

NRG ENERGY, INC.  
Form 4  
August 03, 2016

**FORM 4**

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

OMB APPROVAL

OMB Number: 3235-0287  
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Check this box if no longer subject to Section 16. Form 4 or Form 5 obligations may continue. See Instruction 1(b).

**STATEMENT OF CHANGES IN BENEFICIAL OWNERSHIP OF SECURITIES**

Filed pursuant to Section 16(a) of the Securities Exchange Act of 1934, Section 17(a) of the Public Utility Holding Company Act of 1935 or Section 30(h) of the Investment Company Act of 1940

(Print or Type Responses)

1. Name and Address of Reporting Person \*  
Schaumburg Anne C

(Last) (First) (Middle)

NRG ENERGY, INC., 804  
CARNEGIE CENTER

(Street)

PRINCETON, NJ 08540

(City) (State) (Zip)

2. Issuer Name and Ticker or Trading Symbol  
NRG ENERGY, INC. [NRG]

3. Date of Earliest Transaction  
(Month/Day/Year)  
08/01/2016

4. If Amendment, Date Original Filed(Month/Day/Year)

5. Relationship of Reporting Person(s) to Issuer

(Check all applicable)

Director  10% Owner  
 Officer (give title below)  Other (specify below)

6. Individual or Joint/Group Filing(Check Applicable Line)  
 Form filed by One Reporting Person  
 Form filed by More than One Reporting Person

**Table I - Non-Derivative Securities Acquired, Disposed of, or Beneficially Owned**

1. Title of Security (Instr. 3)	2. Transaction Date (Month/Day/Year)	2A. Deemed Execution Date, if any (Month/Day/Year)	3. Transaction Code (Instr. 8)	4. Securities Acquired (A) or Disposed of (D) (Instr. 3, 4 and 5)	5. Amount of Securities Beneficially Owned Following Reported Transaction(s) (Instr. 3 and 4)	6. Ownership Form: Direct (D) or Indirect (I) (Instr. 4)	7. Nature of Ownership (Instr. 4)	
			Code	V	Amount	(A) or (D)	Price	
Common Stock, par value, \$.01 per share	08/01/2016		A		48	A	<u>1</u> 54,673 <sup>(2)</sup>	D

Reminder: Report on a separate line for each class of securities beneficially owned directly or indirectly.

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SEC 1474 (9-02)

**Table II - Derivative Securities Acquired, Disposed of, or Beneficially Owned (e.g., puts, calls, warrants, options, convertible securities)**

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1. Title of Derivative Security (Instr. 3)	2. Conversion or Exercise Price of Derivative Security	3. Transaction Date (Month/Day/Year)	3A. Deemed Execution Date, if any (Month/Day/Year)	4. Transaction Code (Instr. 8)	5. Number of Derivative Securities Acquired (A) or Disposed of (D) (Instr. 3, 4, and 5)	6. Date Exercisable and Expiration Date (Month/Day/Year)	7. Title and Amount of Underlying Securities (Instr. 3 and 4)	8. Price of Derivative Security (Instr. 5)	9. Number of Derivative Securities Owned Following Reporting Transaction (Instr. 6)
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## Reporting Owners

Reporting Owner Name / Address	Relationships			
	Director	10% Owner	Officer	Other
Schaumburg Anne C NRG ENERGY, INC. 804 CARNEGIE CENTER PRINCETON, NJ 08540		X		

## Signatures

/s/ Brian Curci, by Power of Attorney  
Date: 08/03/2016

\*\*Signature of Reporting Person

Date

## Explanation of Responses:

- \* If the form is filed by more than one reporting person, see Instruction 4(b)(v).
- \*\* Intentional misstatements or omissions of facts constitute Federal Criminal Violations. See 18 U.S.C. 1001 and 15 U.S.C. 78ff(a).
  - (1) Represents dividend equivalent rights accrued on the reporting person's deferred stock units, which become exercisable proportionately with the deferred stock units to which they relate and may only be settled in NRG common stock. Each dividend equivalent right is the economic equivalent of one share of NRG common stock.
  - (2) Reflects a de minimus adjustment to the number of DERs as a result of rounding fractional shares and correcting prior reporting errors by 30 DERs, resulting in the Reporting Person holding 1097 DERs in the aggregate.

Note: File three copies of this Form, one of which must be manually signed. If space is insufficient, see Instruction 6 for procedure. Potential persons who are to respond to the collection of information contained in this form are not required to respond unless the form displays a currently valid OMB number. ncorporate technological advances, meet customer requirements and respond to products developed by Meridian s competition. While Meridian has introduced a number of internally developed products, there can be no assurance that it will be successful in the future in introducing such products on a timely basis. Ongoing consolidations of reference laboratories and formation of multi-hospital alliances may cause adverse changes to pricing and distribution. Recessionary pressures on the economy and the markets in which our customers operate can change expected results, as well as adverse trends in buying patterns from customers. Costs and difficulties in complying with laws and regulations administered by the United States Food and Drug Administration can result in unanticipated expenses and delays and interruptions to the sale of new and existing products. Changes in the relative strength or weakness of the U.S. dollar can also change expected results. One of Meridian s main growth strategies is the acquisition of companies and product lines. There can be no assurance that additional acquisitions will be

consummated or that, if consummated, will be successful and the acquired businesses successfully integrated into Meridian's operations. In addition to the factors described in this paragraph, Part I, Item 1A Risk Factors of our Form 10-K contains a list and description of uncertainties, risks and other matters that may affect the Company.

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**MERIDIAN BIOSCIENCE, INC. AND SUBSIDIARIES**  
**Consolidated Statements of Operations (Unaudited)**  
(in thousands, except per share data)

<b>Three Months Ended December 31</b>	<b>2008</b>	<b>2007</b>
NET SALES	\$34,293	\$33,847
COST OF SALES	10,949	12,095
GROSS PROFIT	23,344	21,752
OPERATING EXPENSES:		
Research and development	2,064	1,536
Selling and marketing	4,967	4,690
General and administrative	4,155	4,333
Total operating expenses	11,186	10,559
OPERATING INCOME	12,158	11,193
OTHER INCOME (EXPENSE):		
Interest income	262	455
Other, net	(148)	(80)
Total other income (expense)	114	375
EARNINGS BEFORE INCOME TAXES	12,272	11,568
INCOME TAX PROVISION	4,196	4,112
NET EARNINGS	\$ 8,076	\$ 7,456
BASIC EARNINGS PER COMMON SHARE	\$ 0.20	\$ 0.19
DILUTED EARNINGS PER COMMON SHARE	\$ 0.20	\$ 0.18
AVERAGE NUMBER OF COMMON SHARES OUTSTANDING BASIC	40,318	39,910
DILUTIVE COMMON SHARE OPTIONS	807	1,057
AVERAGE NUMBER OF COMMON SHARES OUTSTANDING DILUTED	41,125	40,967

ANTI-DILUTIVE SECURITIES:

Common share options	112	2
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DIVIDENDS DECLARED PER COMMON SHARE	\$ 0.14	\$ 0.11
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The accompanying notes are an integral part of these consolidated financial statements.

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**MERIDIAN BIOSCIENCE, INC. AND SUBSIDIARIES**  
**Consolidated Statements of Cash Flows (Unaudited)**  
**(dollars in thousands)**

<b>Three Months Ended December 31</b>	<b>2008</b>	<b>2007</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Net earnings	\$ 8,076	\$ 7,456
Non-cash items:		
Depreciation of property, plant and equipment	731	705
Amortization of intangible assets and deferred costs	404	426
Stock based compensation	286	273
Deferred income taxes	(290)	(188)
Unrealized loss on auction-rate securities and rights, net	104	
Change in accounts receivable, inventory, and prepaid expenses	(209)	1,863
Change in accounts payable, accrued expenses, and income taxes payable	(2,936)	(1,808)
Other	11	(177)
Net cash provided by operating activities	6,177	8,550
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Acquisitions of property, plant and equipment	(618)	(736)
Proceeds from calls of auction-rate securities	425	
Purchases of auction-rate securities		(5,000)
Net cash used for investing activities	(193)	(5,736)
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>		
Dividends paid	(5,644)	(4,392)
Proceeds and tax benefits from exercise of stock options	160	598
Other	(12)	
Net cash used for financing activities	(5,496)	(3,794)
Effect of Exchange Rate Changes on Cash and Equivalents	(24)	90
Net Increase (Decrease) in Cash and Equivalents	464	(890)
Cash and Equivalents at Beginning of Period	49,297	49,400
Cash and Equivalents at End of Period	\$49,761	\$48,510

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



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**MERIDIAN BIOSCIENCE, INC. AND SUBSIDIARIES**  
**Consolidated Balance Sheets (Unaudited)**  
**(dollars in thousands)**

**ASSETS**

	<b>December 31, 2008</b>	<b>September 30, 2008</b>
<b>CURRENT ASSETS:</b>		
Cash and equivalents	\$ 49,761	\$ 49,297
Accounts receivable, less allowances of \$236 and \$230	21,145	25,098
Inventories	24,958	19,945
Prepaid expenses and other current assets	2,221	3,382
Deferred income taxes	1,869	1,736
Total current assets	99,954	99,458
<b>PROPERTY, PLANT AND EQUIPMENT:</b>		
Land	888	892
Buildings and improvements	18,308	16,977
Machinery, equipment and furniture	26,209	26,458
Construction in progress	1,944	3,391
Subtotal	47,349	47,718
Less: accumulated depreciation and amortization	27,790	28,043
Net property, plant and equipment	19,559	19,675
<b>OTHER ASSETS:</b>		
Goodwill	9,866	9,861
Other intangible assets, net	8,381	8,786
Restricted cash	1,000	1,000
Investments in auction-rate securities and Auction Rate Security Rights	7,221	7,480
Other assets	144	171
Total other assets	26,612	27,298
<b>TOTAL ASSETS</b>	<b>\$ 146,125</b>	<b>\$ 146,431</b>

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



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**MERIDIAN BIOSCIENCE, INC. AND SUBSIDIARIES**  
**Consolidated Balance Sheets (Unaudited)**  
**(dollars in thousands)**  
LIABILITIES AND SHAREHOLDERS EQUITY

	<b>December 31, 2008</b>	<b>September 30, 2008</b>
<b>CURRENT LIABILITIES:</b>		
Accounts payable	\$ 3,571	\$ 4,777
Accrued payroll costs	4,350	6,777
Purchase business combination liability	7	3
Other accrued expenses	3,488	3,613
Income taxes payable	1,624	891
Total current liabilities	13,040	16,061
DEFERRED INCOME TAXES	1,658	1,881
<b>COMMITMENTS AND CONTINGENCIES</b>		
<b>SHAREHOLDERS EQUITY:</b>		
Preferred stock, no par value, 1,000,000 shares authorized, none issued		
Common shares, no par value, 71,000,000 shares authorized, 40,330,457 and 40,313,656 shares issued, respectively		
Treasury shares, 190 and 0, respectively	(5)	
Additional paid-in capital	89,609	89,107
Retained earnings	41,448	39,016
Accumulated other comprehensive income	375	366
Total shareholders equity	131,427	128,489
<b>TOTAL LIABILITIES AND SHAREHOLDERS EQUITY</b>	<b>\$ 146,125</b>	<b>\$ 146,431</b>

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

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**MERIDIAN BIOSCIENCE, INC. AND SUBSIDIARIES**  
**Consolidated Statement of Changes in Shareholders' Equity (Unaudited)**  
**(dollars and shares in thousands)**

	Common Shares Issued	Shares Held in Treasury	Additional Paid-in Capital	Accumulated Other		Total Shareholders' Equity
				Retained Earnings	Comprehensive Income (Loss)	
<b>Balance at September 30, 2008</b>	40,314	\$	\$ 89,107	\$ 39,016	\$ 366	\$ 128,489
Cash dividends paid				(5,644)		(5,644)
Exercise of stock options	16		223			223
Shares for issuance of anniversary awards			(5)			(5)
Stock based compensation			286			286
Cost of S-8 registration statement			(7)			(7)
Comprehensive income:						
Net earnings				8,076	\$ 8,076	8,076
Hedging activity					(22)	(22)
Transfer of AFS securities to trading classification					270	270
Other comprehensive income taxes					(5)	(5)
Foreign currency translation adjustment					(234)	(234)
Comprehensive income					\$ 8,085	
<b>Balance at December 31, 2008</b>	40,330	\$ (5)	\$ 89,609	\$ 41,448	\$ 375	\$ 131,427

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

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**MERIDIAN BIOSCIENCE, INC. AND SUBSIDIARIES**  
**Notes to Consolidated Financial Statements**  
**Dollars in Thousands, Except Per Share Amounts**  
**(Unaudited)**

**1. Basis of Presentation:**

The consolidated financial statements included herein have not been audited by an independent registered public accounting firm, but include all adjustments (consisting of normal recurring entries), which are, in the opinion of management, necessary for a fair presentation of the results for such periods.

Certain information and footnote disclosures normally included in financial statements prepared in accordance with generally accepted accounting principles have been omitted pursuant to the requirements of the Securities and Exchange Commission. Meridian believes that the disclosures included in these financial statements are adequate to make the information not misleading.

It is suggested that these consolidated interim financial statements be read in conjunction with the consolidated annual financial statements and notes thereto, included in Meridian's Annual Report on Form 10-K for the Year Ended September 30, 2008.

The results of operations for the interim periods are not necessarily indicative of the results to be expected for the year.

**2. Significant Accounting Policies:**

**(a) *Revenue Recognition***

Revenue is generally recognized from sales when product is shipped and title has passed to the buyer. Revenue for the US Diagnostics operating segment is reduced at the date of sale for estimated rebates that will be claimed by customers. Management estimates accruals for rebate agreements based on historical statistics, current trends, and other factors. Changes to the accruals are recorded in the period that they become known. Our rebate accruals were \$3,234 at December 31, 2008 and \$3,259 at September 30, 2008.

Life Science revenue for contract services may come from standalone arrangements for process development and/or optimization work (contract research and development services) or custom manufacturing, or multiple-deliverable arrangements that include process development work followed by larger-scale manufacturing (both contract research and development services and contract manufacturing services). Revenue is recognized based on the nature of the arrangements, using the principles in EITF 00-21, *Revenue Arrangements with Multiple Deliverables*. The framework in EITF 00-21 is based on each of the multiple deliverables in a given arrangement having distinct and separate fair values. Fair values are determined via consistent pricing between standalone arrangements and multiple deliverable arrangements, as well as a competitive bidding process. Contract research and development services may be performed on a time and materials basis or fixed fee basis. For time and materials arrangements, revenue is recognized as services are performed and billed. For fixed fee arrangements, revenue is recognized upon completion and acceptance by the customer. For contract manufacturing services, revenue is generally recognized upon delivery of product and acceptance by the customer. In some cases, customers may request that we store on their behalf, clinical grade biologicals that we produce under contract manufacturing agreements. These cases arise when customers do not have clinical grade storage facilities or do not want to risk contamination during transport. For such cases, revenue may be recognized on a bill-and-hold basis pursuant to the satisfaction of criteria in SEC Staff Accounting Bulletins Nos. 101 and 104 related to bill-and-hold revenue recognition.

Trade accounts receivable are recorded in the accompanying consolidated balance sheet at invoiced amounts less provisions for rebates and doubtful accounts. The allowance for doubtful accounts represents our estimate of probable credit losses and is based on historical write-off experience. The allowance for doubtful accounts and related metrics, such as days sales outstanding, are reviewed monthly. Accounts with past due

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balances over 90 days are reviewed individually for collectibility. Customer invoices are charged off against the allowance when we believe it is probable the invoices will not be paid.

**(b) Comprehensive Income (Loss)**

Comprehensive income represents the net change in shareholders' equity during a period from sources other than transactions with shareholders. Our comprehensive income or loss is comprised of net earnings, foreign currency translation, changes in the fair value of forward exchange contracts accounted for as cash flow hedges, and changes in the fair value of available-for-sale (AFS) debt securities.

Assets and liabilities of foreign operations are translated using period-end exchange rates with gains or losses resulting from translation included in a separate component of accumulated other comprehensive income or loss. Revenues and expenses are translated using exchange rates prevailing during the period. We also recognize foreign currency transaction gains and losses on certain assets and liabilities that are denominated in the Euro currency. These gains and losses are included in other income and expense in the accompanying consolidated statements of operations. Comprehensive income for the interim periods was as follows:

	<b>Three Months Ended December 31,</b>	
	<b>2008</b>	<b>2007</b>
Net earnings	\$8,076	\$7,456
Hedging activity	(22)	(75)
Transfer of AFS securities to trading classification	270	
Income taxes	(5)	(74)
Foreign currency translation adjustment	(234)	281
Comprehensive income	\$8,085	\$7,588

**(c) Income Taxes**

The provision for income taxes includes federal, foreign, state, and local income taxes currently payable and those deferred because of temporary differences between income for financial reporting and income for tax purposes. We prepare estimates of permanent and temporary differences between income for financial reporting purposes and income for tax purposes. These differences are adjusted to actual upon filing of our tax returns, typically occurring in the third and fourth quarters of the current fiscal year for the preceding fiscal year's estimates.

Our provision for income taxes also includes a component for uncertain tax positions in accordance with FASB Interpretation No. 48, *Accounting for Uncertainty in Income Taxes* (FIN 48). FIN 48 requires use of a benefit recognition model with a two-step approach: (i) a more-likely-than-not recognition criterion and (ii) a measurement attribute that measures the position as the largest amount of tax benefit that is greater than 50% likely of being ultimately realized upon ultimate settlement. If it is not more likely than not that the benefit will be sustained on its technical merits, no benefit is recorded. We recognize accrued interest and penalties related to unrecognized tax benefits as a portion of our income tax provision in the consolidated statements of operations.

**(d) Stock-based Compensation**

We account for stock-based compensation pursuant to SFAS No. 123R, *Share-Based Payment*. SFAS No. 123R requires recognition of compensation expense for all share-based awards made to employees and outside directors, based upon the fair value of the share-based award on the date of the grant.

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Our investment portfolio includes the following components:

	<b>December 31, 2008</b>		<b>September 30, 2008</b>	
	<b>Cash and Equivalents</b>	<b>Other Assets</b>	<b>Cash and Equivalents</b>	<b>Other Assets</b>
Taxable investments -				
Repurchase agreements	\$	\$	\$ 6,711	\$
Money market funds	24,018			
UBS Auction Rate Security Rights		660		
Tax-exempt investments -				
Money market funds	13,273		12,848	
Variable rate demand notes			23,948	
Student loan auction-rate securities		6,561		7,480
Cash on hand -				
Non-interest bearing				
Unrestricted	6,883			
Restricted		1,000		1,000
Interest bearing unrestricted	5,587		5,790	
Total	\$49,761	\$ 8,221	\$49,297	\$ 8,480

As a result of conditions in the financial markets, during October 2008, we moved all of our investments in municipal variable rate demand notes to institutional money market mutual funds invested in either US Treasuries or repurchase agreements collateralized by US Treasuries. We also moved investments in a bank overnight repurchase agreement account to a non-interest bearing deposit account to take advantage of a FDIC insurance program. Existing investments in institutional tax-exempt money market mutual funds are covered under the US Treasury's Temporary Guarantee Program for Money Market Funds. This program provides a guarantee to money market mutual fund shareholders of \$1 per share net asset value for funds invested as of September 19, 2008, if the fund were to liquidate its assets as a result of its net asset value falling below \$0.995.

The primary objectives of our investment activities are to preserve capital and provide sufficient liquidity to meet operating requirements and fund strategic initiatives such as acquisitions. We maintain a written investment policy that governs the management of our investments in fixed income securities. This policy, among other things, provides that we may purchase only high credit-quality securities, that have short-term ratings of at least A-1 and P-1 or better, and long-term ratings of at least A-2 and A or better, by Moody's and Standard & Poor's, respectively, at the time of purchase.

We consider short-term investments with original maturities of 90 days or less to be cash equivalents, including overnight repurchase agreements, investments in municipal variable rate demand notes that have a seven-day put feature and institutional money market funds. Our investments in repurchase agreements at September 30, 2008 were with a commercial bank pursuant to an overnight sweep/liquidity arrangement with our operating cash accounts. Our investments in variable rate demand notes at September 30, 2008 contained a seven-day put feature.

Our investments in tax-exempt variable rate demand notes, prior to their complete liquidation in October 2008, and student loan auction-rate securities, prior to the settlement agreement with UBS discussed below, were accounted for as available-for-sale under SFAS No. 115, *Accounting for Certain Investments in Debt and Equity Securities*. As such, unrealized holding gains and losses were reported as a component of other comprehensive income or loss within

shareholders' equity until realized, except where losses were considered to be other-than-temporary, in which case they would have been recorded to other income and expense, net. As of September 30, 2008, we did not have any losses that were considered other-than-temporary under SFAS No. 115, and accumulated other comprehensive income included \$270 of unrealized holding losses related to student loan auction-rate securities.

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Our investment portfolio includes student loan auction-rate securities, which are long-term student loan revenue bonds whose interest rates are reset every 35 days via a Dutch auction process. All of our auction-rate securities are backed by pools of student loans originated under the Federal Family Education Loan Program (FFELP). FFELP student loans are guaranteed by State guarantors who have reinsurance agreements with the US Department of Education. All of our student loan auction-rate securities were rated Aaa and AAA by Moody's and Standard & Poor's, respectively, at the time of purchase, and have continued to maintain these credit ratings through the present time.

The Dutch auction process historically provided the necessary liquidity mechanism to either purchase or sell these securities. Beginning in mid-February 2008, liquidity issues in the US credit markets resulted in the failure of auctions across a broad spectrum of tax-exempt securities, including student loan revenue bonds. Auctions for the student loan revenue bonds that we hold have continued to fail through the present time. The consequence of a failed auction is that we do not have access to the principal amount of our investments. Issuers are still required to make interest payments when due in the event of failed auctions. We have not experienced any missed interest payments to date.

Our auction-rate securities were purchased through UBS Financial Services, Inc. During November 2008, we accepted an offer from UBS, AG (UBS) of Auction Rate Security Rights. These rights permit us to require UBS between June 30, 2010 and July 2, 2012 (the exercise period) to purchase our auction-rate securities at par value. In exchange, UBS is granted the right, at their sole discretion, to sell or otherwise dispose of our auction-rate security investments until July 2, 2012 as long as we receive a payment of par value upon the sale or disposition. In addition, the rights permit us to establish a demand revolving credit line in an amount equal to the par value of the securities at a net zero cost. We are still able to sell the auction-rate securities on our own, but in such a circumstance, we would lose the par value support from UBS.

Upon executing the settlement agreement with UBS, we recognized the Auction Rate Security Rights as a stand-alone financial instrument by electing the fair value option under SFAS No. 159, *The Fair Value Option for Financial Assets and Financial Liabilities - Including an Amendment of FASB Statement No. 115*. We also transferred the student loan auction-rate securities from the available-for-sale classification, to the trading classification under SFAS No. 115. Upon transfer to the trading classification, \$270 in unrealized losses as of September 30, 2008, were transferred to other income and expense. Adjustments to record the student loan auction-rate securities and the Auction Rate Security Rights at fair value are recorded to other income and expense in each accounting period. As of December 31, 2008, the fair value of the student-loan auction rate securities was \$6,561 compared to a par value of \$7,325. As of December 31, 2008, the fair value of the Auction Rate Security Rights was \$660. The student loan auction-rate securities are included in other long-term assets in the accompanying consolidated balance sheet based on the maturities of the student loan revenue bonds (2029 to 2037). The Auction Rate Security Rights are included in other long-term assets in the accompanying consolidated balance sheet based on the earliest exercise date of June 30, 2010.

**(f) Derivative financial instruments**

We account for our derivative financial instruments in accordance with SFAS No. 133, *Accounting for Derivative Instruments and Hedging Activities*, as amended. These instruments are designated as cash flow hedges, and therefore, the effective portion of the net gain or loss on the derivative instrument is reported as a component of accumulated other comprehensive income (loss) and reclassified into earnings in the same period or periods during which the hedged transaction affects earnings. For the ineffective portion of the hedge, gains or losses are charged to earnings in the current period. All derivative instruments are recognized as either assets or liabilities at fair value in the consolidated balance sheets. Cash flows from our hedging instruments are classified in operating activities, consistent with cash flows from the related items being hedged. See Note 6.

**(g) New Accounting Pronouncements**

Effective October 1, 2008, we adopted SFAS No. 157, *Fair Value Measurements*. SFAS No. 157 defines fair value and provides a framework for measuring fair value, including a hierarchy that prioritizes the inputs to valuation techniques into three broad levels. This fair value hierarchy gives the highest priority



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to quoted prices in active markets for identical assets and liabilities and the lowest priority to unobservable inputs. See Note 7. In October 2008, the FASB issued Staff Position No. 157-3, *Determining the Fair Value of a Financial Asset When the Market for That Asset Is Not Active*. This FSP clarifies application of SFAS No. 157 to financial assets when the market is inactive, such as the case with debt securities that were issued via the auction-rate markets. This FSP was effective upon issuance and was taken into consideration in the valuation of our investments in student loan auction-rate securities and the UBS Auction Rate Security Rights.

In connection with the UBS settlement discussed in Note 2(e), we adopted SFAS No. 159, *The Fair Value Option for Financial Assets and Financial Liabilities Including an Amendment of FASB Statement No. 115*. SFAS No. 159 permits an entity to choose to measure certain financial instruments and other items at fair value where such financial instruments and other items are not currently required to be measured at fair value. For financial instruments and other items where the fair value option is elected, unrealized gains and losses are reported in earnings at each subsequent reporting date.

**3. Inventories:**

Inventories are comprised of the following:

	<b>December 31, 2008</b>	<b>September 30, 2008</b>
Raw materials	\$ 5,920	\$ 5,238
Work-in-process	4,806	4,867
Finished goods	14,232	9,840
	<b>\$ 24,958</b>	<b>\$ 19,945</b>

**4. Major Customers and Segment Information:**

Meridian was formed in 1976 and functions as a fully integrated research, development, manufacturing, marketing and sales organization with primary emphasis in the field of life science. Our principal businesses are (i) the development, manufacture and distribution of diagnostic test kits primarily for certain respiratory, gastrointestinal, viral and parasitic infectious diseases, (ii) the manufacture and distribution of bulk antigens, antibodies, and reagents used by researchers and other diagnostic manufacturers and (iii) the contract manufacture of proteins and other biologicals under clinical cGMP conditions for use by biopharmaceutical and biotechnology companies engaged in research for new drugs and vaccines.

Our reportable operating segments are US Diagnostics, European Diagnostics, and Life Science. The US Diagnostics operating segment consists of manufacturing operations in Cincinnati, Ohio, and the sale and distribution of diagnostic test kits in North America, South America and the Pacific Rim. The European Diagnostics operating segment consists of the sale and distribution of diagnostic test kits in Europe, Scandinavia, Africa, and the Middle East. The Life Science operating segment consists of manufacturing operations in Memphis, Tennessee, Saco, Maine, and Boca Raton, Florida, and the sale and distribution of bulk antigens, antibodies and bioresearch reagents domestically and abroad. The Life Science operating segment also includes the contract development and manufacture of cGMP clinical grade proteins and other biologicals for use by biopharmaceutical and biotechnology companies engaged in research for new drugs and vaccines.

Two customers accounted for 59% and 60% of the US Diagnostics operating segment third-party sales during the three months ended December 31, 2008 and 2007, respectively. Two customers accounted for 29% and 36% of the Life Science operating segment third-party sales during the three months ended December 31, 2008 and 2007, respectively.

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Segment information for the interim periods is as follows:

	<b>US Diagnostics</b>	<b>European Diagnostics</b>	<b>Life Science</b>	<b>Eliminations<sup>(1)</sup></b>	<b>Total</b>
<b>Three Months December 31, 2008</b>					
Net sales-					
Third-party	\$ 23,485	\$ 5,671	\$ 5,137	\$	\$ 34,293
Inter-segment	2,488		188	(2,676)	
Operating income	10,387	850	847	74	12,158
Total assets (December 31, 2008)	126,303	16,015	50,676	(46,869)	146,125
<b>Three Months December 31, 2007</b>					
Net sales-					
Third-party	\$ 22,219	\$ 6,099	\$ 5,529	\$	\$ 33,847
Inter-segment	2,300		142	(2,442)	
Operating income	8,936	1,159	991	107	11,193
Total assets (September 30, 2008)	126,808	15,955	49,619	(45,951)	146,431

(1) Eliminations consist of intersegment transactions.

Transactions between operating segments are accounted for at established intercompany prices for internal and management purposes with all intercompany amounts eliminated in consolidation. Total assets for the US Diagnostics and Life Science operating segments include goodwill of \$1,382 and \$8,484, respectively, at December 31, 2008, and \$1,382 and \$8,479, respectively, at September 30, 2008.

**5. Intangible Assets:**

A summary of our acquired intangible assets subject to amortization, as of December 31, 2008 and September 30, 2008 is as follows:

	<b>Wtd Avg Amort Period (Yrs)</b>	<b>December 31, 2008</b>		<b>September 30, 2008</b>	
		<b>Gross Carrying Value</b>	<b>Accumulated Amortization</b>	<b>Gross Carrying Value</b>	<b>Accumulated Amortization</b>
Core products and cell lines	15	\$ 4,698	\$ 2,675	\$ 4,698	\$ 2,602
Manufacturing technologies	14	6,057	4,530	6,057	4,440
Trademarks, licenses and patents	7	2,663	1,874	2,663	1,843
Customer lists and supply agreements	13	11,039	6,997	11,039	6,786
		\$24,457	\$16,076	\$24,457	\$15,671

The actual aggregate amortization expense for these intangible assets for the three months ended December 31, 2008 and 2007 was \$405,000 and \$426,000, respectively.

**6. Hedging Transactions:**

Prior to February 1, 2009, we managed exchange rate risk related to forecasted intercompany sales denominated in the Euro currency through the use of forward exchange contracts. In accordance with SFAS No. 133, we designated such forward contracts as cash flow hedges. As such, the effective portion of the gain or loss on the derivative instrument was reported as a component of other comprehensive income and reclassified into earnings in the same period or periods during which the hedged transaction affected earnings. The amount of gain (loss) reclassified from accumulated other comprehensive income into income on the effective portion of these foreign exchange contracts was \$85 and \$(70) for the three months ended December 31, 2008 and 2007, respectively. Gains and losses on the derivative instruments representing either hedge ineffectiveness or hedge components

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excluded from the assessment of effectiveness were recognized in current earnings. For the three months ended December 31, 2008 and 2007, no portion of the gain/loss was excluded from other comprehensive income due to effectiveness testing. All such forward contracts were recognized as either other assets or other accrued expenses at fair value in the consolidated balance sheet. As of December 31, 2008, the fair value liability for our forward exchange contracts was \$46 and we had 3,200 notional amount of such contracts outstanding at an average exchange rate of 1.3786.

During January 2009, 500 notional amount of these contracts were settled in accordance with their original maturities. The realized gain on these contracts was \$32. Also during January 2009, we accelerated the settlement of the remaining 2,700 notional amount of forward exchange contracts that were originally scheduled to mature between February 27, 2009 and December 31, 2009. These transactions resulted in a gain of approximately \$140 that will be recorded in the second quarter of fiscal 2009. We unwound these forward exchange contracts after completing a strategic review of our foreign currency exposures. This strategic review determined that we have natural currency hedges in place for consolidated gross profit and operating income via certain Meridian-branded diagnostic test kits that we purchase in Euros from suppliers in Spain and Germany.

**7. Fair Value Measurements:**

We adopted the fair value measurement as described in SFAS No. 157 on October 1, 2008 to value our financial assets and liabilities. As defined in SFAS No. 157, fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. In order to increase consistency and comparability in fair value measurements and related disclosures, SFAS No. 157 establishes a fair value hierarchy that prioritizes inputs to valuation techniques used to measure fair value into three broad levels, which are described below:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that are accessible at the measurement date for assets and liabilities. The fair value hierarchy gives the highest priority to Level 1 inputs.

Level 2: Inputs other than quoted prices included within Level 1 that are observable for the assets or liabilities, either directly or indirectly. These include quoted prices for identical or similar assets or liabilities in markets that are not active, that is, markets in which there are few transactions for the asset or liability, the prices are not current, or price quotations vary substantially either over time or among market makers, or in which little information is released publicly and inputs that are derived principally from or corroborated by observable market data by correlation or other means.

Level 3: Unobservable inputs, developed using the Company's estimates and assumptions, which reflect those that the market participants would use. Such inputs are used when little or no market data is available. The fair value hierarchy gives the lowest priority to Level 3 inputs.

Determining where an asset or liability falls within the hierarchy depends on the lowest level input that is significant to the fair value measurement as a whole. 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 and considers counterparty credit risk in the assessment of fair value.

Financial assets and liabilities carried at fair value at December 31, 2008 are classified in the table below in one of the three categories described above:

	Level 1	Level 2	Level 3	Total
Student loan auction-rate securities	\$	\$	\$ 6,561	\$ 6,561
UBS Auction Rate Security Rights			660	660
Foreign exchange forward contracts		(46)		(46)
Total	\$	\$ (46)	\$ 7,221	\$ 7,175

The failed auction status and lack of liquidity for our student loan auction-rate securities and the non-transferability of our UBS Auction Rate Security Rights requires the use of a valuation methodology that relies exclusively on Level 3 inputs including market, tax status, credit quality, duration, recent market observations and overall capital market

liquidity. The valuation of our student loan auction-rate securities and UBS Auction Rate Security Rights is subject to  
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uncertainties that are difficult to predict. Factors that may impact the valuations include changes to credit ratings of the securities as well as to the underlying assets supporting those securities, rates of default of the underlying assets, underlying collateral value, discount rates, counterparty risk and ongoing strength and quality of market credit and liquidity.

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

Refer to *Forward Looking Statements* following the Index in front of this Form 10-Q. In the discussion that follows, all dollars are in thousands (both tables and text), except per share data.

**Overview:**

Regardless of overall economic conditions in the US and around the world, we aim to deliver mid-teens sales growth rates and at least 20% to 25% earnings growth on an annual basis. During our first quarter of fiscal 2009, we experienced adverse trends in buying patterns from certain of our major customers that led to single-digit sales and earnings growth rates.

The following table shows our sales and growth rates for the three, six and twelve-month periods ending December 31, 2008:

Operating Segment	Three Months	Inc (Dec)	Six Months	Inc (Dec)	Twelve Months	Inc (Dec)
US Diagnostics	\$23,485	+6%	\$47,027	+14%	\$ 89,685	+15%
European Diagnostics	5,671	-7%	11,941	+1%	27,552	+13%
Life Science	5,137	-7%	11,800	-11%	22,848	-11%
Consolidated	\$34,293	+1%	\$70,768	+7%	\$140,085	+9%

There were two primary trends in buying patterns for the US Diagnostics operating segment that affected sales levels and growth for the first quarter of fiscal 2009. As we reported in our Annual Report on Form 10-K for the Fiscal Year Ended September 30, 2008, we began to see significant sales volume increases in influenza and respiratory syncytial virus products in advance of the 2008-2009 upper respiratory season during the fourth quarter of fiscal 2008, driven by the timing of promotions offered by a third-party manufacturer of certain products, which are passed along to our customers. This particular trend in buying patterns led, in part, to the 24% and 18% growth rates in sales for the fourth quarter and full fiscal year in fiscal 2008, respectively. Sales growth rates of 14% and 15% for the six and twelve-month periods ended December 31, 2008, respectively, reflect a smoothing effect of this particular trend. We ultimately measure our growth and level of success for upper respiratory products based on the full selling season, which typically runs from August through March, also taking into consideration the relative strength of the season. In addition, sales to our US Diagnostics operating segment's largest distribution customer were essentially flat for the current quarter. This distributor typically buys larger volumes of certain products during our first fiscal quarter in advance of our January 1<sup>st</sup> price increase. However, for the first quarter of fiscal 2009, purchases of these products by this distributor were significantly less than last year. We believe this distributor's buying patterns are being affected by its efforts to conserve cash and reduce inventory. In order to monitor sales trends for our products that are sold through distributor channels, our two primary distributors provide us with sales data for our products that are sold by them to end-users. Sales of our products by this distributor to end-users increased 15% for the four months ended January 31, 2009. The increase in this distributor's sales of our products was led by *C. difficile* and foodborne products. Sales for our European Diagnostics operating segment during the first quarter of fiscal 2009 reflect a growth rate of -7%, including the effects of foreign currency. Organic sales growth, which excludes the effects of foreign currency, was +1%. We target organic sales growth of 10% to 15% for our European Diagnostics operating segment. Sales for the first quarter of fiscal 2009 were affected by buying patterns in certain of our European export markets as well as price competition in our Italian market for *H. pylori* products.

Sales for our Life Science operating segment during the first quarter of fiscal 2009 reflect a growth rate of -7%. This growth rate reflects buying patterns from our largest diagnostic manufacturing customer, who accounted for

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15% of the Life Science Operating segment's sales in the first quarter of fiscal 2009 compared to 28% in the first quarter of fiscal 2008 and 21% for the full year in fiscal 2008. We sell three primary products to this customer. During the first quarter of fiscal 2008, this customer reduced its forecasted requirements for two antigen products due to its internal inventory management initiatives and its market factors. For the third product, a blocking reagent, this customer had a stocking order during the first quarter of fiscal 2008 related to adding the product to additional assays. This stocking order did not repeat during the first quarter of fiscal 2009. As we look forward to the remainder of fiscal 2009, we believe that this customer will return to positive sales growth.

Despite the negative effects of customer buying patterns and foreign currency on net sales, we generated a consolidated gross profit margin of 68%, our highest percentage in over 10 years. This level of gross profit margin reflects favorable sales mix, favorable efficiencies from automation in our US Diagnostics manufacturing plant, and improved operating performance and utilization of our Life Science manufacturing facilities in Memphis, Tennessee. Although foreign currency exchange rates had a negative effect on sales of our European Diagnostics operating segment, they had no significant effect on consolidated gross profit or consolidated operating income due to natural hedges. Our US Diagnostics operating segment markets and sells certain Meridian-branded diagnostic test kits that are sourced from European suppliers in Spain and Germany. These kits are purchased in Euros, which provides a natural hedge to gross profit and operating income on a consolidated basis.

Sales growth in our diagnostic businesses will continue to be driven by *C. difficile*, *H. pylori* and foodborne diseases, as well as the introduction of new distributors in certain of our export markets. We recently launched a new foodborne infectious disease test for Campylobacter in our Premier™ platform in US and European markets. During the remainder of calendar 2009, we expect to launch another Campylobacter infectious disease test in our Immuno Card Stat!® platform, and our first molecular *C. difficile* product under the ILLUMIGene brand. We expect our Life Science operating segment to not only return to positive sales growth for the remainder of fiscal 2009, but to also improve its contribution to consolidated operating income and net earnings. We expect our Life Science sales growth and operating performance improvement to be driven by new product launches and improved operating performance and utilization in our Memphis, Tennessee facility.

The recessionary state of the economy is affecting not only the US, but also countries around the world. If current economic conditions worsen or remain in the current state for an extended period of time, our sales levels could be adversely affected by customer buying patterns in their efforts to conserve cash and manage inventory levels. On a longer-term basis, in a recessed economic state, our sales levels could be adversely impacted by the number of diagnostic tests performed in the healthcare system, if, for example, there were declines in physician office visits and/or hospital admissions. Our product portfolios, for both diagnostics and life science, deal with acute patient symptoms and infectious diseases. To date, we have not seen any significant reduced end-user demand for our major products.

Overall stock market valuations have significantly declined in recent months, which may raise questions around the potential impairment of goodwill and other long-lived assets. Our annual goodwill impairment review under SFAS No. 142, *Goodwill and Other Intangible Assets*, takes place as of June 30<sup>th</sup> each year. There have been no impairments from these annual reviews. Despite the overall decline in stock market valuations, as of January 30, 2009, our stock price was \$21.26 per share, compared to our book value per share of \$3.26 as of December 31, 2008. This relationship, stock price trading at 6.5x book value, is an indicator that the decline in overall stock market valuations, and its impact on our stock price, has not been a triggering event for impairment of our goodwill and other long-lived assets.

From a cash flow perspective, we expect cash flows from operations to be sufficient to fund working capital requirements, capital expenditure requirements and dividends over the next 12 months.



**Table of Contents****Results of Operations:*****Net sales***

	Three Months Ended December 31		
	2008	2007	Inc (Dec)
US Diagnostics	\$23,485	\$22,219	+6%
European Diagnostics	5,671	6,099	-7%
Life Science	5,137	5,529	-7%
Consolidated	\$34,293	\$33,847	+1%
International			
US Export	\$ 3,424	\$ 3,361	+2%
European Diagnostics	5,671	6,099	-7%
Total	\$ 9,095	\$ 9,460	-4%
% of total sales	27%	28%	

Sales growth for US Diagnostics was primarily related to volume increases across certain of our key product families, foodborne products and *C. difficile* products. Volume increases for foodborne products were driven by sales of ImmunoCard STAT!<sup>®</sup> EHEC for toxigenic *E. coli*. Volume increases in *C. difficile* products were driven by increased sales of our rapid diagnostic test, ImmunoCard<sup>®</sup> Toxins A & B. These increases were partially offset by volume decreases in respiratory products caused by a shift in timing of an annual promotion offered by one of our suppliers. This shift caused an increase in sales in the fourth quarter of fiscal 2008 and a corresponding decrease in sales in the first quarter of fiscal 2009. This distributor typically buys larger volumes of certain products during our first fiscal quarter in advance of our January 1<sup>st</sup> price increase. However, for the first quarter of fiscal 2009, purchases of these products by this distributor were significantly less than last year. We believe this distributor's buying patterns are being affected by its efforts to conserve cash and reduce inventory. In order to monitor sales trends for our products that are sold through distributor channels, our two primary distributors provide us with sales data for our products that are sold by them to end-users. Sales of our products by this distributor to end-users increased 15% for the four months ended January 31, 2009. The increase in this distributor's sales of our products was led by *C. difficile* and foodborne products. Two national distributors accounted for 59% and 60% of total sales for the US Diagnostics operating segment for each of the first quarters of fiscal 2009 and 2008, respectively. Two national distributors accounted for 59% and 60% of total sales for the US Diagnostics operating segment for each of the first quarters of fiscal 2009 and 2008, respectively.

For the European Diagnostics operating segment, the sales decrease includes currency translation losses in the amount of \$477 for the first quarter of fiscal 2009. Organic sales growth, which excludes the effects of currency translation, was +1% for the first quarter. Sales for the first quarter of fiscal 2009 were affected by buying patterns in our European export markets as well as price competition in our Italian market for *H. pylori* products.

For the Life Science operating segment, the fluctuations in sales reflect changes in demand and buying patterns of certain of our major diagnostic manufacturing customers. We sell three main products to one customer, who accounted for 15% and 28% of total sales for the Life Science operating segment for the first quarters of fiscal 2009 and 2008, respectively. During the first quarter of fiscal 2008, this customer reduced its forecasted requirements for two antigen products due to its internal inventory management initiatives and its market factors, but also increased its purchases via a stocking order for a reagent product that it added to additional assays. The impact of this net reduction was partially offset by another of our major diagnostics customer's increased purchases for the period. These demand changes and buying patterns resulted in net revenue reductions of approximately \$520 for the first quarter of fiscal

2009.

**Table of Contents****Gross Profit**

	Three Months Ended December 31		
	2008	2007	Inc (Dec)
Gross Profit	\$23,344	\$21,752	+7%
Gross Profit Margin	68%	64%	+4 points

Our overall operations consist of the sale of diagnostic test kits for various disease states and in alternative test formats, as well as bioresearch reagents, bulk antigens and antibodies, proficiency panels, contract research and development and contract manufacturing services. Product sales mix shifts, in the normal course of business, can cause the consolidated gross profit margin to fluctuate by several points. A favorable sales mix that was more heavily weighted towards higher margin, non-upper respiratory, rapid diagnostic tests and bulk antigens and reagents led to a significant increase in overall gross profit in the first quarter of fiscal 2009.

**Operating Expenses**

	Three Months Ended December 31			
	Research & Development	Sales & Marketing	General & Administrative	Total Operating Expenses
<b>2007 Expenses</b>	<b>\$1,536</b>	<b>\$4,690</b>	<b>\$ 4,333</b>	<b>\$10,559</b>
% of Sales	5%	14%	13%	31%
Fiscal 2009 Increases (Decreases):				
US Diagnostics	537	227	(130)	634
European Diagnostics		26	3	29
Life Science	(9)	24	(51)	(36)
<b>2008 Expenses</b>	<b>\$2,064</b>	<b>\$4,967</b>	<b>\$ 4,155</b>	<b>\$11,186</b>
% of Sales	6%	14%	12%	33%
% Increase (Decrease)	34%	6%	-4%	6%

Total operating expenses increased 6% to \$11,186 for the first quarter of fiscal 2009 compared to the first quarter of fiscal 2008. The overall increase in operating expenses is discussed below.

Research and development expenses for the US Diagnostics operating segment increased for the first quarter primarily due to development costs for our molecular *C. difficile* product and expenses related to clinical trials for new products expected to be released during fiscal 2009.

Sales and marketing expenses for the US Diagnostics operating segment increased primarily due to increased salaries and benefits related to planned headcount additions. Among other personnel, we have added a new product manager responsible for molecular products as we prepare for new product launch activities around our molecular *C. difficile*

product and the ILLUMIgene brand.

General and administrative expenses for all operating segments for the first quarter reflected lower corporate incentive bonus accruals based on relative achievement against bonus targets to date.

***Operating Income***

Operating income increased 9% to \$12,158 for the first quarter of fiscal 2009, as a result of the factors discussed

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above.

***Other Income and Expense***

Other income and expense primarily consists of interest income on our investment portfolio and fair value adjustments on our auction-rate securities and related Auction Rate Security Rights. Interest income decreased 42% for the first quarter of fiscal 2009 compared to the first quarter of fiscal 2008, primarily due to lower interest yields in the current interest rate environment. We expect interest yields to remain low for the foreseeable future for institutional money market funds, which comprise a majority of our investment portfolio. See Note 2(e) to the consolidated financial statements herein for discussion of our investment portfolio, including fair value adjustments on our auction-rate securities and Auction Rate Security Rights.

***Income Taxes***

The effective rate for income taxes was 34% for the first quarter of fiscal 2009 compared to 36% for the first quarter of fiscal 2008. The decrease in the effective tax rate for the first quarter was primarily attributable to Federal research and development credits from H.R. 1424, signed into law in October 2008, and the continued phase-out of corporate income taxes in Ohio. For the fiscal year ending September 30, 2009, Meridian expects the effective tax rate to be in the range of 34% to 35%.

**Liquidity and Capital Resources:*****Comparative Cash Flow Analysis***

Our cash flow and financing requirements are determined by analyses of operating and capital spending budgets, consideration of acquisition plans, and consideration of common share dividends. We have historically maintained a credit facility to augment working capital requirements and to respond quickly to acquisition opportunities. This credit facility has been supplemented by the proceeds from a September 2005 common share offering, which during the first quarter of fiscal 2009, were invested in a non-interest bearing bank deposit account, institutional money-market mutual funds, and tax-exempt auction-rate securities.

We have an investment policy that guides the holdings of our investment portfolio. Our objectives in managing the investment portfolio are to (i) preserve capital, (ii) provide sufficient liquidity to meet working capital requirements and fund strategic objectives such as acquisitions, and (iii) capture a market rate of return commensurate with market conditions and our policy's investment eligibility criteria. As a result of conditions in the financial markets during October 2008, we moved substantially all of our investments in municipal variable rate demand notes to institutional money market mutual funds invested in either US Treasuries or repurchase agreements collateralized by US Treasuries. We also moved investments in a bank overnight repurchase agreement account to a non-interest bearing deposit account to take advantage of a FDIC insurance program. Existing investments in institutional tax-exempt money market mutual funds are covered under the US Treasury's Temporary Guarantee Program for Money Market Funds. This program provides a guarantee to money market mutual fund shareholders of \$1 per share net asset value for funds invested as of September 19, 2008, if the fund were to liquidate its assets as a result of its net asset value falling below \$0.995. As we look forward, we will continue to manage the holdings of our investment portfolio with preservation of capital being the primary objective.

See Note 2(e) to the consolidated financial statements included herein for discussion of our investments in tax-exempt auction-rate securities.

We do not expect current conditions in the financial markets or overall economic conditions to have a significant impact on our liquidity needs, financial condition or results of operations. We intend to continue to fund our working capital requirements, capital expenditure requirements and dividends from current cash flows from operating activities. We also have additional sources of liquidity through our investment portfolio and \$30,000 bank credit facility, if needed. To date, we have not experienced any significant deterioration in the aging of our customer accounts receivable nor in our vendors' ability to supply raw materials and services and extend normal credit terms. Our liquidity needs may change if overall economic conditions worsen and/or liquidity and credit within the financial markets remains tight for an extended period of time, and such conditions impact the

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collectability of our customer accounts receivable, impact credit terms with our vendors or disrupt the supply of raw materials and services.

Net cash provided by operating activities decreased 28% for the first quarter of fiscal 2009 compared to the first quarter of fiscal 2008. This decrease was driven by the US Diagnostics operating segment carrying higher levels of upper respiratory inventory during the first quarter of fiscal 2009 (e.g., influenza and respiratory syncytial virus). We expect to sell this inventory during the remainder of fiscal 2009.

Net cash flows from operating activities are anticipated to be adequate to fund working capital requirements, capital expenditures and dividends during fiscal 2009.

***Capital Resources***

We have a \$30,000 credit facility with a commercial bank which expires on September 15, 2012. As of January 31, 2009, there were no borrowings outstanding on this facility and we had 100% borrowing capacity available to us. We have had no borrowings outstanding under this facility during the first quarter of fiscal 2009, or during the full year of fiscal 2008.

Our acquisition of OEM Concepts in fiscal 2005 provides for additional purchase consideration up to a maximum remaining amount of \$1,814, contingent upon future calendar-year sales and gross profit of OEM Concepts products through January 31, 2009. Earnout consideration in the amount of \$7 for calendar 2008 is accrued in the accompanying consolidated balance sheet.

Our capital expenditures are estimated to be approximately \$4,000 for fiscal 2009 and may be funded with operating cash flows, availability under the \$30,000 credit facility, or cash equivalents and short-term investments on-hand. Capital expenditures relate to manufacturing and other equipment of a normal and recurring nature, as well as completion of our facility expansion in Saco, Maine.

We do not utilize any special-purpose financing vehicles or have any undisclosed off balance sheet arrangements.

**ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK**

There have been no material changes in the Company's exposure to market risk since September 30, 2008.

**ITEM 4. CONTROLS AND PROCEDURES**

As of December 31, 2008, an evaluation was completed under the supervision and with the participation of our management, including our Chief Executive Officer and Chief Financial Officer, of the effectiveness of the design and operation of our disclosure controls and procedures pursuant to Rule 13a-15(b) and 15d-15(b) promulgated under the Securities Exchange Act of 1934, as amended. Based on that evaluation, our management, including the CEO and CFO, concluded that our disclosure controls and procedures were effective as of December 31, 2008. There have been no changes in our internal controls over financial reporting identified in connection with the evaluation of internal controls that occurred during the first fiscal quarter that has materially affected, or is reasonably likely to materially affect, our internal controls over financial reporting, or in other factors that could materially affect internal controls subsequent to December 31, 2008.

**PART II. OTHER INFORMATION**

**ITEM 1A. RISK FACTORS**

There have been no material changes from risk factors as previously disclosed in the Registrant's Form 10-K in response to Item 1A to Part I of Form 10-K.

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ITEM 6. EXHIBITS

31.1 Certification of Principal Executive Officer Pursuant to Securities Exchange Act Rule 13a-14(a)/15d-14(a)

31.2 Certification of Principal Financial Officer Pursuant to Securities Exchange Act Rule 13a-14(a)/15d-14(a)

32 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

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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.

**MERIDIAN BIOSCIENCE, INC.**

Date: February 9, 2009

/s/ Melissa Lueke  
Melissa Lueke  
Vice President and Chief Financial Officer

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