the Q3 2008 Plan, we recognized a \$4.5 million pre-tax restructuring charge in our Human Health segment related to a workforce reduction from reorganization activities and the closure of excess facilities. We also recognized a \$3.3 million pre-tax restructuring charge in our Environmental Health segment related to a workforce reduction from reorganization activities and the closure of excess facilities. As part of our Q3 2008 Plan, we reduced headcount by 107 employees. All notifications and actions related to the Q3 2008 Plan were completed by September 28, 2008.

The following table summarizes the Q3 2008 Plan activity for the nine months ended October 4, 2009:

	Severance	Closure of Excess Facilities (In thousands)	Total
Balance at December 28, 2008	\$ 2,659	\$ 1,152	\$ 3,811
Amounts paid and foreign currency translation	(1,581)	(295)	(1,876)
Balance at October 4, 2009	\$ 1,078	\$ 857	\$ 1,935

All employee relationships have been severed and we anticipate that the remaining severance payments of \$1.1 million for workforce reductions will be completed by the end of the fourth quarter of fiscal year 2010. We also anticipate that the remaining payments of \$0.9 million for the closure of excess facilities will be paid through fiscal year 2011, in accordance with the terms of the applicable leases.

**Previous Restructuring and Integration Plans**

The principal actions of the restructuring and integration plans from fiscal years 2001 through 2007 were workforce reductions related to the integration of our businesses in order to reduce costs and achieve operational efficiencies as well as workforce reductions in both our Human Health and Environmental Health segments by shifting resources into geographic regions and product lines that are more consistent with our growth strategy. During the nine months ended October 4, 2009, we paid \$0.4 million related to these plans and recorded a reversal of \$0.7 million related to lower than expected severance costs for several of these plans. As of October 4, 2009, we had approximately \$1.0 million of remaining liabilities associated with these restructuring and integration plans, primarily for residual lease obligations related to closed facilities in both our Human Health and Environmental Health segments. Payments for these leases, the terms of which vary in length, will be made through fiscal year 2011.

**Lease Charges**

To facilitate the sale of a business in fiscal year 2001, we were required to guarantee the lease obligations that the buyer assumed related to the lease for the building in which the business operated. The lease obligations continue through March 2011. While we assigned our interest in the lease to the buyer at the time of the sale of the business, the buyer subsequently defaulted under the lease, and the lessor sought reimbursement from us. We recorded a charge of \$2.7 million in fiscal year 2007 related to payments for this lease obligation. The buyer filed for bankruptcy protection during the third quarter of fiscal year 2008 and was delinquent in making both its lease payments and payments for certain building expenses, requiring us to make payments of \$0.4 million during fiscal year 2008 and \$0.5 million during the first nine months of fiscal year 2009. The buyer ceased operations in the third quarter of fiscal year 2009 and vacated the property. As of October 4, 2009, we recorded an additional charge of \$0.9 million related to waste removal and restoration costs, and reduced the estimated sublease rental payments reasonably expected to be obtained for the property.

**Table of Contents****Interest and Other Expense, Net**

Interest and other expense, net, consisted of the following:

	Three Months Ended		Nine Months Ended	
	October 4, 2009	September 28, 2008	October 4, 2009	September 28, 2008
	(In thousands)			
Interest income	\$ (124)	\$ (1,064)	\$ (777)	\$ (3,249)
Interest expense	4,147	6,371	12,964	18,435
Gains on dispositions of investments, net				(1,158)
Other expense, net	798	742	1,652	2,280
<b>Total interest and other expense, net</b>	<b>\$ 4,821</b>	<b>\$ 6,049</b>	<b>\$ 13,839</b>	<b>\$ 16,308</b>

Interest and other expense, net, for the three months ended October 4, 2009 was \$4.8 million, as compared to \$6.1 million for the three months ended September 28, 2008, a decrease of \$1.2 million. The decrease in interest and other expense, net, for the three months ended October 4, 2009 as compared to the three months ended September 28, 2008 was primarily due to lower interest rates on outstanding debt balances, which was partially offset by higher outstanding debt balances. Interest expense decreased by \$2.2 million and interest income decreased by \$0.9 million for the three months ended October 4, 2009, as compared to the three months ended September 28, 2008. Other expenses for the three months ended October 4, 2009 as compared to the three months ended September 28, 2008 increased by \$0.1 million, and consisted primarily of expenses related to foreign currency transactions and foreign currency translation. A more complete discussion of our liquidity is set forth below under the heading Liquidity and Capital Resources.

Interest and other expense, net, for the nine months ended October 4, 2009 was \$13.8 million, as compared to \$16.3 million for the nine months ended September 28, 2008, a decrease of \$2.5 million. The decrease in interest and other expense, net, for the nine months ended October 4, 2009 as compared to the nine months ended September 28, 2008 was primarily due to lower interest rates on outstanding debt balances, which was partially offset by higher outstanding debt balances and lower interest rates on cash balances. Interest expense decreased by \$5.5 million and interest income decreased by \$2.5 million for the nine months ended October 4, 2009, as compared to the nine months ended September 28, 2008. Other expenses for the nine months ended October 4, 2009 as compared to the nine months ended September 28, 2008 decreased by \$0.6 million, and consisted primarily of expenses related to foreign currency transactions and foreign currency translation.

**Provision for (Benefit from) Income Taxes**

For the three months ended October 4, 2009, the provision for income taxes from continuing operations was \$5.6 million, as compared to a benefit of \$4.6 million for the three months ended September 28, 2008. The provision for income taxes from continuing operations was \$22.2 million for the nine months ended October 4, 2009, as compared to a provision of \$12.9 million for the nine months ended September 28, 2008. The effective tax rate from continuing operations was a provision of 25.8% and 29.1% for the three and nine months ended October 4, 2009, respectively, as compared to a benefit of 12.4% for the three months ended September 28, 2008 and a provision of 12.3% for the nine months ended September 28, 2008. The higher effective tax rate in fiscal year 2009 was primarily due to an increase in the expected mix of profits from higher tax rate jurisdictions in 2009 as compared to the three and nine months ended September 28, 2008 and reflects the favorable settlement of several income tax audits worldwide during the fiscal quarter ended September 28, 2008.

**Discontinued Operations**

As part of our continuing efforts to focus on higher growth opportunities, we have discontinued certain businesses. We have accounted for these businesses as discontinued operations and, accordingly, have presented the results of operations and related cash flows as discontinued operations for all periods presented. The assets

**Table of Contents**

and liabilities of these businesses have been presented separately, and are reflected within the assets and liabilities from discontinued operations in the accompanying condensed consolidated balance sheets as of October 4, 2009 and December 28, 2008.

We recorded the following gains and losses, which have been reported as (loss) gain on disposition of discontinued operations:

	Three Months Ended		Nine Months Ended	
	October 4, 2009	September 28, 2008	October 4, 2009	September 28, 2008
	(In thousands)			
Net gain (loss) on disposition of ViaCyte <sup>SM</sup> and Cellular Therapy Technology businesses	\$ 85	\$ 113	\$ (2,301)	\$ (8,338)
Net loss on disposition of other discontinued operations	(1,365)	(300)	(1,371)	(254)
Net loss on disposition of discontinued operations before income taxes	(1,280)	(187)	(3,672)	(8,592)
Provision for (benefit from) income taxes	288	(8,331)	(116)	(9,577)
(Loss) gain on disposition of discontinued operations, net of income taxes	\$ (1,568)	\$ 8,144	\$ (3,556)	\$ 985

As part of our new strategic business alignment into our Human Health and Environmental Health segments and our continuing efforts to focus on higher growth opportunities, in December 2008, our management approved separate plans to divest our Photonics and Photoflash businesses within our Environmental Health segment. Photonics and Photoflash products and technologies include xenon flashtubes and modules. These products are used in a variety of applications including mobile phones and laser machine tools. We are actively marketing and are currently committed to a plan to sell both of these businesses.

In addition, during December 2008, our management approved the shut down of certain instrument businesses within our Human Health segment: Cellular Screening Fluorescence and Luminescence workstations, Analytical Proteomics Instruments and Proteomics and Genomics Instruments. The shut down of the Cellular Screening Fluorescence and Luminescence workstations business, the Analytical Proteomics Instruments business, and the Proteomics and Genomics Instruments business resulted in a pre-tax loss of \$4.8 million related to lease and severance costs and the reduction of fixed assets and inventory to net realizable value during fiscal year 2008.

In November 2007, we acquired ViaCell, Inc. ( ViaCell ), which specializes in the collection, testing, processing and preservation of umbilical cord blood stem cells. Following the ViaCell acquisition, our Board of Directors (our Board ) approved a plan to sell the ViaCyte<sup>SM</sup> and Cellular Therapy Technology businesses that were acquired with ViaCell. We determined that both businesses did not strategically fit with the other products offered by our Human Health segment. We also determined that without investing capital into the operations of both businesses, we could not effectively compete with larger companies that focus on the market for such products. After careful consideration, we decided in the second quarter of fiscal year 2008 to shut down the ViaCyte<sup>SM</sup> and Cellular Therapy Technology businesses. We recorded a pre-tax loss of \$8.0 million for severance and facility closure costs during fiscal year 2008 and recorded an additional pre-tax loss of \$2.3 million related to facility closure costs during the first nine months of fiscal year 2009.

During the first nine months of both fiscal years 2009 and 2008, we settled various commitments related to the divestiture of other discontinued operations. We recognized a pre-tax loss of \$1.4 million in the first nine months of fiscal year 2009 in connection with the closure of a facility and a pre-tax loss of \$0.3 million in the first nine months of fiscal year 2008 in connection with other various commitments. The benefit from income taxes of \$9.6 million recorded in discontinued operations in the first nine months of fiscal year 2008 includes \$8.5 million of income tax benefits related to the favorable settlement of several income tax audits worldwide during the fiscal quarter ended September 28, 2008.

**Table of Contents**

Summary operating results of the discontinued operations for the periods prior to disposition were as follows:

	Three Months Ended		Nine Months Ended	
	October 4, 2009	September 28, 2008	October 4, 2009	September 28, 2008
	(In thousands)			
Sales	\$ 11,485	\$ 26,370	\$ 28,415	\$ 73,664
Costs and expenses	12,255	24,204	33,345	70,447
Operating (loss) income from discontinued operations	(770)	2,166	(4,930)	3,217
Other expense, net				
(Loss) income from discontinued operations before income taxes	(770)	2,166	(4,930)	3,217
Provision for (benefit from) income taxes	94	91	(102)	470
(Loss) income from discontinued operations, net of income taxes	\$ (864)	\$ 2,075	\$ (4,828)	\$ 2,747

**Contingencies, Including Tax Matters**

We are conducting a number of environmental investigations and remedial actions at our current and former locations and, along with other companies, have been named a potentially responsible party ( PRP ) for certain waste disposal sites. We accrue for environmental issues in the accounting period that our responsibility is established and when the cost can be reasonably estimated. We have accrued \$4.7 million as of October 4, 2009, which represents our management's estimate of the total cost of ultimate disposition of known environmental matters. This amount is not discounted and does not reflect the recovery of any amounts through insurance or indemnification arrangements. These cost estimates are subject to a number of variables, including the stage of the environmental investigations, the magnitude of the possible contamination, the nature of the potential remedies, possible joint and several liability, the time period over which remediation may occur, and the possible effects of changing laws and regulations. For sites where we have been named a PRP, our management does not currently anticipate any additional liability to result from the inability of other significant named parties to contribute. We expect that the majority of such accrued amounts could be paid out over a period of up to ten years. As assessment and remediation activities progress at each individual site, these liabilities are reviewed and adjusted to reflect additional information as it becomes available. There have been no environmental problems to date that have had or are expected to have a material adverse effect on our condensed consolidated financial statements. While it is possible that a loss exceeding the amounts recorded in the condensed consolidated financial statements may be incurred, the potential exposure is not expected to be materially different from those amounts recorded.

Enzo Biochem, Inc. and Enzo Life Sciences, Inc. (collectively, Enzo ) filed a complaint dated October 23, 2002 in the United States District Court for the Southern District of New York, Civil Action No. 02-8448, against Amersham plc, Amersham BioSciences, PerkinElmer, Inc., PerkinElmer Life Sciences, Inc., Sigma-Aldrich Corporation, Sigma Chemical Company, Inc., Molecular Probes, Inc., and Orchid BioSciences, Inc. The complaint alleges that we have breached our distributorship and settlement agreements with Enzo, infringed Enzo's patents, engaged in unfair competition and fraud, and committed torts against Enzo by, among other things, engaging in commercial development and exploitation of Enzo's patented products and technology, separately and together with the other defendants. Enzo seeks injunctive and monetary relief. In 2003, the court severed the lawsuit and ordered Enzo to serve individual complaints against the five defendants. We subsequently filed an answer and a counterclaim alleging that Enzo's patents are invalid. In July 2006, the court issued a decision regarding the construction of the claims in Enzo's patents that effectively limited the coverage of certain of those claims and, we believe, excludes certain of our products from the coverage of Enzo's patents. Summary judgment motions were filed by the defendants in January 2007, and a hearing with oral argument on

---

**Table of Contents**

those motions took place in July 2007. In January 2009, the case was assigned to a new district court judge. On March 16, 2009, the new judge denied the pending summary judgment motions without prejudice and ordered a stay of the case until the federal appellate court decides Enzo's appeal of the judgment of the United States District Court for the District of Connecticut in Enzo Biochem vs. Applera Corp. and Tropix, Inc., which involves a number of the same patents and which could materially affect the scope of Enzo's case against us.

PharmaStem Therapeutics, Inc. (PharmaStem) filed a complaint dated February 22, 2002 against ViaCell, Inc., which is now our wholly owned subsidiary, and several other defendants in the United States District Court for the District of Delaware, alleging infringement of United States Patents No. 5,004,681 and No. 5,192,553, relating to certain aspects of the collection, cryopreservation and storage of hematopoietic stem cells and progenitor cells from umbilical cord blood (PharmaStem I). After several years of proceedings at the District Court level, the United States Court of Appeals for the Federal Circuit issued a decision in July 2007 that ViaCell did not infringe these two patents and that the two patents are invalid. PharmaStem filed a certiorari petition in January 2008 seeking to have the United States Supreme Court review the appellate court's decision as to the invalidity of the patents, but did not seek any further review of the non-infringement decision. However, the United States Supreme Court denied certiorari in March 2008, so the decision by the United States Court of Appeals for the Federal Circuit in favor of ViaCell is final and non-appealable. PharmaStem had also filed a second complaint against ViaCell and other defendants in July 2004 in the United States District Court for the District of Massachusetts, alleging infringement of United States Patents No. 6,461,645 and 6,569,427, which also relate to certain aspects of the collection, cryopreservation and storage of hematopoietic stem cells and progenitor cells from umbilical cord blood (PharmaStem II). The Delaware court granted ViaCell's motion in October 2005 to stay the proceedings in PharmaStem II pending the outcome of PharmaStem I and a decision from the United States Patent and Trademark Office (U.S. PTO) on certain patent re-examination issues. On September 2, 2008, the U.S. PTO issued a Re-examination Certificate cancelling all claims of United States Patent No. 6,461,645, and on September 16, 2008, the U.S. PTO issued a Re-examination Certificate cancelling all claims of United States Patent No. 6,569,427. As a result of the cancellation of all patent claims involved in PharmaStem II by the U.S. PTO, we will seek a dismissal of all claims for relief set forth by PharmaStem in PharmaStem II.

We believe we have meritorious defenses to these lawsuits and other proceedings, and we are contesting the actions vigorously in all of the above unresolved matters. While each of these matters is subject to uncertainty, in the opinion of our management, based on its review of the information available at this time, the resolution of these matters will not have a material adverse effect on our condensed consolidated financial statements.

We re-measured several of our uncertain tax positions related to fiscal years 2006 and 2007 during the third quarter of fiscal year 2009 based on new information arising from events during the quarter that affected positions for those years. We also effectively settled several income tax audits worldwide. The re-measurements and closure of audits included positions in Hong Kong, the United Kingdom and the United States. The re-measurements and closure of audits, as well as other discrete items, resulted in the recognition of \$1.7 million of income tax benefits in continuing operations during the third quarter of fiscal year 2009. Tax years ranging from 1998 through 2008 remain open to examination by various state and foreign tax jurisdictions in which we have significant business operations, such as Singapore, Canada, Germany, the United Kingdom and the United States. The tax years under examination vary by jurisdiction. We regularly review our tax positions in each significant taxing jurisdiction in the process of evaluating our unrecognized tax benefits. We make adjustments to our unrecognized tax benefits when: (i) facts and circumstances regarding a tax position change, causing a change in management's judgment regarding that tax position; (ii) a tax position is effectively settled with a tax authority; and/or (iii) the statute of limitations expires regarding a tax position.

We are also subject to various other claims, legal proceedings and investigations covering a wide range of matters that arise in the ordinary course of our business activities. Although we have established accruals for potential losses that we believe are probable and reasonably estimable, in the opinion of our management, based on its review of the information available at this time, the total cost of resolving these other contingencies at

---

## **Table of Contents**

October 4, 2009 should not have a material adverse effect on our condensed consolidated financial statements. However, each of these matters is subject to uncertainties, and it is possible that some of these matters may be resolved unfavorably to us.

### **Reporting Segment Results of Continuing Operations**

#### ***Human Health***

Sales for the three months ended October 4, 2009 were \$180.2 million, as compared to \$196.7 million for the three months ended September 28, 2008, a decrease of \$16.5 million, or 8%, which includes an approximate 2% decrease in sales attributable to unfavorable changes in foreign exchange rates. The analysis in the remainder of this paragraph compares selected sales by product type for the three months ended October 4, 2009, as compared to the three months ended September 28, 2008, and includes the effect of foreign exchange fluctuations and acquisitions. The decrease in sales in our Human Health segment was primarily a result of a decrease in diagnostics market sales of \$8.5 million and a decrease in research market sales of \$8.0 million. This decline in our Human Health segment sales during the three months ended October 4, 2009 was due primarily to the decreased demand for our medical imaging products in the diagnostics market, which has resulted from constraints on medical providers' capital budgets, and a lack of financing availability, as well as government stimulus related order delays in the research market, as many of our customers are redirecting their budgets in hopes of obtaining grants for larger instrument purchases.

Sales for the nine months ended October 4, 2009 were \$542.3 million, as compared to \$580.7 million for the nine months ended September 28, 2008, a decrease of \$38.4 million, or 7%, which includes an approximate 5% decrease in sales attributable to unfavorable changes in foreign exchange rates and an approximate 1% increase from acquisitions. The analysis in the remainder of this paragraph compares selected sales by product type for the nine months ended October 4, 2009, as compared to the nine months ended September 28, 2008, and includes the effect of foreign exchange fluctuations and acquisitions. The decrease in sales in our Human Health segment was primarily a result of a decrease in diagnostics market sales of \$23.8 million and a decrease in research market sales of \$14.6 million. This decline in our Human Health segment sales during the nine months ended October 4, 2009 was due primarily to the decreased demand for our medical imaging products in the diagnostics market, which has resulted from constraints on medical providers' capital budgets, and a lack of financing availability, as well as government stimulus related order delays in the research market, as many of our customers are redirecting their budgets in hopes of obtaining grants for larger instrument purchases.

Operating income from continuing operations for the three months ended October 4, 2009 was \$18.9 million, as compared to \$21.4 million for the three months ended September 28, 2008, a decrease of \$2.5 million, or 12%. Amortization of intangible assets was \$10.0 million and \$10.3 million for the three months ended October 4, 2009 and September 28, 2008, respectively. Restructuring and lease charges were \$4.4 million for the three months ended October 4, 2009 as a result of our Q3 2009 Plan. Restructuring and lease charges were \$3.7 million for the three months ended September 28, 2008 as a result of our Q3 2008 Plan. Purchase accounting adjustments for other acquisition costs related to certain acquisitions completed to date in fiscal year 2009 added an expense of approximately \$0.5 million for the three months ended October 4, 2009. The amortization of purchase accounting adjustments to record the inventory from certain acquisitions completed to date in fiscal year 2009 added an expense of approximately \$0.3 million for the three months ended October 4, 2009. Lower demand and increased pension expenses decreased operating income, which was partially offset by changes in product mix, especially growth in sales of higher gross margin product offerings, and cost containment initiatives.

Operating income from continuing operations for the nine months ended October 4, 2009 was \$55.6 million, as compared to \$52.9 million for the nine months ended September 28, 2008, an increase of \$2.8 million, or 5%. Amortization of intangible assets was \$30.0 million and \$30.7 million for the nine months ended October 4, 2009 and September 28, 2008, respectively. Restructuring and lease charges were \$9.2 million for the nine months ended October 4, 2009 as a result of our Q1 2009 and Q3 2009 Plans. Restructuring and lease charges were

---

**Table of Contents**

\$3.7 million for the nine months ended September 28, 2008 as a result of our Q3 2008 Plan. Purchase accounting adjustments for other acquisition costs related to certain acquisitions completed to date in fiscal year 2009 added an expense of approximately \$1.2 million for the nine months ended October 4, 2009. The amortization of purchase accounting adjustments to record the inventory from certain acquisitions completed to date in fiscal year 2009 added an expense of approximately \$0.3 million for the nine months ended October 4, 2009. The favorable impact of changes in product mix, especially growth in sales of higher gross margin products, productivity improvements and cost containment initiatives increased operating income, which was partially offset by increased sales and marketing expenses, particularly in emerging territories, increased pension expenses and foreign exchange.

***Environmental Health***

Sales for the three months ended October 4, 2009 were \$256.9 million, as compared to \$282.1 million for the three months ended September 28, 2008, a decrease of \$25.2 million, or 9%, which includes an approximate 2% decrease in sales attributable to unfavorable changes in foreign exchange rates and an approximate 1% increase from acquisitions. The following analysis in the remainder of this paragraph compares selected sales by market and product type for the three months ended October 4, 2009, as compared to the three months ended September 28, 2008, and includes the effect of foreign exchange fluctuations and acquisitions. The decrease in sales was a result of decreases in environmental, safety and security and industrial markets sales of \$26.6 million, partially offset by an increase in laboratory services market sales of \$1.4 million. This decline in our Environmental Health segment sales during the three months ended October 4, 2009 was due primarily to private testing labs and traditional chemical and semiconductor markets reducing capital purchases in response to tight capital budgets and difficulty accessing credit markets, as well as continued weak demand in fire detection and intrusion alarm sensors, partially offset by sales of consumer safety and food testing products.

Sales for the nine months ended October 4, 2009 were \$760.9 million, as compared to \$861.7 million for the nine months ended September 28, 2008, a decrease of \$100.8 million, or 12%, which includes an approximate 5% decrease in sales attributable to unfavorable changes in foreign exchange rates and an approximate 1% increase from acquisitions. The following analysis in the remainder of this paragraph compares selected sales by market and product type for the nine months ended October 4, 2009, as compared to the nine months ended September 28, 2008, and includes the effect of foreign exchange fluctuations and acquisitions. The decrease in sales was a result of decreases in the environmental, safety and security and industrial markets sales of \$99.6 million and a decrease in laboratory services market sales of \$1.2 million. This decline in our Environmental Health segment sales during the nine months ended October 4, 2009 was due primarily to private testing labs and traditional chemical and semiconductor markets reducing capital purchases in response to tight capital budgets and difficulty accessing credit markets, as well as continued weak demand in fire detection and intrusion alarm sensors, partially offset by sales of consumer safety and food testing products.

Operating income from continuing operations for the three months ended October 4, 2009 was \$15.5 million, as compared to \$30.5 million for the three months ended September 28, 2008, a decrease of \$15.0 million, or 49%. Amortization of intangible assets was \$4.6 million and \$3.8 million for the three months ended October 4, 2009 and September 28, 2008, respectively. Purchase accounting adjustments for contingent consideration and other acquisition costs related to certain acquisitions completed to date in fiscal year 2009 added an expense of approximately \$0.2 million for the three months ended October 4, 2009. Restructuring and lease charges were \$8.0 million for the three months ended October 4, 2009 as a result of our Q3 2009 Plan. Restructuring and lease charges were \$2.8 million for the three months ended September 28, 2008 as a result of our Q3 2008 Plan. The combined unfavorable impact of decreased sales volume and increased pension expenses decreased operating income for the three months ended October 4, 2009, which was partially offset by cost containment initiatives.

Operating income from continuing operations for the nine months ended October 4, 2009 was \$58.6 million, as compared to \$98.5 million for the nine months ended September 28, 2008, a decrease of \$39.8 million, or



---

## **Table of Contents**

40%. Amortization of intangible assets was \$12.0 million for the nine months ended October 4, 2009, as compared to \$11.3 million for the nine months ended September 28, 2008. Restructuring and lease charges were \$11.0 million for the nine months ended October 4, 2009 as a result of our Q1 2009 and Q3 2009 Plans. Restructuring and lease charges were \$2.5 million for the nine months ended September 28, 2008 as a result of our Q3 2008 Plan. Purchase accounting adjustments for contingent consideration and other acquisition costs related to certain acquisitions completed to date in fiscal year 2009 added an expense of approximately \$0.6 million for the nine months ended October 4, 2009. The amortization of purchase accounting adjustments to record the inventory from certain acquisitions completed to date in fiscal year 2009 added an expense of approximately \$0.2 million for the nine months ended October 4, 2009. The combined unfavorable impact of decreased sales volume, increased sales and marketing expenses, particularly in emerging territories, increased pension expenses and foreign exchange decreased operating income for the nine months ended October 4, 2009, which was partially offset by productivity improvements and cost containment initiatives.

### **Liquidity and Capital Resources**

We require cash to pay our operating expenses, make capital expenditures, make acquisitions, service our debt and other long-term liabilities, repurchase shares of our common stock and pay dividends on our common stock. Our principal sources of funds are from our operations and the capital markets, particularly the debt markets. In the near term, we anticipate that our operations will generate sufficient cash to fund our operating expenses, capital expenditures, interest payments on our debt and dividends on our common stock. In the long term, we expect to use internally generated funds and external sources to satisfy our debt and other long-term liabilities.

Principal factors that could affect the availability of our internally generated funds include:

deterioration of sales due to weakness in markets in which we sell our products and services, and

changes in our working capital requirements.

Principal factors that could affect our ability to obtain cash from external sources include:

financial covenants contained in the financial instruments controlling our borrowings that limit our total borrowing capacity,

increases in interest rates applicable to our outstanding variable rate debt,

a ratings downgrade that would limit our ability to borrow under our amended and restated senior unsecured revolving credit facility and our overall access to the corporate debt market,

increases in interest rates or credit spreads, as well as limitations on the availability of credit, that affect our ability to borrow under future potential facilities on a secured or unsecured basis,

a decrease in the market price for our common stock, and

volatility in the public debt and equity markets.

On October 23, 2008, we announced that our Board authorized us to repurchase up to 10.0 million shares of our common stock under a stock repurchase program (the "Repurchase Program"). The Repurchase Program will expire on October 22, 2012 unless terminated earlier by our Board, and may be suspended or discontinued at any time. During the first nine months of fiscal year 2009, we repurchased 1,000,833 shares of our common stock in the open market at an aggregate cost of \$14.2 million, including commissions, under the Repurchase Program. The repurchased shares have been reflected as additional authorized but unissued shares, with the payments reflected in common stock and capital in

excess of par value.

Our Board has authorized us to repurchase shares of our common stock to satisfy minimum statutory tax withholding obligations in connection with the vesting of restricted stock awards and restricted stock unit awards granted pursuant to our equity incentive plans. During the first nine months of fiscal year 2009, we repurchased

---

## **Table of Contents**

28,890 shares of our common stock for this purpose. The repurchased shares have been reflected as additional authorized but unissued shares, with the payments reflected in common stock and capital in excess of par value.

At October 4, 2009, we had cash and cash equivalents of approximately \$150.6 million and an amended senior unsecured revolving credit facility with \$212.5 million available for additional borrowing.

In connection with the settlement of an insurance claim resulting from a fire that occurred at our facility in Boston, Massachusetts in March 2005, we accrued \$9.7 million during fiscal year 2007, representing management's estimate of the total cost for decommissioning the building, including environmental matters, that was damaged in the fire. We paid \$2.5 million during the first nine months of fiscal year 2009, \$1.6 million during fiscal year 2008 and \$3.9 million during fiscal year 2007 towards decommissioning the building. We anticipate that the remaining payments of \$1.7 million will be completed by the end of the second quarter of fiscal year 2010.

Distressed global financial markets have adversely impacted general economic conditions by reducing liquidity and credit availability, creating increased volatility in security prices, widening credit spreads, and decreasing valuations of certain investments. The widening of credit spreads may create a less favorable environment for certain of our businesses and may affect the fair value of financial instruments that we issue or hold. Increases in credit spreads, as well as limitations on the availability of credit at rates we consider to be reasonable, could affect our ability to borrow under future potential facilities on a secured or unsecured basis, which may adversely affect our liquidity and results of operations.

Our pension plans have not experienced any material impact on liquidity or counterparty exposure due to the volatility in the credit markets; however, as a result of losses experienced in global equity markets, our pension funds had a negative return for fiscal year 2008, offset by modest gains for the first nine months of fiscal year 2009, which in turn created increased pension costs in fiscal year 2009 and potentially in additional future periods. In addition, we may be required to fund our pension plans with a contribution of up to \$18.0 million by the end of fiscal year 2010, and we could potentially have to make additional funding payments in future periods. We cannot predict how long these conditions will exist or how our businesses may be affected. In difficult global financial markets, we may be forced to fund our operations at a higher cost, or we may be unable to raise as much funding as we need to support our business activities.

### ***Cash Flows***

*Operating Activities.* Net cash provided by continuing operations was \$93.9 million for the nine months ended October 4, 2009, as compared to net cash provided by continuing operations of \$119.0 million for the nine months ended September 28, 2008, a decrease of \$25.2 million. The decrease in cash provided by operating activities for the nine months ended October 4, 2009 was driven by the repayment and termination of our accounts receivable securitization facility for \$40.0 million. The accounts receivable securitization facility totaled \$40.0 million at December 28, 2008. Depreciation and amortization was \$67.1 million, income from continuing operations was \$54.0 million, and restructuring and lease charges were \$20.2 million. These amounts were partially offset by a net decrease in working capital of \$40.6 million. Contributing to the net decrease in working capital for the nine months ended October 4, 2009, excluding the effect of foreign exchange rate fluctuations, was an increase in inventory of \$16.3 million, a decrease in accounts payable of \$12.5 million and an increase in accounts receivable of \$11.7 million, which included the repayment and termination of our accounts receivable securitization for \$40.0 million. The increase in inventory was primarily the result of lower sales volume and expanding the amount of inventory held at sales locations within our Environmental Health and Human Health segments to improve timing of sales. The decrease in accounts payable was a result of the timing of disbursements during the first nine months of fiscal year 2009. The increase in accounts receivable was a result of lower sales volume and strong performance in accounts receivable collections during the first nine months of fiscal year 2009, offset by the repayment and termination of our accounts receivable securitization for \$40.0 million. Changes in accrued expenses, other assets and liabilities and other items, net, totaled \$6.9 million for the nine months ended October 4, 2009, and primarily related to the timing of payments for tax, restructuring and salary and benefits.

---

**Table of Contents**

*Investing Activities.* Net cash used in continuing operations investing activities was \$142.1 million for the nine months ended October 4, 2009, as compared to \$117.5 million of cash used in continuing operations investing activities for the nine months ended September 28, 2008. For the nine months ended October 4, 2009, we used \$114.2 million of net cash for acquisitions and core technology purchases and \$8.5 million for earn-out payments, acquired licenses, related transaction costs for acquisitions completed prior to fiscal year 2009 and other costs in connection with these and other transactions. Capital expenditures for the nine months ended October 4, 2009 were \$20.8 million, primarily in the areas of tooling and other capital equipment purchases. These cash outflows were partially offset by \$1.4 million related to the release of restricted cash balances.

*Financing Activities.* Net cash provided by continuing operations financing activities was \$24.9 million for the nine months ended October 4, 2009, as compared to \$24.3 million of net cash used in continuing operations financing activities for the nine months ended September 28, 2008. For the nine months ended October 4, 2009, we repurchased approximately 1.0 million shares of our common stock, including 28,890 shares to satisfy minimum statutory tax withholding obligations in connection with the vesting of restricted stock awards, for a total cost of \$14.6 million. This compares to repurchases of approximately 2.0 million shares of our common stock, including 20,903 shares of our common stock to satisfy minimum statutory tax withholding obligations in connection with the vesting of restricted stock awards, for a total cost of \$57.1 million for the nine months ended September 28, 2008. This use of cash was offset by proceeds from common stock option exercises of \$2.3 million, including the related excess tax benefit, for the nine months ended October 4, 2009. This compares to the proceeds from common stock option exercises of \$43.8 million, including the related excess tax benefit, for the nine months ended September 28, 2008. During the nine months ended October 4, 2009, debt borrowings from our amended senior unsecured revolving credit facility totaled \$339.5 million, which was offset by debt reductions of \$277.6 million. This compares to debt borrowings from our amended senior unsecured revolving credit facility of \$409.5 million and proceeds of \$150.0 million from the issuance of our seven-year senior unsecured notes at a rate of 6%, which were offset by debt reductions of \$531.5 million during the nine months ended September 28, 2008. We also paid \$11.7 million to settle forward interest rate contracts, with notional amounts totaling \$150.0 million and a weighted average interest rate of 4.25%, and \$2.0 million for debt issuance costs during the nine months ended September 28, 2008. In addition, we paid \$24.5 million and \$24.8 million in dividends during the nine months ended October 4, 2009 and September 28, 2008, respectively.

***Borrowing Arrangements***

*Amended Senior Unsecured Revolving Credit Facility.* On August 13, 2007, we entered into an amended and restated senior unsecured revolving credit facility providing for a facility through August 13, 2012, which amended and restated in its entirety our previous senior revolving credit agreement dated as of October 31, 2005. During the first quarter of fiscal year 2008, we exercised our option to increase the amended senior unsecured revolving credit facility to \$650.0 million from \$500.0 million. Letters of credit in the aggregate amount of approximately \$13.0 million were issued under the previous facility, which are treated as issued under the amended facility. We use the amended senior unsecured revolving credit facility for general corporate purposes, which may include working capital, refinancing existing indebtedness, capital expenditures, share repurchases, acquisitions and strategic alliances. The interest rates under the amended senior unsecured revolving credit facility are based on the Eurocurrency rate at the time of borrowing plus a margin, or the base rate from time to time. The base rate is the higher of (i) the corporate base rate announced from time to time by Bank of America, N.A. and (ii) the Federal Funds rate plus 50 basis points. We may allocate all or a portion of our indebtedness under the amended senior unsecured revolving credit facility to interest based upon the Eurocurrency rate plus a margin, or the base rate. The Eurocurrency margin as of October 4, 2009 was 40 basis points. The weighted average Eurocurrency interest rate as of October 4, 2009 was 0.24%, resulting in a weighted average effective Eurocurrency rate, including the margin, of 0.64%. We had drawn down approximately \$424.5 million of borrowings in U.S. Dollars under the facility as of October 4, 2009, with interest based on the above described Eurocurrency rate. The agreement for the facility contains affirmative, negative and financial covenants and events of default customary for financings of this type, which are consistent with those financial covenants contained in our previous senior revolving credit agreement. The financial covenants in our amended and restated

---

**Table of Contents**

senior unsecured revolving credit facility include debt-to-capital ratios and a contingent maximum total leverage ratio, applicable if our credit rating is down-graded below investment grade. We were in compliance with all applicable covenants as of October 4, 2009, and anticipate being in compliance for the duration of the term of the credit facility.

*6% Senior Unsecured Notes.* On May 30, 2008, we issued and sold seven-year senior notes at a rate of 6% with a face value of \$150.0 million and received \$150.0 million in gross proceeds from the issuance. The debt, which matures in May 2015, is unsecured. Interest on the 6% senior notes is payable semi-annually on May 30th and November 30th. We may redeem some or all of our 6% senior notes at any time in an amount not less than 10% of the original aggregate principal amount, plus accrued and unpaid interest, plus the applicable make-whole amount. The financial covenants in our 6% senior notes include debt-to-capital ratios which, if our credit rating is down-graded below investment grade, would be replaced by a contingent maximum total leverage ratio. We were in compliance with all applicable covenants as of October 4, 2009, and anticipate being in compliance for the duration of the term of the notes.

We entered into forward interest rate contracts in October 2007 that were intended to hedge movements in interest rates prior to our expected debt issuance. In May 2008, we settled forward interest rate contracts with notional amounts totaling \$150.0 million upon the issuance of our 6% senior unsecured notes, and recognized \$8.4 million, net of taxes of \$5.4 million, of accumulated derivative losses in other comprehensive loss. We did not recognize any ineffectiveness related to these cash flow hedges. As of October 4, 2009, the balance remaining in accumulated other comprehensive loss related to these cash flow hedges, net of taxes of \$4.4 million, was \$6.8 million. The derivative losses are amortized into interest expense when the hedged exposure affects interest expense. We amortized into interest expense \$1.5 million during the first nine months of fiscal year 2009 and \$1.2 million during fiscal year 2008 for these derivative losses.

**Off-Balance Sheet Arrangements**

***Receivables Securitization Facility***

During fiscal year 2001, we established a wholly owned consolidated subsidiary to maintain a receivables purchase agreement with a third-party financial institution. Under this arrangement, we sold, on a revolving basis, certain of our accounts receivable balances to the consolidated subsidiary which simultaneously sold an undivided percentage ownership interest in designated pools of receivables to a third-party financial institution. As collections reduced the balance of sold accounts receivable, new receivables were sold. Our consolidated subsidiary retained the risk of credit loss on the receivables. Accordingly, the full amount of the allowance for doubtful accounts had been provided for on our balance sheets. The amount of receivables sold and outstanding with the third-party financial institution was not to exceed \$65.0 million, reduced to \$50.0 million in March 2009. Under the terms of this agreement, our consolidated subsidiary retained collection and administrative responsibilities for the balances. The agreement required the third-party financial institution to be paid interest during the period from the date the receivable was sold to its maturity date.

In March 2009, our consolidated subsidiary entered into an agreement to extend the term of the accounts receivable securitization facility to December 30, 2009. On June 30, 2009, our consolidated subsidiary exercised the right to terminate the receivables purchase agreement with a third-party financial institution releasing both parties of their rights, liabilities and obligations under this agreement.

The aggregate amount of receivables sold to the consolidated subsidiary was \$72.8 million as of December 28, 2008. At December 28, 2008, an undivided interest of \$40.0 million in the receivables had been sold to the third-party financial institution under this agreement. The remaining interest in receivables of \$32.8 million that was sold to and held by the consolidated subsidiary was included in accounts receivable in the condensed consolidated financial statements at December 28, 2008.

**Table of Contents****Dividends**

Our Board declared regular quarterly cash dividends of \$0.07 per share in the first three quarters of fiscal year 2009 and in each quarter of fiscal year 2008. On October 21, 2009, we announced that our Board had declared a quarterly dividend of \$0.07 per share for the fourth quarter of fiscal year 2009 that will be paid in February 2010. In the future, our Board may determine to reduce or eliminate our common stock dividend in order to fund investments for growth, repurchase shares or conserve capital resources.

**Contractual Obligations**

The following table summarizes our contractual obligations as of October 4, 2009:

	Operating Leases	Amended Sr. Unsecured Revolving Credit Facility Maturing 2012 <sup>(1)</sup>	6.0% Sr. Notes Maturing 2015 <sup>(2)</sup>	Other Debt Facilities <sup>(1)</sup>	Employee Benefit Plans	Uncertain Tax Positions <sup>(3)</sup>	Total
	(In thousands)						
2009	\$ 10,416	\$	\$	\$ 36	\$ 6,079	\$ 5,585	\$ 22,116
2010	33,451			146	24,872		58,469
2011	26,895			2,198	25,212		54,305
2012	22,605	424,500			25,768		472,873
2013	19,041				27,110		46,151
Thereafter	105,634		150,000		144,457		400,091
<b>Total</b>	<b>\$ 218,042</b>	<b>\$ 424,500</b>	<b>\$ 150,000</b>	<b>\$ 2,380</b>	<b>\$ 253,498</b>	<b>\$ 5,585</b>	<b>\$ 1,054,005</b>

(1) The credit facilities borrowings carry variable interest rates; the amounts included in this table do not contemplate interest obligations.

(2) For the purposes of this table, the obligation has been calculated without interest obligations.

(3) The amount includes accrued interest, net of tax benefits, and penalties. We have excluded \$40.0 million, including accrued interest, net of tax benefits, and penalties, from the amount related to our uncertain tax positions as we cannot make a reasonably reliable estimate of the amount and period of related future payments.

**Effects of Recently Adopted Accounting Pronouncements**

In December 2007, the Financial Accounting Standards Board ( FASB ) issued authoritative guidance on business combinations. This guidance establishes principles and requirements for how an acquirer recognizes and measures in its financial statements significant aspects of a business combination. Under this guidance, acquisition costs are generally expensed as incurred; noncontrolling interests are reflected at fair value at the acquisition date; in-process research and development ( IPR&D ) is recorded at fair value as an intangible asset at the acquisition date; restructuring costs associated with a business combination are generally expensed rather than capitalized; contingent consideration is measured at fair value at the acquisition date, with changes in the fair value after the acquisition date affecting earnings; and changes in deferred tax asset valuation allowances and income tax uncertainties after the measurement period will affect income tax expense. This guidance amends the accounting for income taxes such that adjustments made to valuation allowances on deferred taxes and acquired tax contingencies associated with acquisitions that closed prior to the effective date of this guidance would also apply the provisions of this guidance. This guidance also establishes disclosure requirements to enable the evaluation of the nature and financial effects of the business combination. This guidance is effective on a prospective basis for all business combinations for which the acquisition date is on or after the beginning of the first annual period subsequent to December 15, 2008, with the exception of the accounting for valuation allowances on deferred taxes and acquired tax contingencies. We adopted this authoritative guidance on business combinations in the first quarter of fiscal year 2009. The adoption of this guidance did not have a significant impact on our acquisition activity in the nine months ended October 4, 2009. See Note 2 for the impact on our condensed consolidated financial statements.



## **Table of Contents**

In December 2007, the FASB issued authoritative guidance on noncontrolling interests. This guidance establishes accounting and reporting standards for ownership interests in subsidiaries held by parties other than the parent, the amount of consolidated net income attributable to the parent and to the noncontrolling interest, changes in a parent's ownership interest, and the valuation of retained noncontrolling equity investments when a subsidiary is deconsolidated. This guidance also establishes disclosure requirements that clearly identify and distinguish between the interests of the parent and the interests of the noncontrolling owners. We adopted this authoritative guidance on noncontrolling interests in the first quarter of fiscal year 2009. The adoption of this guidance did not have a significant impact on our condensed consolidated financial statements.

In March 2008, the FASB issued authoritative guidance on disclosures about derivative instruments and hedging activities. This guidance is intended to improve transparency in financial reporting by requiring enhanced disclosures of an entity's derivative instruments and hedging activities and their effects on the entity's financial position, results of operations and cash flows. This guidance establishes principles and requirements for how an entity identifies derivative instruments and related hedged items that affect its financial position, results of operations and cash flows. This guidance also establishes disclosure requirements that the fair values of derivative instruments and their gains and losses are disclosed in a tabular format, that derivative features which are credit-risk related be disclosed to provide clarification to an entity's liquidity and that cross-referencing be included within footnotes. We adopted this authoritative guidance on disclosures about derivative instruments and hedging activities in the first quarter of fiscal year 2009 and have evaluated the requirements, which provide for additional disclosure on our derivative instruments. See Notes 17 and 18 for our disclosure on derivative instruments and hedging activities.

In April 2008, the FASB issued authoritative guidance on determination of the useful life of intangible assets. This guidance amends the factors that should be considered in developing renewal or extension assumptions used to determine the useful life of a recognized intangible asset. The objective 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 under the new authoritative guidance on business combinations, and other accounting principles. This guidance applies to all intangible assets, whether acquired in a business combination or otherwise, and early adoption is prohibited. We adopted this authoritative guidance on determination of the useful life of intangible assets in the first quarter of fiscal year 2009. The adoption of this guidance did not have a significant impact on our condensed consolidated financial statements.

In April 2009, the FASB issued authoritative guidance on accounting for assets acquired and liabilities assumed in a business combination that arise from contingencies, which amends and clarifies the initial recognition and measurement, subsequent measurement and accounting, and related disclosures of assets and liabilities arising from contingencies in a business combination. This guidance is effective for assets and liabilities arising from contingencies in business combinations for which the acquisition date is on or after the beginning of the first annual period subsequent to December 15, 2008. We adopted this authoritative guidance in the first quarter of fiscal year 2009 in conjunction with the adoption of the new authoritative guidance on business combinations. The adoption of this guidance did not have a significant impact on our acquisition activity in the nine months ended October 4, 2009. See Note 2 for the impact on our condensed consolidated financial statements.

In April 2009, the FASB issued authoritative guidance on disclosures about fair value of financial instruments, which requires disclosures about fair value of financial instruments not measured on the balance sheet at fair value in interim financial statements as well as in annual financial statements. Prior to this guidance, fair values for these assets and liabilities were only disclosed annually. This guidance requires all entities to disclose the method(s) and significant assumptions used to estimate the fair value of financial instruments and is effective for interim periods ending after June 15, 2009, with early adoption permitted for periods ending after March 15, 2009. In periods after initial adoption, this guidance requires comparative disclosures only for periods ending after initial adoption. We adopted this authoritative guidance in the second quarter of fiscal year 2009. The adoption of this guidance did not have a significant impact on our condensed consolidated financial statements.



---

## **Table of Contents**

In May 2009, the FASB issued authoritative guidance on subsequent events, which establishes general standards for the accounting and disclosure of events or transactions that occur during the period after the balance sheet date that management will need to evaluate for potential recognition or disclosure in the financial statements, the circumstances under which an entity shall recognize events or transactions occurring after the balance sheet date in its financial statements, and the disclosures that an entity shall make about events or transactions that occurred after the balance sheet date. We adopted this authoritative guidance on subsequent events in the second quarter of fiscal year 2009. The adoption of this guidance had no impact on our condensed consolidated financial statements. We have evaluated subsequent events through November 12, 2009, which is the date our condensed consolidated financial statements were issued.

In June 2009, the FASB issued the FASB Accounting Standards Codification (the Codification) and the hierarchy of U.S. Generally Accepted Accounting Principles (GAAP). The Codification will now be the source of authoritative GAAP recognized by the FASB to be applied by nongovernmental entities. All guidance contained in the Codification carries an equal level of authority. Rules and interpretive releases of the SEC under authority of federal securities laws are also sources of authoritative GAAP for SEC registrants. As of the effective date, the Codification superseded all then-existing non-SEC accounting and reporting standards. All other nongrandfathered non-SEC accounting literature not included in the Codification will become nonauthoritative. We adopted this authoritative guidance in the third quarter of fiscal year 2009. The adoption of this guidance had no impact on our condensed consolidated financial statements.

### **Effects of Recently Issued Accounting Pronouncements**

In December 2008, the FASB issued authoritative guidance on employers' disclosures about postretirement benefit plan assets, which requires additional disclosures for employers' pension and other postretirement benefit plan assets. Pension and other postretirement benefit plan assets were not included within the scope of the guidance on fair value measurements. This guidance requires employers to disclose information about fair value measurements of plan assets similar to the disclosures required under the fair value measurement guidance, including the investment policies and strategies for the major categories of plan assets, and significant concentrations of risk within plan assets. This guidance will be effective for fiscal years ending after December 15, 2009, with earlier adoption permitted. Upon initial adoption, the provisions of this guidance are not required for earlier periods that are presented for comparative purposes. We will be required to adopt this authoritative guidance in the fourth quarter of fiscal year 2009. This guidance affects only disclosure requirements; we expect the adoption of this guidance will have no impact on our consolidated financial statements.

In June 2009, the FASB issued authoritative guidance on the accounting for transfers of financial assets. This guidance is intended to improve practices that have developed that are not consistent with the original intent and key requirements of the original disclosure requirements, including establishing a new participating interest definition that must be met for transfers of portions of financial assets to be eligible for sale accounting, clarifying and amending the derecognition criteria for a transfer to be accounted for as a sale, and changing the amount that can be recognized as a gain or loss on a transfer accounted for as a sale when beneficial interests are received by the transferor. This guidance also requires enhanced disclosures to provide information about transfers of financial assets and a transferor's continuing involvement with transferred financial assets. We will be required to adopt this authoritative guidance on the accounting for transfers of financial assets in the first quarter of fiscal year 2010. We expect the adoption of this guidance will not have a significant impact on our condensed consolidated financial statements.

In June 2009, the FASB issued authoritative guidance on the consolidation of variable interest entities. This guidance requires an enterprise to qualitatively assess the determination of the primary beneficiary of a variable interest entity based on whether the entity has the power to direct the activities of a variable interest entity that most significantly impact the entity's economic performance and has the obligation to absorb losses of the entity or the right to receive benefits from the entity that could potentially be significant to the variable interest entity.

**Table of Contents**

Also, this guidance requires an ongoing reconsideration of the primary beneficiary, and amends the events that trigger a reassessment of whether an entity is a variable interest entity. Enhanced disclosures are also required to provide information about an enterprise's involvement in a variable interest entity. We will be required to adopt this authoritative guidance on the consolidation of variable interest entities in the first quarter of fiscal year 2010. We expect the adoption of this guidance will not have a significant impact on our condensed consolidated financial statements.

In October 2009, the FASB issued authoritative guidance on multiple-deliverable revenue arrangements. This guidance establishes the accounting and reporting guidance for arrangements including multiple revenue-generating activities. This guidance provides amendments to the criteria for separating and measuring deliverables and allocating arrangement consideration to one or more units of accounting. The amendments in this guidance 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 vendor's multiple-deliverable revenue arrangements, including information about the nature and terms of significant deliverables, and a vendor's performance within those 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. We will be required to adopt this authoritative guidance on multiple-deliverable revenue arrangements in the first quarter of fiscal year 2011. We are currently evaluating the requirements of this guidance and have not yet determined the impact of its adoption on our condensed consolidated financial statements.

In October 2009, the FASB issued authoritative guidance on certain revenue arrangements that include software elements. This guidance changes the accounting model for revenue arrangements that include both tangible products and software elements that are essential to the functionality of the product and excludes these products from current software revenue guidance. The new guidance will include factors to help companies determine what software elements are considered essential to the functionality. Once adopted the amendments will subject software-enabled products to other revenue guidance and disclosure requirements, such as guidance surrounding revenue arrangements with multiple deliverables. We will be required to adopt this authoritative guidance on certain revenue arrangements that include software elements in the first quarter of fiscal year 2011. We are currently evaluating the requirements of this guidance and have not yet determined the impact of its adoption on our condensed consolidated financial statements.

**Item 3. *Quantitative and Qualitative Disclosures About Market Risk***  
***Market Risk***

*Market Risk.* We are exposed to market risk, including changes in interest rates and currency exchange rates. To manage the volatility relating to these exposures, we enter into various derivative transactions pursuant to our policies to hedge against known or forecasted market exposures. We briefly describe several of the market risks we face below. The following disclosure is not materially different from the disclosure provided under the heading, Item 7A. *Quantitative and Qualitative Disclosure About Market Risk*, in our 2008 Form 10-K.

*Foreign Exchange Risk.* The potential change in foreign currency exchange rates poses a substantial risk to us, as approximately 60% of our business is conducted outside of the United States, generally in foreign currencies. Our risk management strategy currently uses forward contracts to mitigate certain balance sheet foreign currency transaction exposures. The intent is to offset gains and losses that occur on the underlying exposures from these currencies, with gains and losses resulting from the forward contracts that hedge these exposures. In addition, we are able to partially mitigate the impact that fluctuations in currencies have on our net income as a result of our manufacturing facilities located in countries outside the United States, material sourcing and other spending which occurs in countries outside the United States, resulting in natural hedges.

Principal hedged currencies include the British Pound (GBP), Canadian Dollar (CAD), Euro (EUR), Japanese Yen (JPY), and Singapore Dollar (SGD). We held forward foreign exchange contracts with U.S. equivalent notional amounts totaling \$173.8 million and \$107.8 million as of October 4, 2009 and September 28,

**Table of Contents**

2008, respectively. The fair value of these foreign currency derivative contracts was insignificant. The gains and losses realized on foreign currency derivative contracts are not material and the duration of these contracts was generally 30 days during both fiscal years 2009 and 2008.

We do not enter into foreign currency derivative contracts for trading or other speculative purposes, nor do we use leveraged financial instruments. Although we attempt to manage our foreign currency exchange risk through the above activities, when the U.S. Dollar weakens against other currencies in which we transact business, generally sales and net income will be positively, but not proportionately impacted.

*Foreign Currency Risk Value-at-Risk Disclosure.* We continue to measure foreign currency risk using the Value-at-Risk model described in Item 7A. *Quantitative and Qualitative Disclosure About Market Risk,* of our 2008 Form 10-K. The measures for our Value-at-Risk analysis have not changed materially.

*Interest Rate Risk.* As described above, our debt portfolio includes variable rate instruments. Fluctuations in interest rates can therefore have a direct impact on both our short-term cash flows, as they relate to interest, and our earnings. To manage the volatility relating to these exposures, we may enter into various derivative transactions pursuant to our policies to hedge against known or forecasted interest rate exposures.

We entered into forward interest rate contracts in October 2007 that were intended to hedge movements in interest rates prior to our expected debt issuance. In May 2008, we settled forward interest rate contracts with notional amounts totaling \$150.0 million upon the issuance of our 6% senior unsecured notes, and recognized \$8.4 million, net of taxes of \$5.4 million, of accumulated derivative losses in other comprehensive loss. We did not recognize any ineffectiveness related to these cash flow hedges. As of October 4, 2009, the balance remaining in accumulated other comprehensive loss related to these cash flow hedges, net of taxes of \$4.4 million, was \$6.8 million. The derivative losses are amortized into interest expense when the hedged exposure affects interest expense. We amortized into interest expense \$1.5 million during the first nine months of fiscal year 2009 and \$1.2 million during fiscal year 2008 for these derivative losses.

*Interest Rate Risk Sensitivity.* Our 2008 Form 10-K presents sensitivity measures for our interest rate risk. The measures for our sensitivity analysis have not changed materially. We refer to Item 7A. *Quantitative and Qualitative Disclosure About Market Risk,* in our 2008 Form 10-K for our sensitivity disclosure.

**Item 4. Controls and Procedures**

Our management, with the participation of our Chief Executive Officer and our Chief Financial Officer, evaluated the effectiveness of our disclosure controls and procedures as of the end of our fiscal quarter ended October 4, 2009. The term disclosure controls and procedures, as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended (the Exchange Act), means controls and other procedures of a company that are designed to ensure that information required to be disclosed by a company in the reports that it files or submits under the Exchange Act is recorded, processed, summarized and reported, within the time periods specified in the Securities and Exchange Commission's rules and forms. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed by a company in the reports that it files or submits under the Exchange Act is accumulated and communicated to the company's management, including its principal executive and principal financial officers, as appropriate to allow timely decisions regarding required disclosure. Our management recognizes that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving their objectives and management necessarily applies its judgment in evaluating the cost-benefit relationship of possible controls and procedures. Based on their evaluation of our disclosure controls and procedures as of the end of our fiscal quarter ended October 4, 2009, our Chief Executive Officer and our Chief Financial Officer concluded that, as of such date, our disclosure controls and procedures were effective at the reasonable assurance level.

No change in our internal control over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) occurred during the fiscal quarter ended October 4, 2009 that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

**Table of Contents****PART II. OTHER INFORMATION****Item 1. Legal Proceedings**

Enzo Biochem, Inc. and Enzo Life Sciences, Inc. (collectively, Enzo) filed a complaint dated October 23, 2002 in the United States District Court for the Southern District of New York, Civil Action No. 02-8448, against Amersham plc, Amersham BioSciences, PerkinElmer, Inc., PerkinElmer Life Sciences, Inc., Sigma-Aldrich Corporation, Sigma Chemical Company, Inc., Molecular Probes, Inc., and Orchid BioSciences, Inc. The complaint alleges that we have breached our distributorship and settlement agreements with Enzo, infringed Enzo's patents, engaged in unfair competition and fraud, and committed torts against Enzo by, among other things, engaging in commercial development and exploitation of Enzo's patented products and technology, separately and together with the other defendants. Enzo seeks injunctive and monetary relief. In 2003, the court severed the lawsuit and ordered Enzo to serve individual complaints against the five defendants. We subsequently filed an answer and a counterclaim alleging that Enzo's patents are invalid. In July 2006, the court issued a decision regarding the construction of the claims in Enzo's patents that effectively limited the coverage of certain of those claims and, we believe, excludes certain of our products from the coverage of Enzo's patents. Summary judgment motions were filed by the defendants in January 2007, and a hearing with oral argument on those motions took place in July 2007. In January 2009, the case was assigned to a new district court judge. On March 16, 2009, the new judge denied the pending summary judgment motions without prejudice and ordered a stay of the case until the federal appellate court decides Enzo's appeal of the judgment of the United States District Court for the District of Connecticut in Enzo Biochem vs. Applera Corp. and Tropix, Inc., which involves a number of the same patents and which could materially affect the scope of Enzo's case against us.

PharmaStem Therapeutics, Inc. (PharmaStem) filed a complaint dated February 22, 2002 against ViaCell, Inc. (ViaCell), which is now our wholly owned subsidiary, and several other defendants in the United States District Court for the District of Delaware, alleging infringement of United States Patents No. 5,004,681 and No. 5,192,553, relating to certain aspects of the collection, cryopreservation and storage of hematopoietic stem cells and progenitor cells from umbilical cord blood (PharmaStem I). After several years of proceedings at the District Court level, the United States Court of Appeals for the Federal Circuit issued a decision in July 2007 that ViaCell did not infringe these two patents and that the two patents are invalid. PharmaStem filed a certiorari petition in January 2008 seeking to have the United States Supreme Court review the appellate court's decision as to the invalidity of the patents, but did not seek any further review of the non-infringement decision. However, the United States Supreme Court denied certiorari in March 2008, so the decision by the United States Court of Appeals for the Federal Circuit in favor of ViaCell is final and non-appealable. PharmaStem had also filed a second complaint against ViaCell and other defendants in July 2004 in the United States District Court for the District of Massachusetts, alleging infringement of United States Patents No. 6,461,645 and 6,569,427, which also relate to certain aspects of the collection, cryopreservation and storage of hematopoietic stem cells and progenitor cells from umbilical cord blood (PharmaStem II). The Delaware court granted ViaCell's motion in October 2005 to stay the proceedings in PharmaStem II pending the outcome of PharmaStem I and a decision from the United States Patent and Trademark Office (U.S. PTO) on certain patent re-examination issues. On September 2, 2008, the U.S. PTO issued a Re-examination Certificate cancelling all claims of United States Patent No. 6,461,645, and on September 16, 2008, the U.S. PTO issued a Re-examination Certificate cancelling all claims of United States Patent No. 6,569,427. As a result of the cancellation of all patent claims involved in PharmaStem II by the U.S. PTO, we will seek a dismissal of all claims for relief set forth by PharmaStem in PharmaStem II.

We believe we have meritorious defenses to these lawsuits and other proceedings, and we are contesting the actions vigorously in all of the above unresolved matters. While each of these matters is subject to uncertainty, in the opinion of our management, based on its review of the information available at this time, the resolution of these matters will not have a material adverse impact on our condensed consolidated financial statements.

## **Table of Contents**

We are also subject to various other claims, legal proceedings and investigations covering a wide range of matters that arise in the ordinary course of our business activities. Although we have established accruals for potential losses that we believe are probable and reasonably estimable, in the opinion of our management, based on its review of the information available at this time, the total cost of resolving these other contingencies at October 4, 2009 should not have a material adverse effect on our condensed consolidated financial statements. However, each of these matters is subject to uncertainties, and it is possible that some of these matters may be resolved unfavorably to us.

### **Item 1A. Risk Factors**

The following important factors affect our business and operations generally or affect multiple segments of our business and operations and are not materially different from those factors reported in our Quarterly Report on Form 10-Q for the period ended July 5, 2009:

*If the markets into which we sell our products decline, or do not grow as anticipated due to a decline in general economic conditions or uncertainties surrounding the approval of government or industrial funding proposals, we may see an adverse effect on the results of our business operations.*

Our customers include pharmaceutical and biotechnology companies, laboratories, academic and research institutions, public health authorities, private healthcare organizations, doctors and government agencies. Our quarterly sales and results of operations are highly dependent on the volume and timing of orders received during the quarter. In addition, our revenues and earnings forecasts for future quarters are often based on the expected trends in our markets. However, the markets we serve do not always experience the trends that we may expect. Negative fluctuations in our customers' markets, the inability of our customers to secure credit or funding, restrictions in capital expenditures, general economic conditions or cuts in government funding would likely result in a reduction in demand for our products and services. In addition, government funding is subject to economic conditions and the political process, which is inherently fluid and unpredictable. Our revenues may be adversely affected if our customers delay or reduce purchases as a result of uncertainties surrounding the approval of government or industrial funding proposals. Such declines could harm our consolidated financial position, results of operations, cash flows and trading price of our common stock, and could limit our ability to sustain profitability.

*Our growth is subject to global economic, political and other risks.*

We have operations in many parts of the world. The health of the global economy has a significant impact on our business. Since 2008, worldwide economic conditions have experienced a severe downturn due to the sequential effects of the credit market crisis and the resulting impact on the finance and banking industries, volatile currency exchange rates and energy costs, inflation concerns, decreased consumer confidence, reduced corporate profits and capital expenditures, and liquidity concerns. For example, the current tightening of credit in the financial markets may make it more difficult for customers to obtain financing for their operations, resulting in a material decrease in the orders we receive. Our business is also affected by local economic environments, including inflation, recession, financial liquidity and currency volatility or devaluation. Political changes, some of which may be disruptive, could interfere with our supply chain, our customers and all of our activities in a particular location. In addition, our global manufacturing facilities face risks to their production capacity that may relate to natural disasters, labor relations or regulatory compliance. While some of these risks can be hedged using financial instruments and some are insurable, such attempts to mitigate these risks are costly and not always successful. In addition, our ability to engage in such mitigation has decreased or become even more costly as a result of recent market developments.

**Table of Contents**

*If we do not introduce new products in a timely manner, we may lose market share and be unable to achieve revenue growth targets.*

We sell many of our products in industries characterized by rapid technological change, frequent new product and service introductions, and evolving customer needs and industry standards. Many of the businesses competing with us in these industries have significant financial and other resources to invest in new technologies, substantial intellectual property portfolios, substantial experience in new product development, regulatory expertise, manufacturing capabilities, and the distribution channels to deliver products to customers. Our products could become technologically obsolete over time, or we may invest in technology that does not lead to revenue growth, or continue to sell products for which the demand from our customers is declining, in which case we may lose market share or not achieve our revenue growth targets. The success of our new product offerings will depend upon several factors, including our ability to:

accurately anticipate customer needs,

innovate and develop new technologies and applications,

successfully commercialize new technologies in a timely manner,

price our products competitively, and manufacture and deliver our products in sufficient volumes and on time, and

differentiate our offerings from our competitors' offerings.

Many of our products are used by our customers to develop, test and manufacture their products. We must anticipate industry trends and consistently develop new products to meet our customers' expectations. In developing new products, we may be required to make significant investments before we can determine the commercial viability of the new product. If we fail to accurately foresee our customers' needs and future activities, we may invest heavily in research and development of products that do not lead to significant sales. We may also suffer a loss in market share and potential sales revenue if we are unable to commercialize our technology in a timely and efficient manner.

In addition, some of our licensed technology is subject to contractual restrictions, which may limit our ability to develop or commercialize products for some applications.

*We may not be able to successfully execute acquisitions or license technologies, integrate acquired businesses or licensed technologies into our existing businesses, make acquired businesses or licensed technologies profitable, or successfully divest businesses.*

We have in the past supplemented, and may in the future supplement, our internal growth by acquiring businesses and licensing technologies that complement or augment our existing product lines, such as Opto Technology Inc., acquired in January 2009, Analytica of Branford, Inc., acquired in May 2009 and Sym-Bio LifeScience Co., Ltd., acquired in August 2009. However, we may be unable to identify or complete promising acquisitions or license transactions for many reasons, including:

competition among buyers and licensees,

the high valuations of businesses and technologies,

the need for regulatory and other approval, and

## Edgar Filing: PERKINELMER INC - Form 10-Q

our inability to raise capital to fund these acquisitions.

Some of the businesses we acquire may be unprofitable or marginally profitable. Accordingly, the earnings or losses of acquired businesses may dilute our earnings. For these acquired businesses to achieve acceptable levels of profitability, we would have to improve their management, operations, products and market penetration. We may not be successful in this regard and may encounter other difficulties in integrating acquired businesses

## **Table of Contents**

into our existing operations, such as incompatible management, information or other systems, cultural differences, unforeseen regulatory requirements, previously undisclosed liabilities or difficulties in predicting financial results. Additionally, if we are not successful in selling businesses we seek to divest, the activity of such businesses may dilute our earnings. As a result, our financial results may differ from our forecasts or the expectations of the investment community in a given quarter or over the long term.

To finance our acquisitions, we may have to raise additional funds, either through public or private financings. We may be unable to obtain such funds or may be able to do so only on terms unacceptable to us. We may also incur expenses related to completing acquisitions or licensing technologies, or in evaluating potential acquisitions or technologies, which expenses may adversely impact our profitability.

### ***We may not be successful in adequately protecting our intellectual property.***

Patent and trade secret protection is important to us because developing new products, processes and technologies gives us a competitive advantage, although it is time-consuming and expensive. We own many United States and foreign patents and intend to apply for additional patents. Patent applications we file, however, may not result in issued patents or, if they do, the claims allowed in the patents may be narrower than what is needed to protect fully our products, processes and technologies. Similarly, applications to register our trademarks may not be granted in all countries in which they are filed. For our intellectual property that is protected by keeping it secret, such as trade secrets and know-how, we may not use adequate measures to protect this intellectual property.

Third parties may also challenge the validity of our issued patents, may circumvent or design around our patents and patent applications, or may claim that our products, processes or technologies infringe their patents. In addition, third parties may assert that our product names infringe their trademarks. We may incur significant expense in legal proceedings to protect our intellectual property against infringement by third parties or to defend against claims of infringement by third parties. Claims by third parties in pending or future lawsuits could result in awards of substantial damages against us or court orders that could effectively prevent us from manufacturing, using, importing or selling our products in the United States or other countries.

### ***If we are unable to renew our licenses or otherwise lose our licensed rights, we may have to stop selling products or we may lose competitive advantage.***

We may not be able to renew our existing licenses, or licenses we may obtain in the future, on terms acceptable to us, or at all. If we lose the rights to a patented or other proprietary technology, we may need to stop selling products incorporating that technology and possibly other products, redesign our products or lose a competitive advantage. Potential competitors could in-license technologies that we fail to license and potentially erode our market share.

Our licenses typically subject us to various economic and commercialization obligations. If we fail to comply with these obligations, we could lose important rights under a license, such as the right to exclusivity in a market. In some cases, we could lose all rights under the license. In addition, rights granted under the license could be lost for reasons out of our control. For example, the licensor could lose patent protection for a number of reasons, including invalidity of the licensed patent, or a third-party could obtain a patent that curtails our freedom to operate under one or more licenses.

### ***If we do not compete effectively, our business will be harmed.***

We encounter aggressive competition from numerous competitors in many areas of our business. We may not be able to compete effectively with all of these competitors. To remain competitive, we must develop new products and periodically enhance our existing products. We anticipate that we may also have to adjust the prices of many of our products to stay competitive. In addition, new competitors, technologies or market trends may emerge to threaten or reduce the value of entire product lines.



**Table of Contents**

*Our quarterly operating results could be subject to significant fluctuation, and we may not be able to adjust our operations to effectively address changes we do not anticipate, which could increase the volatility of our stock price and potentially cause losses to our shareholders.*

Given the nature of the markets in which we participate, we cannot reliably predict future sales and profitability. Changes in competitive, market and economic conditions may require us to adjust our operations, and we may not be able to make those adjustments or make them quickly enough to adapt to changing conditions. A high proportion of our costs are fixed, due in part to our research and development and manufacturing costs. Thus, small declines in sales could disproportionately affect our operating results in a quarter. Factors that may affect our quarterly operating results include:

demand for and market acceptance of our products,

competitive pressures resulting in lower selling prices,

adverse changes in the level of economic activity in regions in which we do business,

decline in general economic conditions or government funding,

adverse income tax audit settlements,

differing tax laws and changes in those laws, or changes in the countries in which we are subject to tax,

fluctuations in our effective tax rate,

adverse changes in industries, such as pharmaceutical and biomedical,

changes in the portions of our sales represented by our various products and customers,

delays or problems in the introduction of new products,

our competitors' announcement or introduction of new products, services or technological innovations,

increased costs of raw materials, energy or supplies,

changes in the volume or timing of product orders, and

changes in assumptions used to determine contingent consideration in acquisitions.

***A significant disruption in third-party package delivery and import/export services, or significant increases in prices for those services, could interfere with our ability to ship products, increase our costs and lower our profitability.***

We ship a significant portion of our products to our customers through independent package delivery and import/export companies, including UPS and Federal Express in the United States, TNT, UPS and DHL in Europe and UPS in Asia. We also ship our products through other carriers, including national trucking firms, overnight carrier services and the United States Postal Service. If one or more of the package delivery or import/export providers experiences a significant disruption in services or institutes a significant price increase, the delivery of our products could be prevented or delayed. Such events could cause us to incur increased shipping costs that could not be passed on to our customers, negatively impacting our profitability and our relationships with certain of our customers.

***Disruptions in the supply of raw materials, certain key components, certain analytical instrumentation and other goods from our limited or single source suppliers could have an adverse effect on the results of our business operations, and could damage our relationships with customers.***

The production of our products requires a wide variety of raw materials, key components and other goods that are generally available from alternate sources of supply. However, certain critical raw materials, key components, analytical instrumentation and other goods required for the production and sale of some of our

## **Table of Contents**

principal products are available from limited or single sources of supply. We generally have multi-year contracts with no minimum purchase requirements with these suppliers, but those contracts may not fully protect us from a failure by certain suppliers or strategic relationships to supply critical materials and analytical instrumentation or from the delays inherent in being required to change suppliers and, in some cases, validate new raw materials. Such raw materials, key components, analytical instrumentation and other goods could usually be obtained from alternative sources with the potential for an increase in price, decline in quality or delay in delivery. A prolonged inability to obtain certain raw materials, key components, analytical instrumentation or other goods is possible and could have an adverse effect on our business operations, and could damage our relationships with customers.

***The manufacture and sale of products may expose us to product liability claims for which we could have substantial liability.***

We face an inherent business risk of exposure to product liability claims if our products or product candidates are alleged or found to have caused injury, damage or loss. We may in the future be unable to obtain insurance with adequate levels of coverage for potential liability on acceptable terms or claims of this nature may be excluded from coverage under the terms of any insurance policy that we can obtain. If we are unable to obtain such insurance or the amounts of any claims successfully brought against us substantially exceed our coverage, then our business could be adversely impacted.

***If we fail to maintain satisfactory compliance with the regulations of the United States Food and Drug Administration and other governmental agencies, we may be forced to recall products and cease their manufacture and distribution, and we could be subject to civil or criminal penalties.***

Our operations are subject to regulation by different state and federal government agencies in the United States and other countries. If we fail to comply with those regulations, we could be subject to fines, penalties, criminal prosecution or other sanctions. Some of the products produced by our Human Health segment are subject to regulation by the United States Food and Drug Administration and similar foreign and domestic agencies. These regulations govern a wide variety of product activities, from design and development to labeling, manufacturing, promotion, sales, resales and distribution. If we fail to comply with those regulations or those of similar foreign and domestic agencies, we may have to recall products, cease their manufacture and distribution, and may be subject to fines or criminal prosecution.

***Changes in governmental regulations may reduce demand for our products or increase our expenses.***

We compete in markets in which we or our customers must comply with federal, state, local and foreign regulations, such as environmental, health and safety, and food and drug regulations. We develop, configure and market our products to meet customer needs created by these regulations. Any significant change in these regulations could reduce demand for our products or increase our costs of producing these products.

***The healthcare industry is highly regulated and if we fail to comply with its extensive system of laws and regulations, we could suffer fines and penalties or be required to make significant changes to our operations which could have a significant adverse effect on the results of our business operations.***

The healthcare industry, including the genetic screening market, is subject to extensive and frequently changing international and United States federal, state and local laws and regulations. In addition, legislative provisions relating to healthcare fraud and abuse, patient privacy violations and misconduct involving government insurance programs provide federal enforcement personnel with substantial powers and remedies to pursue suspected violations. We believe that our business will continue to be subject to increasing regulation as the federal government continues to strengthen its position on healthcare matters, the scope and effect of which we cannot predict. If we fail to comply with applicable laws and regulations, we could suffer civil and criminal damages, fines and penalties, exclusion from participation in governmental healthcare programs, and the loss of various licenses, certificates and authorizations necessary to operate our business, as well as incur liabilities from third-party claims, all of which could have a significant adverse effect on our business.

**Table of Contents**

***Economic, political and other risks associated with foreign operations could adversely affect our international sales and profitability.***

Because we sell our products worldwide, our businesses are subject to risks associated with doing business internationally. Our sales originating outside the United States represented the majority of our total sales in the fiscal quarter ended October 4, 2009. We anticipate that sales from international operations will continue to represent a substantial portion of our total sales. In addition, many of our manufacturing facilities, employees and suppliers are located outside the United States. Accordingly, our future results of operations could be harmed by a variety of factors, including:

changes in foreign currency exchange rates,

changes in a country's or region's political or economic conditions, particularly in developing or emerging markets,

longer payment cycles of foreign customers and timing of collections in foreign jurisdictions,

trade protection measures and import or export licensing requirements,

differing tax laws and changes in those laws, or changes in the countries in which we are subject to tax,

adverse income tax audit settlements or loss of previously negotiated tax incentives,

differing business practices associated with foreign operations,

difficulty in staffing and managing widespread operations,

differing labor laws and changes in those laws,

differing protection of intellectual property and changes in that protection, and

differing regulatory requirements and changes in those requirements.

***If we do not retain our key personnel, our ability to execute our business strategy will be limited.***

Our success depends to a significant extent upon the continued service of our executive officers and key management and technical personnel, particularly our experienced engineers, and on our ability to continue to attract, retain, and motivate qualified personnel. The competition for these employees is intense. The loss of the services of one or more of our key personnel could have a material adverse effect on our operating results. In addition, there could be a material adverse effect on us should the turnover rates for engineers and other key personnel increase significantly or if we are unable to continue to attract qualified personnel. We do not maintain any key person life insurance policies on any of our officers or employees.

Our success also depends on our ability to execute leadership succession plans. The inability to successfully transition key management roles could have a material adverse effect on our operating results.

*If we experience a significant disruption in our information technology systems or if we fail to implement new systems and software successfully, our business could be adversely affected.*

We rely on several centralized information systems throughout our company to keep financial records, process orders, manage inventory, process shipments to customers and operate other critical functions. If we were to experience a prolonged system disruption in the information technology systems that involve our interactions with customers and suppliers, it could result in the loss of sales and customers and significant incremental costs, which could adversely affect our business.

## **Table of Contents**

### ***Restrictions in our credit facility and outstanding debt instruments may limit our activities.***

Our amended senior unsecured revolving credit facility and our 6% senior unsecured notes contain, and future debt instruments to which we may become subject may contain, restrictive covenants that limit our ability to engage in activities that could otherwise benefit our company. These debt instruments include restrictions on our ability and the ability of our subsidiaries to:

pay dividends on, redeem or repurchase our capital stock,

sell assets,

incur obligations that restrict their ability to make dividend or other payments to us,

guarantee or secure indebtedness,

enter into transactions with affiliates, and

consolidate, merge or transfer all or substantially all of our assets and the assets of our subsidiaries on a consolidated basis.

We are also required to meet specified financial ratios under the terms of our debt instruments. Our ability to comply with these financial restrictions and covenants is dependent on our future performance, which is subject to prevailing economic conditions and other factors, including factors that are beyond our control such as foreign exchange rates, interest rates, changes in technology and changes in the level of competition.

Our failure to comply with any of these restrictions in our amended senior unsecured revolving credit facility and our 6% senior unsecured notes may result in an event of default under either or both of these debt instruments, which could permit acceleration of the debt under either or both debt instruments, and require us to prepay that debt before its scheduled due date.

### ***Our results of operations will be adversely affected if we fail to realize the full value of our intangible assets.***

As of October 4, 2009, our total assets included \$1.9 billion of net intangible assets. Net intangible assets consist principally of goodwill associated with acquisitions and costs associated with securing patent rights, trademark rights, core technology and technology licenses, net of accumulated amortization. We test certain of these items specifically all of those that are considered non-amortizing at least on an annual basis for potential impairment by comparing the carrying value to the fair market value of the reporting unit to which they are assigned. All of our amortizing intangible assets are evaluated for impairment should discrete events occur that call into question the recoverability of the intangible assets.

Adverse changes in our business, adverse changes in the assumptions used to determine the fair value of our reporting units, or the failure to grow our Human Health and Environmental Health segments may result in impairment of our intangible assets, which could adversely affect our results of operations.

### ***Our share price will fluctuate.***

Over the last several quarters, stock markets in general and our common stock in particular have experienced significant price and volume volatility. Both the market price and the daily trading volume of our common stock may continue to be subject to significant fluctuations due not only to general stock market conditions but also to a change in sentiment in the market regarding our operations and business prospects. In addition to the risk factors discussed above, the price and volume volatility of our common stock may be affected by:

Edgar Filing: PERKINELMER INC - Form 10-Q

operating results that vary from the expectations of securities analysts and investors,

the financial performance of the major end markets that we target,

the operating and securities price performance of companies that investors consider to be comparable to us,

**Table of Contents**

announcements of strategic developments, acquisitions and other material events by us or our competitors, and

changes in global financial markets and global economies and general market conditions, such as interest or foreign exchange rates, commodity and equity prices and the value of financial assets.

*Dividends on our common stock could be reduced or eliminated in the future.*

On July 21, 2009, we announced that our Board had declared a quarterly dividend of \$0.07 per share for the third quarter of fiscal year 2009 that was paid in November 2009. On October 21, 2009, we announced that our Board had declared a quarterly dividend of \$0.07 per share for the fourth quarter of fiscal year 2009 that is payable in February 2010. In the future, our Board may determine to reduce or eliminate our common stock dividend in order to fund investments for growth, repurchase shares or conserve capital resources.

**Item 2. Unregistered Sales of Equity Securities and Use of Proceeds**  
**Stock Repurchase Program**

The following table provides information with respect to the shares of common stock repurchased by us for the periods indicated.

Period	Issuer Repurchases of Equity Securities			
	Total Number of Shares Purchased <sup>(1)(2)</sup>	Average Price Paid Per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Maximum Number of Shares that May Yet Be Purchased Under the Plans or Programs
July 6, 2009 – August 2, 2009	1,788	\$ 17.63	0	7,999,167
August 3, 2009 – August 30, 2009	0	\$ 0.00	0	7,999,167
August 31, 2009 – October 4, 2009	0	\$ 0.00	0	7,999,167
Activity for quarter ended October 4, 2009	1,788	\$ 17.63	0	7,999,167

- (1) On October 23, 2008, we announced that our Board authorized us to repurchase up to 10.0 million shares of our common stock under the Repurchase Program. The Repurchase Program will expire on October 22, 2012 unless terminated earlier by our Board, and may be suspended or discontinued at any time. During the first quarter of fiscal year 2009, we repurchased 1,000,000 shares of our common stock in the open market at an aggregate cost of \$14.2 million, including commissions, under the Repurchase Program. During the second quarter of fiscal year 2009, we repurchased 833 shares of our common stock in the open market at an aggregate cost of \$0.01 million, including commissions, under the Repurchase Program. We did not repurchase any shares of our common stock in the open market under the Repurchase Program during the third quarter of fiscal year 2009. The repurchased shares have been reflected as additional authorized but unissued shares, with the payments reflected in common stock and capital in excess of par value.
- (2) Our Board has authorized us to repurchase shares of our common stock to satisfy minimum statutory tax withholding obligations in connection with the vesting of restricted stock awards and restricted stock unit awards granted pursuant to our equity incentive plans. During the first quarter of fiscal year 2009, we repurchased 27,102 shares of our common stock for this purpose. During the second quarter of fiscal year 2009 we did not repurchase any of our common stock for this purpose. During the third quarter of fiscal year 2009, we repurchased 1,788 shares of our common stock for this purpose. The repurchased shares have been reflected as additional authorized but unissued shares, with the payments reflected in common stock and capital in excess of par value.



**Table of Contents**

**Item 6. Exhibits**

<b>Exhibit Number</b>	<b>Exhibit Name</b>
10.1	Equity Transfer Agreement, dated as of June 12, 2009, by and among The Sellers (as defined therein) and PerkinElmer IVD Pte. Ltd. (as Buyer). <sup>(1)</sup>
31.1	Certification of Chief Executive Officer pursuant to Rule 13a-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2	Certification of Chief Financial Officer pursuant to Rule 13a-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32.1	Certification of Chief Executive Officer and Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

- (1) Exhibits and schedules omitted pursuant to Item 601(b)(2) of Regulation S-K. PerkinElmer, Inc. agrees to furnish a supplemental copy of any omitted exhibit or schedule to the Securities and Exchange Commission upon request.

**Table of Contents**

**SIGNATURE**

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

PERKINELMER, INC.

By:                   /s/ FRANK A. WILSON  
  **Frank A. Wilson**

**Senior Vice President, Chief Financial Officer,**

**and Chief Accounting Officer**

November 12, 2009

**Table of Contents**

**EXHIBIT INDEX**

<b>Exhibit Number</b>	<b>Exhibit Name</b>
10.1	Equity Transfer Agreement, dated as of June 12, 2009, by and among The Sellers (as defined therein) and PerkinElmer IVD Pte. Ltd. (as Buyer). <sup>(1)</sup>
31.1	Certification of Chief Executive Officer pursuant to Rule 13a-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2	Certification of Chief Financial Officer pursuant to Rule 13a-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32.1	Certification of Chief Executive Officer and Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

- (1) Exhibits and schedules omitted pursuant to Item 601(b)(2) of Regulation S-K. PerkinElmer, Inc. agrees to furnish a supplemental copy of any omitted exhibit or schedule to the Securities and Exchange Commission upon request.