ASSISTED LIVING CONCEPTS INC
Form 4
March 19, 2012

FORM 4

Check this box if no longer subject to Section 16. Form 4 or Form 5 obligations may continue. *See* Instruction 1(b).

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

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

OMB APPROVAL
OMB Number: 3235-0287
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(Print or Type Responses)

1. Name and Address of Reporting Person *
BUONO JOHN

(Last) (First) (Middle)

W303 N2542 MAPLE AVENUE

(Street)

PEWAUKEE, WI 53072

(City) (State) (Zip)

2. Issuer Name **and** Ticker or Trading Symbol
ASSISTED LIVING CONCEPTS INC [ALC]

3. Date of Earliest Transaction (Month/Day/Year)
03/15/2012

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

5. Relationship of Reporting Person(s) to Issuer

(Check all applicable)

_____ Director _____ 10% Owner
__X__ Officer (give title below) _____ Other (specify below)
Chief Financial Officer

6. Individual or Joint/Group Filing(Check Applicable Line)
_X_ 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 Indirect Beneficial Ownership (Instr. 4)
			Code	V	Amount	(A) or (D)	Price			

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)

1. Title of Derivative Security	2. Conversion or Exercise	3. Transaction Date (Month/Day/Year)	3A. Deemed Execution Date, if any	4. Transaction Code	5. Number of Derivative Securities	6. Date Exercisable and Expiration Date (Month/Day/Year)	7. Title and Amo Underlying Secu (Instr. 3 and 4)

(Instr. 3)	Price of Derivative Security		(Month/Day/Year)	(Instr. 8)		Acquired (A) or Disposed of (D) (Instr. 3, 4, and 5)					
				Code	V	(A)	(D)	Date Exercisable	Expiration Date	Title	Ar or Nu of Sh
Tandem Stock Options/SARs (right to buy) [(1)](#)	$ 17.01	03/15/2012		A		4,400		03/15/2012 [(2)](#)	03/15/2017	Class A Common Stock	4

Reporting Owners

Reporting Owner Name / Address	Relationships			
	Director	10% Owner	Officer	Other
BUONO JOHN W303 N2542 MAPLE AVENUE PEWAUKEE, WI 53072			Chief Financial Officer	

Signatures

/s/John Buono	03/19/2012
**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) Award of tandem non-qualified stock options and stock appreciation rights for shares of the Issuer's Class A Common Stock ("Option/SARs") approved on March 15, 2012. The exercise price is the closing price of the Issuer's Class A Common Stock on the New York Stock Exchange on March 15, 2012. The award also includes up to 4,400 additional Options/SARs which are contingent upon the attainment of certain performance criteria in 2012.

(2) The Options/SARs vest in three equal annual installments beginning on March 15, 2013.

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. "> Gross Accumulated Amortization Gross Accumulated Amortization

Amortizable intangible assets:

Existing technology

$12,603 $(8,990) $12,501 $(8,148) 5.3 Years

Tradename

5,800 (1,243) 4,913 (983) 13.0 Years

Distribution agreement/customer relationships

19,982 (6,104) 18,740 (5,118) 12.1 Years

Patents

9 (6) 9 (6) 4.6 Years

Total amortizable intangible assets

38,394 $(16,343) 36,163 $(14,255)

Unamortizable intangible assets:		
Goodwill	35,741	33,416
Other indefinite lived intangible assets	1,284	1,276
Total goodwill and other indefinite lived intangible assets	37,025	34,692

Total intangible assets		
	$75,419	$70,855

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(a) Weighted average life is as of September 30, 2011
The change in the carrying amount of goodwill for the nine months ended September 30, 2011 is as follows:

Goodwill rollforward

	(in thousands)
Balance at December 31, 2010	$ 33,416
Goodwill arising from business combination	2,249
Effect of change in foreign currencies	76
Balance at September 30, 2011	$ 35,741

Intangible asset amortization expense was $0.7 million and $0.6 million for the three months ended September 30, 2011 and 2010, respectively. Intangible asset amortization expense was $ 2.0 million and $1.7 million for the nine months ended September 30, 2011 and 2010, respectively. Amortization expense of existing amortizable intangible assets is currently estimated to be $2.7 million for the year ending December 31, 2011, $2.6 million for the year ending December 31, 2012, $2.4 million for the year ending December 31, 2013, $2.2 million for the year ending December 31, 2014 and $1.9 million for the year ending December 31, 2015.

4. Inventories

Inventories consist of the following:

	September 30, 2011	December 31, 2010
	(in thousands)	
Finished goods	$ 9,250	$ 7,174
Work in process	848	596
Raw materials	10,003	8,062
Total	$ 20,101	$ 15,832

5. Restructuring and Other Exit Costs

2011 Restructuring Plans

During the quarter ended September 30, 2011, the management of Harvard Bioscience initiated a plan to relocate our Hoefer subsidiary s San Francisco, California facility as part of a business improvement initiative. The Company also developed a plan to improve operating margins at our Coulbourn Instruments subsidiary. The Company recorded restructuring charges of approximately $0.5 million, which included $0.3 million in fixed asset write offs, $0.1 million in severance payments and $0.1 million in other expenses. The Company expects to incur approximately $0.1 million during the fourth quarter of 2011.

Aggregate restructuring charges relating to the 2011 Restructuring Plan were as follows:

	Severance and Related Costs	Fixed Asset Write offs	Other	Total
		(in thousands)		
Restructuring charges	$ 56	$ 307	$ 114	$ 477
Cash payments	(33)		(102)	(135)
Non-cash charges		(307)		(307)

Restructuring balance at September 30, 2011	$ 23	$	$ 12	$ 35

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2010 Restructuring Plan

During the third quarter of 2010, the management of Harvard Bioscience developed a plan to streamline its operations at Panlab, the Harvard Apparatus business in Spain. The plan included workforce reduction in all functions of the organization. During the third quarter of 2010, the Company recorded restructuring charges of approximately $0.3 million, representing severance payments to employees. No charges were incurred beyond the third quarter of 2010 on this matter.

The restructuring charges related to the 2010 Restructuring Plan were as follows:

	Severance and related Costs	Total
Restructuring charges	$ 283	$ 283
Cash payments	(283)	(283)
Restructuring balance at December 31, 2010	$	$

Aggregate restructuring charges for the 2011 Restructuring Plan and the 2010 Restructuring Plan were as follows:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2011	2010	2011	2010
	(in thousands)		(in thousands)	
Restructuring charges	$ 477	$ 283	$ 449	$ 283

6. Acquisitions

CMA Microdialysis AB

On July 1, 2011, the Company, through its wholly-owned subsidiary in Sweden and its Harvard Apparatus U.S. division, acquired substantially all of the assets of the preclinical business unit of CMA Microdialysis AB (CMA), with its principal offices in Solna, Sweden, for approximately $5.2 million. The Company funded the acquisition from its existing cash balances.

CMA is a manufacturer of microdialysis products and has pioneered the microdialysis technique for *in vivo* sampling and monitoring of organs and tissues. This acquisition is complementary to the current Harvard Apparatus research products for neuroscience applications.

We have preliminarily allocated the purchase price for the CMA Microdialysis acquisition. The aggregate purchase price for this acquisition was preliminarily allocated to tangible and intangible assets acquired as follows:

	(in thousands)
Tangible assets	$ 881
Liabilities assumed	(155)
Net assets assumed	726
Goodwill and intangible assets:	
Goodwill	2,249
Customer relationships	1,250
Trade name	940

Total goodwill and intangible assets		4,439
Acquisition purchase price	$	5,165

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Direct acquisition costs recorded in other net, in our consolidated statements of operations, were $0.1 million and $0.5 million for the three and nine months ended September 30, 2011, respectively.

The results of operations for CMA Microdialysis have been included in our consolidated financial statements from the date of acquisition. The financial results of this acquisition are considered immaterial for the purposes of proforma financial statement disclosures. Goodwill recorded as a result of the acquisition of CMA Microdialysis is deductible for tax purposes.

7. Warranties

Warranties are estimated and accrued at the time sales are recorded. A rollforward of product warranties is as follows:

	Beginning Balance	Payments	Additions	Ending Balance
		(in thousands)		
Year ended December 31, 2010	$ 162	$ (54)	$ 50	$ 158
Nine months ended September 30, 2011	$ 158	$ (44)	$ 36	$ 150

8. Comprehensive Income (Loss)

As of September 30, 2011, accumulated other comprehensive income consisted of cumulative foreign currency translation adjustments of $(0.9) million and, in accordance with FASB ASC 715-20, *Compensation Retirement Benefits, Defined Benefit Plans* $(2.7) million to reflect the under-funded status of the Company s pension plans, net of tax.

The components of total comprehensive income (loss) were as follows:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2011	2010	2011	2010
	(in thousands)			
Net income	$ 28	$ 12,730	$ 3,074	$ 16,832
Other comprehensive (loss) income	(1,837)	2,693	335	(843)
Comprehensive (loss) income	$ (1,809)	$ 15,423	$ 3,409	$ 15,989

Other comprehensive (loss) income for the three and nine months ended September 30, 2011 and 2010 consisted of foreign currency translation adjustments.

9. Employee Benefit Plans

Certain of the Company s United Kingdom subsidiaries, Harvard Apparatus Limited and Biochrom Limited, maintain contributory, defined benefit or defined contribution pension plans for substantially all of their employees. The components of the Company s defined benefit pension expense were as follows:

	Three Months Ended September 30,	Nine Months Ended September 30,

	2011	2010	2011	2010
		(in thousands)		
Components of net periodic benefit cost:				
Service cost	$ 59	$ 48	$ 171	$ 136
Interest cost	200	209	624	587
Expected return on plan assets	(148)	(159)	(463)	(447)
Net amortization loss	34	40	106	113
Net periodic benefit cost	$ 145	$ 138	$ 438	$ 389

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In each of the three month periods ended September 30, 2011 and 2010, the Company contributed $0.2 million to its defined benefit plans. In each of the nine month periods ended September 30, 2011 and 2010, the Company contributed $0.6 million to its defined benefit plans. The Company expects to contribute approximately $0.4 million to its defined benefit plans during the remainder of 2011.

10. Leases

We have noncancelable operating leases for office and warehouse space expiring at various dates through 2017.

On May 22, 2010, we amended our lease agreement for our headquarters, office, light manufacturing and warehouse space in Holliston, Massachusetts. The amendment provides for an extended lease term commencing on June 1, 2010 and ending on May 31, 2017.

Rent expense, which is recorded on a straight-line basis, is estimated to be $1.5 million for the year ending December 31, 2011. Future minimum lease payments for operating leases, with initial or remaining terms in excess of one year at September 30, 2011, are as follows:

	Operating Leases (in thousands)
2012	$ 1,284
2013	891
2014	837
2015	749
2016	676
Thereafter	523
Net minimum lease payments	$ 4,960

11. Capital Stock

Stock Repurchase Program

On December 6, 2007, the Board of Directors authorized the repurchase by the Company of up to $10 million of its common stock in the open market or through privately negotiated transactions over the next 24 months. On November 3, 2009 the Board of Directors extended this program for an additional year. Under the program, shares could be repurchased from time to time and in such amounts as market conditions warrant, subject to regulatory considerations and any applicable contractual restrictions. During the three and nine months ended September 30, 2010, the Company repurchased in the open market 885,011 shares and 1,381,835 shares, respectively, of common stock at an aggregate cost of $3.2 million and $5.0 million, respectively, including commissions under the stock repurchase program. The share repurchases made in 2010 completed the $10.0 million stock repurchase program.

During the life of the program, the Company repurchased 3,084,723 shares of common stock in the open market at an aggregate cost of $10.0 million, including commissions, under the stock repurchase program.

Repurchased shares have been recorded as treasury stock and will be held until the Company s Board of Directors designates that these shares be retired or used for other purposes.

Employee Stock Purchase Plan (ESPP)

In 2000, the Company approved the ESPP. Under the ESPP, participating employees can authorize the Company to withhold a portion of their base pay during consecutive six-month payment periods for the purchase of shares of the Company s common stock. At the conclusion of the period, participating employees can purchase shares of the Company s common stock at 85% of the lower of the fair market value of the Company s common stock at the beginning or end of the period. Shares are issued under the plan for the six-month periods ending June 30 and December 31. Under this plan, 500,000 shares of common stock are authorized for issuance, of which 383,562 shares were issued as of

September 30, 2011. During the nine months ended September 30, 2011, the Company issued 22,587 shares of the Company s common stock under the ESPP. During the nine months ended September 30, 2010, the Company issued 24,689 shares of the Company s common stock under the ESPP. During the three months ended September 30, 2011 and 2010, no shares of the Company s common stock were issued under the ESPP.

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Stock Option Plans

We account for share-based payment awards in accordance with the provisions of FASB ASC 718 *Compensation- Stock Compensation* , which requires us to recognize compensation expense for all share-based payment awards made to employees and directors including employee stock options, Restricted Stock Units (RSUs) and employee stock purchases related to the ESPP.

Amended and Restated 2000 Stock Option and Incentive Plan

The Third Amended and Restated 2000 Stock Option and Incentive Plan (the 2000 Plan) was amended by the Board of Directors on April 13, 2011. Such amendment to the 2000 Plan was approved by the stockholders at the Company s 2011 Annual Meeting. The 2000 Plan makes the following changes, among others, to the Second Amended and Restated 2000 Stock Option and Incentive Plan (the Plan):

- the aggregate number of shares authorized for issuance under the Plan was increased by 3,700,000 shares to 13,067,675 shares of Common Stock;

- the current limitation that no more than 3,750,000 shares of restricted stock awards, unrestricted stock awards, and performance share awards may be issued under the Plan was replaced with a fungible share provision deducting from shares available for grant under the Plan 1.79 shares for each share that underlies an award granted under our 2000 Plan for deferred stock awards of restricted stock units, restricted stock awards, unrestricted stock awards, performance share awards or other awards under our 2000 Plan for which the full value of such share is transferred by us to the award recipient; and

- other clarifying and updating changes.

The Company currently has 13,067,675 shares of its common stock reserved for the issuance of awards under the 2000 Plan.

On May 25, 2011, the Board of Directors approved the grant, as of June 2, 2011, of 188,750 RSUs and 1,010,500 stock options under the 2000 Plan. The RSUs were valued at the closing stock price on the date of grant. We utilized the Black-Scholes valuation model for estimating the fair value of the stock-based compensation.

A summary of stock option and RSU activity under the Stock Option Plans for the nine months ended September 30, 2011 is as follows:

		Stock Options		Restricted Stock Units	
	Available for Grant	Stock Options Outstanding	Weighted Average Exercise Price	Restricted Stock Units Outstanding	Grant Date Fair Value
Balance at December 31, 2010	96,779	7,826,200	$ 4.38	467,600	$ 3.61
Approved by shareholders	3,700,000				
Granted	(1,219,250)	1,030,500	5.64	188,750	5.64
Fungible share adjustment for RSU s granted	(149,113)				
Exercised		(81,875)	5.48		
Vested (RSU s)				(116,900)	
Shares Traded for Taxes	40,729				
Cancelled / forfeited	73,500	(73,500)	5.27		
Balance at September 30, 2011	2,542,645	8,701,325	$ 4.53	539,450	$ 4.32

The following assumptions were used to estimate the fair value of the stock options and the RSUs granted during the three and nine month periods ended September 30, 2011 and 2010:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2011	2010	2011	2010
Volatility	N/A	55.19%	54.24%	56.02%
Risk-free interest rate	N/A	1.86%	2.01%	2.25%
Expected holding period	N/A	6.08	5.94	6.14
Dividend Yield	N/A	0%	0%	0%

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There were no stock options or RSUs granted during the three months ended September 30, 2011.

The weighted average fair values of the options granted under the 2000 Plan during the nine months ended September 30, 2011 was $2.94, using the Black Scholes option-pricing model.

We used historical volatility to estimate the expected stock price volatility assumption. Historical volatility was determined by calculating the mean reversion of the daily-adjusted closing stock price. The risk-free interest rate assumption is based upon observed U.S. Treasury bill interest rates (risk free) appropriate for the term of the Company s employee stock options. The expected holding period of employee stock options represents the period of time options are expected to be outstanding and is based on historical experience. The vesting period is generally 4 years and the contractual life is 10 years.

Stock-based compensation expense for the three and nine months ended September 30, 2011 and 2010 consisted of stock-based compensation expense related to employee stock options, RSUs and the ESPP.

Stock-based compensation expense for the three and nine months ended September 30, 2011 and 2010, respectively, was allocated as follows:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2011	2010	2011	2010
	(in thousands)			
Cost of product revenues	$ 22	$ 18	$ 56	$ 52
Sales and marketing	68	38	132	65
General and administrative	754	696	1,864	1,863
Research and development	9	7	12	12
Total stock-based compensation	$ 853	$ 759	$ 2,064	$ 1,992

We did not capitalize any stock-based compensation.

Weighted Average Common Shares Outstanding

Basic income per share is based upon net income divided by the number of weighted average common shares outstanding during the period. The calculation of diluted net income per share assumes conversion of stock options into common stock using the treasury method. The weighted average number of shares used to compute basic and diluted earnings per share consists of the following:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2011	2010	2011	2010
Basic	28,488,692	28,442,886	28,435,483	29,197,120
Effect of assumed conversion of employee and director stock options and restricted stock units	1,407,337	342,703	1,426,015	388,827
Diluted	29,896,029	28,785,589	29,861,498	29,585,947

Excluded from the shares used in calculating the diluted earnings per common share in the above table are options to purchase approximately 4,006,054 and 6,143,904 shares of common stock for the three months ended September 30, 2011 and 2010, respectively, as the impact of these shares would be anti-dilutive. Excluded from the shares used in calculating the diluted earnings per common share in the above table are options to purchase approximately 3,469,499 and 5,931,044 shares of common stock for the nine months ended September 30, 2011 and 2010, respectively, as the impact of these shares would be anti-dilutive.

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12. Revolving Credit Facility

On August 7, 2009, we entered into an amended and restated $20.0 million revolving credit loan agreement with Bank of America, as agent, and Bank of America and Brown Brothers Harriman & Co as lenders. On September 30, 2011, we entered into the First Amendment to the Amended and Restated Revolving Credit Loan Agreement (the Amendment) with Bank of America as agent, and Bank of America and Brown Brothers Harriman & Co as lenders. The Amendment extends the maturity date of our credit facility to August 7, 2013 and reduces our interest rate to the London Interbank Offered Rate (LIBOR) plus 3.0%. At September 30, 2011, the interest rate for the facility was 3.24%. The amended and restated facility includes covenants relating to income, debt coverage and cash flow, as well as minimum working capital requirements. The credit facility also contains limitations on our ability to incur additional indebtedness and requires lender approval for acquisitions funded with cash, promissory notes and/or other consideration in excess of $6.0 million and for acquisitions funded solely with equity in excess of $10.0 million.

As of September 30, 2011 and December 31, 2010, we had $16.3 million and $18.0 million, respectively, outstanding under our credit facility. The borrowings under the credit facility were primarily related to our acquisitions, and our stock repurchases. As of September 30, 2011, we were in compliance with all financial covenants contained in the credit facility; we were not subject to any borrowing restrictions under the financial covenants and had available borrowing capacity under our revolving credit facility of $3.7 million.

13. Income Tax

As described in Note 13 in the Notes to Consolidated Financial Statements included in the Company s Annual Report on Form 10-K for the year ended December 31, 2010, the Company had recorded an uncertain tax liability of $0.5 million. In January 2011, the statute of limitations expired for the return that included these uncertain tax positions with no change from the tax authorities. Accordingly, the uncertain tax liability and the associated accrued interest was reversed in the first quarter of 2011 as a discrete item and is included as a benefit in the *Income tax (benefit) expense* line item in the Consolidated Statements of Operations.

Prior to the third quarter of 2010, the Company had maintained a full valuation allowance against most of its United States deferred tax assets, net of deferred tax liabilities exclusive of deferred tax liabilities related to indefinite lived intangible assets. During the quarter ended September 30, 2010, management concluded that it is more likely than not that a majority of our U.S. deferred tax assets will be realized through future taxable income. This conclusion was based, in part, on our achieving sustained profitability in the U.S. Therefore, we released a significant portion of the valuation allowances related to these deferred tax assets. The release of the above mentioned valuation allowances resulted in an income tax benefit of $11.3 million, which was recorded in the Consolidated Statements of Operations as a discrete item in the *Income tax (benefit) expense* line item during the quarter ended September 30, 2010.

14. Segment and Related Information

As described in Note 17 in the Notes to Consolidated Financial Statements included in the Company s Annual Report on Form 10-K for the year ended December 31, 2010, the Company has two operating segments aggregated under the Life Science Research Tools (LSRT) segment, which is the Company s only reportable segment. The operating segments have similar products and services, customer channels, distribution methods and historical margins. The LSRT segment is engaged in the development, manufacture and marketing of specialized products, primarily apparatus and scientific instruments, used to advance life science research at pharmaceutical and biotechnology companies, universities and government laboratories worldwide.

The Company has one additional operating segment, its Regenerative Medicine Device (RMD) business, which does not meet the quantitative thresholds for reportable segments and is therefore disclosed under the caption of Other . The RMD business is engaged in the development, manufacturing and marketing of devices used by clinicians and researchers in the field of regenerative medicine. Non operating expenses that are not allocated to operating divisions are under the caption Unallocated Expenses . Unallocated expenses also include certain corporate related expenses that are not allocable to the operating segments.

Summarized financial information on the Company s reportable segments for the three months and nine months ended September 30, 2011 and 2010 are shown in the following table (in thousands). There were no inter segment revenues.

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	LSRT	Other	Unallocated	Total
Three month period ended September 30, 2011				
Total revenues	$ 26,381	$	$	$ 26,381
Operating income (loss)	2,244	(915)	(1,109)	220
Interest income	17			17
Interest expense	(3)		(213)	(216)
Other expense, net			(338)	(338)
Income (loss) before income taxes	2,244	(915)	(1,447)	(118)
Depreciation and amortization	1,094	2	22	1,118
Capital expenditures	148	96	42	286
Goodwill and indefinite lived intangible assets	37,025			37,025
Total assets	126,465	113	390	126,968
Three month period ended September 30, 2010				
Total revenues	26,374	79		26,453
Operating income (loss)	3,443	(221)	(1,279)	1,943
Interest income	11			11
Interest expense			(196)	(196)
Other expense, net	(40)		(340)	(380)
Income (loss) before income taxes	3,403	(221)	(1,619)	1,563
Depreciation and amortization	1,024		(21)	1,003
Capital expenditures	182		2	184
Goodwill and indefinite lived intangible assets	35,927			35,927
Total assets	120,006		338	120,344
Nine month period ended September 30, 2011				
Total revenues	79,837			79,837
Operating income (loss)	10,081	(1,950)	(3,442)	4,689
Interest income	48			48
Interest expense	(9)		(593)	(602)
Other expense, net	(463)		(669)	(1,132)
Income (loss) before income taxes	9,618	(1,950)	(4,111)	3,557
Depreciation and amortization	3,143	6	62	3,211
Capital expenditures	956	119	77	1,152
Goodwill and indefinite lived intangible assets	37,025			37,025
Total assets	126,465	113	390	126,968
Nine month period ended September 30, 2010				
Total revenues	78,534	124		78,658
Operating income (loss)	11,544	(533)	(3,721)	7,290
Interest income	60			60
Interest expense			(479)	(479)
Other expense, net	243		(652)	(409)
Income (loss) before income taxes	11,787	(533)	(4,373)	6,881
Depreciation and amortization	2,856			2,856
Capital expenditures	518		97	615
Goodwill and indefinite lived intangible assets	35,927			35,927
Total assets	$ 120,006	$	$ 338	$ 120,344

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

Forward Looking Statements

This Quarterly Report on Form 10-Q contains statements that are not statements of historical fact and are forward-looking statements within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934. The forward-looking statements are principally, but not exclusively, contained in Item 2: Management s Discussion and Analysis of Financial Condition and Results of Operations. These statements involve known and unknown risks, uncertainties and other factors that may cause our actual results, performance or achievements to be materially different from any future results, performance or achievements expressed or implied by the forward-looking statements. Forward-looking statements include, but are not limited to, statements about management s confidence or

expectations, and our plans, objectives, expectations and intentions that are not historical facts. In some cases, you can identify forward-looking statements by terms such as may, will, should, could, would, expects, plans, anticipates, believes, goals, sees, estimates, intends, think, potential, objectives, optimistic, strategy, and similar expressions intended to identify forward-looking statements. These statements reflect our current views with respect to future events and are based on assumptions and subject to risks and uncertainties. Given these uncertainties, you should not place undue reliance on these forward-looking statements. Factors that may cause the Company s actual results to differ materially from those in the forward-looking statements include the Company s failure to identify potential acquisition candidates, successfully integrate acquired businesses or technologies, successfully negotiate favorable pricing and other terms with acquisition candidates to enable potential acquisitions to close, complete consolidations of business functions, expand our distribution channels, expand our product offerings, introduce new products or commercialize new technologies on a timely basis, including in the field of regenerative medicine, unanticipated costs relating to acquisitions, unanticipated costs arising in connection with the Company s consolidation of business functions and any restructuring initiative, lack of demand or decreased demand for the Company s products due to changes in our customers needs, success of our efforts with our distributor to promote sales of our microvolume spectrophotometer product and success of our strategies to increase the sales of other products, our ability to obtain regulatory approvals, including FDA approval, for our products including any products in the field of regenerative medicine, the current size or anticipated size of the regenerative medicine market, the existence and size of opportunities in the regenerative medicine market, our financial position, general economic outlook, or other circumstances, overall economic trends, the seasonal nature of purchasing in Europe, economic, political and other risks associated with international revenues and operations, the impact of the current economic and financial crisis, additional costs of complying with recent changes in regulatory rules applicable to public companies, our ability to manage our growth, our ability to retain key personnel, competition from our competitors, technological changes resulting in our products becoming obsolete, future changes to the operations or the activities of our subsidiaries due to manufacturing consolidations, our ability to meet the financial covenants contained in our credit facility, our ability to protect our intellectual property and operate without infringing on others intellectual property, potential costs of any lawsuits to protect or enforce our intellectual property, economic and political conditions generally and those affecting

pharmaceutical and biotechnology industries, research funding levels from endowments at our university customers, impact of any impairment of our goodwill or intangible assets, our acquisition of Genomic Solutions failing to qualify as a tax-free reorganization for federal tax purposes, our ability to utilize deferred tax assets after the release of our valuation allowances, the amount of earn-out consideration that the Company receives in connection with the disposition of the Company s Capital Equipment Business segment and factors that may impact the receipt of this consideration, such as the revenues of the businesses disposed of, plus factors described under the heading Item 1A. Risk Factors in the Company s Annual Report on Form 10-K for the fiscal year ended December 31, 2010, filed with the SEC on March 16, 2011. Our results may also be affected by factors of which we are not currently aware. Also, these forward-looking statements represent our estimates and assumptions only as of the date of this report. We may not update these forward-looking statements, even though our situation may change in the future, unless we have obligations under the federal securities laws to update and disclose material developments related to previously disclosed information.

General

The Company is comprised of our Life Science Research Tools business and Regenerative Medicine Device business.

Our strategy for the Life Science Research Tools segment focuses on creating value through combining tuck-under acquisitions with organic growth and operational improvements.

During the fourth quarter of 2011, we will continue our strategy of driving organic growth with direct marketing and new product development. During the second quarter of 2010, we launched the third of the four major new research syringe pumps in the Harvard Apparatus business. In October 2010, we launched the fourth major new pump, called the KDS 100 Legato. In December 2010, we acquired the CytoPulse Electroporation product line. In July 2011, we acquired the preclinical business unit of CMA Microdialysis AB. We expect these new products and the acquisition of CytoPulse and CMA will help drive growth during the remainder of 2011 and beyond. We are also working on longer term new products that will be announced when they reach significant milestones.

In addition to driving growth in our core research markets, we have been investing to create new products to address what we believe is a long term growth opportunity in the emerging field of regenerative medicine. Regenerative medicine is using stem cells to repair damaged organs and to grow organs outside the body for transplant. The U.S. Department of Health and Human Services has projected that the U.S. market for regenerative medicine may be $100 billion in the coming years. The government s estimate appears to include the value of all regenerative medicine protocols and therapies, including potential cost savings versus current methodologies. Our strategy is not to become a therapeutics company but instead to provide tools to researchers and clinicians in the field of regenerative medicine. These new tools currently fall into two main categories: bioreactors for growing tissue and organs outside the body; and injectors for stem cell therapy. These new tools we are creating are being built on our existing technologies such as our market leading Harvard Apparatus precision syringe pumps and market leading Hugo-Sachs isolated organ systems.

Our strategy in regenerative medicine is to create devices in collaboration with leading surgeons, not to discover pharmaceuticals, as creating devices like the InBreath bioreactor reduces risk compared to trying to discover new drugs; build these devices using our existing technologies and brands as this reduces the investment needed to get to market; and develop devices with a significant disposable revenue stream as this is clinically safer and will allow us to participate on a per-procedure basis following the sale of an instrument.

Our first regenerative medicine tool, the InBreath hollow organ bioreactor, was used to perform the world s first human transplant of a regenerated bronchus. Dr. Paolo Macchiarini et al reported this success in The Lancet, a leading general medicine journal in November 2008. We have licensed this product from Dr. Macchiarini s team, and worked to make it a commercial device. During the second and the third quarters of 2010, we took orders for this product, making it what we believe is the world s first commercially available bioreactor that has been used to perform a human transplant of a regenerated organ. We believe it marks an important milestone in the development of the regenerative medicine field as the tools evolve from concepts to commercial quality products.

During the first half of 2010, one of our collaborators, Dr. Harald Ott at Massachusetts General Hospital (MGH) succeeded in regenerating a lung and subsequently transplanting it into a rat. In collaboration with Dr. Ott and MGH, we designed and developed a novel bioreactor that was used to grow the lung. The work was published online in Nature Medicine in July 2010. The bioreactor used by Dr. Ott was a modified version of one of our market leading Hugo-Sachs isolated organ systems.

In June 2011, the InBreath bioreactor was used for the world s first successful transplantation of a synthetic tissue engineered windpipe. For the first time in history, a patient has been given a new trachea made from a synthetic scaffold seeded with his own stem cells in a bioreactor. The cells were grown on the scaffold inside the bioreactor for two days before transplantation into the patient. Because the cells used to regenerate the trachea were the patient s own, there has been no rejection of the transplant, and the patient is not taking immunosuppressive drugs. The

patient had been suffering from late stage tracheal cancer, which before this surgery would have been inoperable, and is now well on the way to a full recovery. The operation was performed on June 9, 2011 at the Karolinska University Hospital in Huddinge, Stockholm, by Professor Paolo Macchiarini of the Karolinska University Hospital and Karolinska Institutet, and colleagues. Professor Macchiarini led an international team including Professor Alexander Seifalian from University College in London, England, who designed and built the nanocomposite tracheal scaffold, and we produced a specifically designed bioreactor used to seed the scaffold with the patient s own stem cells.

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In addition to the bioreactors described above, we also have started the development of a clinical version of one of our market leading Harvard Apparatus research syringe pumps. The research version of this pump is called the PHD Ultra Nanomite stem cell therapy injection system. We anticipate that this pump will be used to inject cells into damaged tissue in cell therapy. During 2010, the U.S. Food and Drug Administration announced its intention to focus greater attention on the safety, particularly of the user interface, for clinical infusion pumps. We expect to submit this pump to the regulatory agencies by the end of 2011 for approval.

We believe that through execution of our strategy of organic growth, tuck-under acquisitions and operational improvements we will be able to strengthen and position ourselves well for when the economy recovers. While we expect the initiatives discussed above to positively impact our business, the success of these initiatives is subject to a number of factors, including fluctuations in foreign exchange rates, the current economic and financial condition and their impact on our customers and our ability to obtain credit on terms favorable to us, the competitiveness of our new products, the strength of our intellectual property underlying these products, the success of our marketing efforts and those of our distributors and the other factors described under the heading Item 1A. Risk Factors in our Annual Report on Form 10-K filed with the SEC on March 16, 2011.

Our goal is to develop and sell products that improve life science research and regenerative medicine and as such, we monitor our operating metrics and when appropriate, effect organizational changes to leverage infrastructure and distribution channels. These changes may be effected as a result of various events, including acquisitions, the worldwide economy, general market conditions and personnel changes.

Financing

On August 7, 2009, we entered into an amended and restated $20.0 million revolving credit loan agreement with Bank of America, as agent, and Bank of America and Brown Brothers Harriman & Co as lenders. On September 30, 2011, we entered into the Amendment with Bank of America as agent, and Bank of America and Brown Brothers Harriman & Co as lenders. The Amendment extends the maturity date of our credit facility to August 7, 2013 and reduces our interest rate to the London Interbank Offered Rate (LIBOR) plus 3.0%. The facility includes covenants relating to income, debt coverage and cash flow, as well as minimum working capital requirements. The credit facility also contains limitations on our ability to incur additional indebtedness and requires lender approval for acquisitions funded with cash, promissory notes and/or other consideration in excess of $6.0 million and for acquisitions funded solely with equity in excess of $10.0 million.

At September 30, 2011, we had borrowings of $16.3 million outstanding under our credit facility with Bank of America and Brown Brothers Harriman & Co.

Historically, we have funded acquisitions with debt, capital raised by issuing equity and cash flow from operations. In order to continue the acquisition portion of our growth strategy beyond what our current cash balances and cash flow from operations can support, either for our LSRT business or our RMD business, we will need to raise more capital, either by incurring additional debt, issuing equity or a combination thereof.

Components of Operating Income

Revenues. We generate revenues by selling apparatus, instruments, devices and consumables through our catalogs, our distributors, our direct sales force and our website. Revenues from direct sales to end users, made by our sales force or derived through our catalogs and the electronic version of our catalogs on our website, represented approximately 59% and 57%, respectively, of our revenues for the nine months ended September 30, 2011 and for the year ended December 31, 2010.

Products sold under brand names of distributors, including GE Healthcare, are typically priced in the range of $5,000-$15,000. They are mainly scientific instruments like spectrophotometers and plate readers that analyze light to detect and quantify a very wide range of molecular and cellular processes or apparatus like gel electrophoresis units. We also use distributors for both our catalog products and our higher priced products, for sales in locations where we do not have subsidiaries or where we have distributors in place for acquired businesses. For the nine months ended September 30, 2011 and for the year ended December 31, 2010, approximately 41% and 43%, respectively, of our revenues were derived from sales to distributors.

For the nine months ended September 30, 2011, approximately 62% of our revenues were derived from products we manufacture; approximately 25% were derived from distributed products sold under our brand names and approximately 13% were derived from complementary products we distribute in order to provide the researcher with a single source for all equipment needed to conduct a particular experiment. For the year ended December 31, 2010, approximately 66% of our revenues were derived from products we manufacture; approximately 11% were derived from complementary products we distribute in order to provide the researcher with a single source for all equipment needed to conduct a particular experiment and 23% were derived from distributed products sold under our brand names.

For the nine months ended September 30, 2011 and for the year ended December 31, 2010, approximately 40% and 41%, respectively, of our revenues were derived from sales made by our non-U.S. operations. A large portion of our international sales during these periods consisted of sales to GE Healthcare, the distributor for our spectrophotometers and plate readers. GE Healthcare distributes these products to customers around the world, including to many customers in the United States, from its distribution center

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in Upsalla, Sweden. As a result, we believe our international sales would have been a lower percentage of our revenues if we had shipped our products directly to our end-users. Changes in the relative proportion of our revenue sources between catalog sales, direct sales and distribution sales are primarily the result of a different sales proportion of acquired companies.

Cost of product revenues. Cost of product revenues includes material, labor and manufacturing overhead costs, obsolescence charges, packaging costs, warranty costs, shipping costs and royalties. Our cost of product revenues may vary over time based on the mix of products sold. We sell products that we manufacture and products that we purchase from third parties. The products that we purchase from third parties have a higher cost of product revenues as a percent of revenue because the profit is effectively shared with the original manufacturer. We anticipate that our manufactured products will continue to have a lower cost of product revenues as a percentage of revenues as compared with the cost of non-manufactured products for the foreseeable future. Additionally, our cost of product revenues as a percent of product revenues will vary based on mix of direct to end user sales and distributor sales, mix by product line and mix by geography.

Sales and marketing expenses. Sales and marketing expense consists primarily of salaries and related expenses for personnel in sales, marketing and customer support functions. We also incur costs for travel, trade shows, demonstration equipment, public relations and marketing materials, consisting primarily of the printing and distribution of our catalogs, supplements and the maintenance of our websites. We may from time to time expand our marketing efforts by employing additional technical marketing specialists in an effort to increase sales of selected categories of products in our catalog. We may also from time to time expand our direct sales organizations in an effort to concentrate on key accounts or promote certain product lines.

General and administrative expenses. General and administrative expense consists primarily of salaries and other related costs for personnel in executive, finance, accounting, information technology and human relations functions. Other costs include professional fees for legal and accounting services, facility costs, investor relations, insurance and provision for doubtful accounts.

Research and development expenses. Research and development expense consists primarily of salaries and related expenses for personnel and spending to develop and enhance our products. Other research and development expense includes fees for consultants and outside service providers, and material costs for prototype and test units. We expense research and development costs as incurred. We believe that investment in product development is a competitive necessity and plan to continue to make these investments in order to realize the potential of new technologies that we develop, license or acquire for existing markets. Additionally, we are working to develop new products aimed at long term opportunities in the emerging field of regenerative medicine.

Stock compensation expenses. Stock-based compensation expense recognized under FASB ASC 718, *Compensation Stock Compensation,* was related to employee stock options, RSUs and the employee stock purchase plan and was recorded as a component of cost of product revenues, sales and marketing expenses, general and administrative expenses and research and development expenses.

Income Taxes. As described in Note 13 in the Notes to Consolidated Financial Statements included in our Annual Report on Form 10-K for the year ended December 31, 2010, we had recorded an uncertain tax liability of $0.5 million. In January 2011, the statute of limitations expired for the return that included these uncertain tax positions with no change from the tax authorities. Accordingly, the uncertain tax liability and the associated accrued interest was reversed in the first quarter of 2011 as a discrete item and is included as a benefit in the *Income tax (benefit) expense* line item in the Consolidated Statements of Operations.

Prior to the third quarter of 2010, we had maintained a full valuation allowance against most of our United States deferred tax assets, net of deferred tax liabilities exclusive of deferred tax liabilities related to indefinite lived intangible assets. During the quarter ended September 30, 2010, we concluded that it is more likely than not that a majority of our U.S. deferred tax assets will be realized through future taxable income. This conclusion was based, in part, on our achieving sustained profitability in the U.S. Therefore, we released a significant portion of the valuation allowances related to these deferred tax assets. The release of the above mentioned valuation allowances resulted in an income tax benefit of $11.3 million, which was recorded in the Consolidated Statements of Operations as a discrete item in the Income tax (benefit) expense line item during the quarter ended September 30, 2010.

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Selected Results of Operations

Three months ended September 30, 2011 compared to three months ended September 30, 2010:

	Three Months Ended September 30,			
	2011	2010	Dollar Change	% Change
	(dollars in thousands, unaudited)			
Revenues	$ 26,381	$ 26,453	$ (72)	-0.3%
Cost of product revenues	14,503	13,886	617	4.4%
Gross margin percentage	45.0%	47.5%		-5.2%
Sales and marketing expenses	4,361	4,101	260	6.3%
General and administrative expenses	4,560	4,407	153	3.5%
Research and development expenses	1,554	1,240	314	25.3%

Revenues.

Revenues were flat at $26.4 million for the three months ended September 30, 2011 and 2010, respectively. The acquisitions of our Coulbourn Instruments subsidiary in August 2010 and our CMA Microdialysis subsidiary in July 2011, contributed approximately $1.1 million, or 4.2% to the increase in the third quarter 2011 revenues. The effect of a weakened U.S. dollar increased our third quarter revenues by $0.5 million, or 1.8%, compared with the same period in 2010. Adjusting for the effect of foreign currency fluctuation and acquisitions, revenues were down $1.7 million, or 6.3%.

In our Biochrom business, sales to GE Healthcare (GEHC) decreased by $1.0 million, which affected our global year-to-year organic revenue comparison by negative 4%. In our Hoefer business, sales to GEHC were down by $0.2 million which accounted for an additional 1% organic decline. The remaining organic decline can be attributed to the softer than expected U.S. academic and government markets impacting our Harvard Apparatus U.S. subsidiary.

Cost of product revenues.

Cost of product revenues increased $0.6 million, or 4.4%, to $14.5 million for the three months ended September 30, 2011 compared with $13.9 million for the three months ended September 30, 2010. The increase in cost of product revenues included $0.5 million, or 3.4%, attributable to our Coulbourn Instruments and CMA Microdialysis subsidiary acquisitions, and $0.3 million, or 1.9%, from the currency effect of a weakened U.S. dollar which was partially offset by lower cost of sales at our Biochrom and Denville businesses. Gross profit as a percentage of revenues decreased to 45.0% for the three months ended September 30, 2011 compared with 47.5% for the same period in 2010. The year-to-year quarterly decrease was primarily due to a less favorable sales mix.

Sales and marketing expense.

Sales and marketing expenses increased $0.3 million, or 6.3%, to $4.4 million for the three months ended September 30, 2011 compared with $4.1 million for the three months ended September 30, 2010. In LSRT, sales and marketing expenses increased $0.2 million, or 4.5% primarily due to our acquisitions of Coulbourn Instruments and CMA Microdialysis subsidiaries, and $0.1 million, or 1.7%, increase due to the impact of a weaker U.S. dollar compared to the same period in 2010. In RMD, sales and marketing expenses remained flat at $0.1 million and represented business development expenses.

General and administrative expense.

General and administrative expenses increased $0.2 million, or 3.5% to $4.6 million for the three months ended September 30, 2011 compared with $4.4 million for the three months ended September 30, 2010. In LSRT, general and administrative expenses remained flat at $4.3 million. The acquisition of Coulbourn Instruments and CMA Microdialysis increased the spending by $0.2 million, or 4.5%, but was offset by a decline in the spending in other businesses when compared to the same period in 2010. In RMD, general and administrative expenses increased $0.1 million due to increased activity related to our regenerative medicine device initiative, including costs related to our review of strategic alternatives for maximizing value of the RMD business for our stockholders.

Research and development expense.

Research and development expenses increased $0.3 million, or 25.3% to $1.5 million for the three months ended September 30, 2011 compared with $1.2 million for the three months ended September 30, 2010. In LSRT, the research and development expenses decreased $0.2 million, or 15.9%, due to lower expenses of $0.1 million each at our Biochrom U.K. subsidiary and Harvard Apparatus U.S. division. In RMD, research and development expenses increased $0.5 million, primarily due to increased activity in our stem cell therapy injector development.

Amortization of intangible assets.

Amortization of intangible assets increased $0.1 million, or 19.1%, to $0.7 million for the three months ended September 30, 2011 compared with $0.6 million for the same period in 2010. The year-to-year quarterly increase in the amortization expenses was primarily due to the acquisitions of our Coulbourn Instruments and CMA Microdialysis subsidiaries.

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Other income (expense), net.

Other income (expense), net, was $0.3 million expense for the three months ended September 30, 2011 compared with $0.4 million expense for the three months ended September 30, 2010. Net interest expense was $0.2 million for the three month periods ended September 30, 2011 and 2010, and represented the total interest charges on the outstanding balance of our credit facility. Other income and expense, net, also included $0.1 million for the three months ended September 30, 2011 compared to $0.2 million for the three months ended September 30, 2010, related to other expenses.

Income Taxes.

Income tax benefit for the three month periods ended September 30, 2011 and 2010 was approximately $0.1 million and $11.2 million, respectively. The income tax benefit in 2010 was primarily due to the release of a significant portion of our valuation allowances related to our U.S. net deferred tax assets during the third quarter 2010. See Note 13 to our unaudited consolidated financial statements for additional detail.

Restructuring.

During the third quarter of 2011, we initiated a plan to relocate our Hoefer subsidiary s San Francisco, California facility as part of a business improvement initiative. We also developed a plan to improve operating margins at our Coulbourn Instruments subsidiary. We recorded restructuring charges of approximately $0.5 million, which included $0.3 million in fixed asset write offs, $0.1 million in severance payments and $0.1 million in other expenses.

During the third quarter of 2010, we developed a plan to streamline our operations at Panlab, our Harvard Apparatus business in Spain. The plan included workforce reduction in all functions of the organization. During the third quarter of 2010, we recorded restructuring charges of approximately $0.3 million, representing severance payments to employees. No charges were incurred beyond the third quarter of 2010 on this matter.

Selected Results of Operations

Nine months ended September 30, 2011 compared to nine months ended September 30, 2010:

	Nine Months Ended September 30,			
	2011	2010	Dollar Change	% Change
	(dollars in thousands, unaudited)			
Revenues	$ 79,837	$ 78,658	$ 1,179	1.5%
Cost of product revenues	42,804	41,259	1,545	3.7%
Gross margin percentage	46.4%	47.5%		-2.4%
Sales and marketing expenses	12,809	12,100	709	5.9%
General and administrative expenses	13,122	12,475	647	5.2%
Research and development expenses	3,948	3,549	399	11.2%

Revenues.

Revenues increased $1.2 million, or 1.5%, to $79.8 million for the nine months ended September 30, 2011 compared to $78.7 million for the same period in 2010. Our Coulbourn Instruments and CMA Microdialysis acquisitions contributed approximately $2.2 million, or 2.8%, to the revenue increase in the nine months ended September 30, 2011. The effect of a weakened U.S. dollar increased our revenues by $1.7 million, or 2.1%, compared with the same period in 2010. Adjusting for the effects of foreign currency and acquisitions, revenues were down $2.7 million, or 3.4%.

In our Biochrom business, sales to GEHC decreased by $3.5 million, which affected our global year-to-year organic revenue comparison by negative 4%. In our Hoefer business, sales to GEHC were down by $0.6 million, which accounted for an additional 1% organic decline.

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Cost of product revenues.

Cost of product revenues increased $1.5 million, or 3.7%, to $42.8 million for the nine months ended September 30, 2011 compared with $41.3 million for the nine months ended September 30, 2010. The increase in cost of product revenues included $1.2 million, or 2.8%, attributable to our Coulbourn Instruments and CMA Microdialysis acquisitions. A weakened U.S. dollar caused a $0.9 million, or 2.1%, unfavorable currency effect on cost of product revenues for the nine months ended September 30, 2011. Gross profit as a percentage of revenues decreased to 46.4% for the nine months ended September 30, 2011 compared with 47.5% for the same period in 2010. The decrease in gross profit as a percentage of revenues was primarily due to a less favorable sales mix.

Sales and marketing expense.

Sales and marketing expenses increased $0.7 million, or 5.9%, to $12.8 million for the nine months ended September 30, 2011 compared with $12.1 million for the nine months ended September 30, 2010. In LSRT, sales and marketing expenses increased $0.5 million, or 4.2%, primarily due to $0.3 million, or 2.7%, of expenses related to our Coulbourn Instruments and CMA Microdialysis acquisitions, and $0.2 million, or 1.6%, due to the impact of a weaker U.S. dollar compared to the same period in 2010. In RMD, sales and marketing expenses increased $0.2 million, to $0.3 million, primarily due to an increase in business development expenses.

General and administrative expense.

General and administrative expenses increased $0.6 million, or 5.2%, to $13.1 million for the nine months ended September 30, 2011 compared with $12.5 million for the nine months ended September 30, 2010. In LSRT, general and administrative expenses increased $0.4 million, or 3.5% primarily due to a $0.5 million, or 3.9%, increase due to our Coulbourn Instruments and CMA Microdialysis acquisitions, and a $0.2 million, or 1.3%, due to the impact of a weaker U.S. dollar compared to the same period in 2010, partially offset by a reduction of $0.2 million, or 1.7% in other general and administrative areas combined. In RMD, general and administrative expenses increased $0.2 million due to increased activity in our regenerative medicine device initiative, including costs related to our review of strategic alternatives for maximizing value of the RMD business for our stockholders.

Research and development expense.

Research and development expenses increased $0.4 million, or 11.2%, to $3.9 million for the nine months ended September 30, 2011 compared with $3.5 million for the same period in 2010. In LSRT, the research and development expenses decreased $0.5 million, or 16.4%, due to lower expenses of $0.6 million at our Biochrom and Harvard Apparatus businesses partly offset by a $0.1 million, or 4.0%, increase due to our Coulbourn Instruments and CMA Microdialysis acquisitions. In RMD, research and development expenses increased $0.9 million, to $1.2 million, primarily due to increased activity in our stem cell therapy injector.

Amortization of intangible assets.

Amortization of intangible assets increased $0.3 million, or 18.4%, to $2.0 million for the nine months ended September 30, 2011 compared with $1.7 million for the same period in 2010. The year-to-year increase in the amortization expenses was primarily due to the acquisition of Coulbourn Instruments in August 2010 and CMA Microdialysis in July 2011.

Other income (expense), net.

Other income and expense, net, was $1.1 million and $0.4 million expense for the nine month periods ended September 30, 2011 and 2010, respectively. Net interest expense was $0.6 million for the nine months ended September 30, 2011 compared to net interest expense of $0.4 million for the nine months ended September 30, 2010. The increase in net interest expense was primarily due to higher average debt balances in the nine months ended September 30, 2011 compared to the prior year period. Other income and expense, net, for the nine months ended September 30, 2010 also included a $0.4 million gain from adjustment of the contingent consideration related to our Denville Scientific acquisition and foreign exchange losses of $0.1 million. Other income and expense, net, for the nine month periods ended September 30, 2011 and 2010, also included $0.5 million and $0.3 million, respectively, related to other expenses.

Income Taxes.

Income tax expense for the nine months ended September 30, 2011 was approximately $0.5 million. The effective income tax rate for the nine months ended September 30, 2011 was 13.6%. The difference between our effective tax rate and the US statutory tax rate is principally attributable to the reversal of the uncertain tax liability of $0.5 million in the first quarter of 2011 and our foreign rate differential. The income

tax benefit for the nine months ended September 30, 2010 was approximately $10.0 million. This income tax benefit was primarily due to the release of a significant portion of our valuation allowances related to our U.S. deferred tax assets during the third quarter 2010. See Note 13 to our unaudited consolidated financial statements for additional detail.

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Restructuring Charges.

During the third quarter of 2011, we initiated a plan to relocate our Hoefer subsidiary s San Francisco, California facility as part of a business improvement initiative. We also developed a plan to improve operating margins at our Coulbourn Instruments subsidiary. We recorded restructuring charges of approximately $0.5 million, which included $0.3 million in fixed asset write offs, $0.1 million in severance payments and $0.1 million in other expenses.

During the third quarter of 2010, we developed a plan to streamline our operations at Panlab, our Harvard Apparatus business in Spain. The plan included workforce reduction in all functions of the organization. During the third quarter of 2010, we recorded restructuring charges of approximately $0.3 million, representing severance payments to employees. No charges were incurred beyond the third quarter of 2010 on this matter.

Liquidity and Capital Resources

Historically, we have financed our business through cash provided by operating activities, the issuance of common stock and preferred stock, and bank borrowings. Our liquidity requirements have arisen primarily from investing activities, including funding of acquisitions, and capital expenditures.

We ended the third quarter of 2011 with cash and cash equivalents of $16.2 million compared to $19.7 million at December 31, 2010. As of September 30, 2011 and December 31, 2010, we had $16.3 million and $18.0 million, respectively, of borrowings outstanding under our credit facility. Total debt, net of cash and cash equivalents was $0.1 million at September 30, 2011. Total cash and cash equivalents, net of debt was $1.7 million at December 31, 2010.

Overview of Cash Flows

(in thousands, unaudited)

	Nine Months Ended September 30,	
	2011	**2010**
Cash flows from operations:		
Net income	$ 3,074	$ 16,832
Changes in assets and liabilities	(4,362)	(2,204)
Other adjustments to operating cash flows	5,293	(6,584)
Net cash provided by operating activities	4,005	8,044
Investing activities:		
Acquisition, net of cash acquired	(5,165)	(6,115)
Other investing activities	(1,285)	(969)
Net cash used in investing activities	(6,450)	(7,084)
Financing activities:		
Proceeds (repayment) of debt, net	(1,703)	4,688
Purchases of treasury stock		(5,000)
Other financing activities	449	194
Net cash used in financing activities	(1,254)	(118)
Effect of exchange rate changes on cash	232	(213)
(Decrease) Increase in cash and cash equivalents	$ (3,467)	$ 629

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Our operating activities generated cash of $4.0 million for the nine months ended September 30, 2011 compared to $8.0 million for the nine months ended September 30, 2010. The decrease in the cash flow from operations was primarily due to lower net income because of lower shipments of the Nanovue spectrophotometer and the softness in the academic and government research spending in the U.S., and changes to working capital year to year.

Our investing activities used cash of $6.5 million during the nine months ended September 30, 2011 compared to $7.1 million during the nine months ended September 30, 2010. Investing activities during both 2010 and 2011 included acquisitions of businesses, purchases and sales of property, plant and equipment and expenditures for our catalogs. In July 2011, we acquired CMA Microdialysis for approximately $5.2 million, which was funded from our existing cash balances. During the second quarter of 2010 we made the final payment of approximately $1.5 million related to our acquisition of Denville Scientific and in August 2010, we acquired Coulbourn Instruments for approximately $4.6 million which was funded from our existing cash balances and borrowings under our credit facility. All of these payments were included in Acquisition, net of cash acquired under investing activities. We spent $0.2 million and $0.3 million in the nine months ended September 30, 2011 and 2010, respectively, on catalog costs. We spent $1.2 million and $0.6 million in the nine months ended September 30, 2011 and 2010, respectively, on capital expenditures. We currently expect to make approximately $0.4 million of capital expenditures during the fourth quarter of 2011.

Our financing activities have historically consisted of borrowings and repayments under a revolving credit facility, long-term debt, the issuance of preferred stock and common stock, including the common stock issued in our initial public offering, and repurchases of our common stock under our stock repurchase program. During the nine months ended September 30, 2011, financing activities used cash of $1.3 million, compared to $0.1 million during the nine months ended September 30, 2010. During the nine months ended September 30, 2011 we repaid $1.7 million of debt under our credit facility. During the nine months ended September 30, 2010 we had net proceeds of debt of $4.7 million and we repurchased in the open market 1.4 million shares of our common stock at a cost of $5.0 million, including commissions. Other financing activities for the periods ended September 30, 2011 and 2010 included the net proceeds from the issuance of common stock of $0.5 million and $0.2 million, respectively.

On August 7, 2009, we entered into an amended and restated $20.0 million revolving credit loan agreement with Bank of America, as agent, and Bank of America and Brown Brothers Harriman & Co as lenders. On September 30, 2011, we entered into the Amendment with Bank of America as agent, and Bank of America and Brown Brothers Harriman & Co as lenders. The Amendment extends the maturity date of our credit facility to August 7, 2013 and reduces our interest rate to the London Interbank Offered Rate (LIBOR) plus 3.0%. The facility includes covenants relating to income, debt coverage and cash flow, as well as minimum working capital requirements. The credit facility also contains limitations on our ability to incur additional indebtedness and requires lender approval for acquisitions funded with cash, promissory notes and/or other consideration in excess of $6.0 million and for acquisitions funded solely with equity in excess of $10.0 million.

Our forecast of the period of time through which our financial resources will be adequate to support our operations is a forward-looking statement that involves risks and uncertainties, and actual results could vary as a result of a number of factors. Based on our current operations and current operating plans, we expect that our available cash, cash generated from current operations and debt capacity will be sufficient to finance current operations and capital expenditures for 12 months and beyond. However, we may use substantial amounts of capital to accelerate product development or expand our sales and marketing activities. We may need to raise additional capital in order to make significant acquisitions or to finance our RMD business. Additional capital raising activities will dilute the ownership interests of existing stockholders to the extent we raise capital by issuing equity securities and we cannot assure you that we will be successful in raising additional capital on favorable terms or at all.

Impact of Foreign Currencies

We sell our products in many countries and a substantial portion of our sales, costs and expenses are denominated in foreign currencies, especially the British pound sterling, Euro and Swedish krona.

Changes in foreign currency exchange rates resulted in increases in revenues of $1.7 million and expenses of $1.3 million during the nine months ended September 30, 2011, compared to decreases in revenues of $0.7 million and expenses of $0.6 million during the nine months ended September 30, 2010.

The gain associated with the translation of foreign equity into U.S. dollars was approximately $0.3 million during the nine months ended September 30, 2011 compared to a loss associated with the translation of foreign equity into U.S. dollars of approximately $0.8 million during the nine months ended September 30, 2010 (refer to note 8 to our unaudited consolidated financial statements). In addition, currency exchange rate fluctuations resulted in approximately $44,000 and $0.1 million in foreign currency losses during the nine months ended September 30, 2011 and 2010, respectively.

As of September 30, 2011 and December 31, 2010, we had $16.3 million and $18.0 million, respectively, outstanding under our credit facility. The borrowings under our credit facility were primarily related to our acquisitions, and repurchases of our common stock under our stock repurchase program.

Contractual Obligations

The following schedule represents our contractual obligations, excluding interest, as of September 30, 2011.

	Total	2012	2013	2014	2015	2016	2017 and Beyond
			(in thousands)				
Bank credit facility and notes payable	$ 16,305	$	$ 16,305	$	$	$	$
Operating leases	4,960	1,284	891	837	749	676	523
Total	$ 21,265	$ 1,284	$ 17,196	$ 837	$ 749	$ 676	$ 523

We had a liability at September 30, 2011 of $0.2 million for uncertain tax positions taken in an income tax return. We do not know the ultimate resolution of this uncertain tax position and as such, do not know the ultimate timing of payments related to this liability. Accordingly, this amount is not included in the above table.

We have an underfunded pension liability of $2.7 million, net of tax, for the period ended September 30, 2011 which is recognized as part of the accumulated other comprehensive income in the consolidated balance sheets. Since we do not know the ultimate timing of payments related to this liability, this amount has not been included in the above table.

Critical Accounting Policies

The critical accounting policies underlying the accompanying unaudited consolidated financial statements are those set forth in Part II, Item 7 included in our Annual Report on Form 10-K for the year ended December 31, 2010 filed with the SEC on March 16, 2011.

Recent Accounting Pronouncements

In October 2009, the FASB issued Accounting Standard Update (ASU) No. 2009-13 *Revenue Recognition (Topic 605): Multiple-Deliverable Revenue Arrangements.* This ASU establishes the accounting and reporting guidance for arrangements including multiple revenue-generating activities. This ASU provides amendments to the criteria for separating deliverables, and measuring and allocating arrangement consideration to one or more units of accounting. The amendments in this ASU 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, significant deliverables, and its performance within arrangements. The amendments also require providing information about the significant judgments made and changes to those judgments and about how the application of the relative selling-price method affects the timing or amount of revenue recognition. This standard was applicable to us beginning January 1, 2011 and did not have a material impact on our consolidated financial statements.

In January 2010, the FASB issued Accounting Standards Update No. 2010-06, *Improving Disclosures about Fair Value Measurements (Topic 820) Fair Value Measurements and Disclosures* (ASU 2010-06), to add additional disclosures about the different classes of assets and liabilities measured at fair value, the valuation techniques and inputs used, the activity in Level 3 fair value measurements, and the settlements relating to Level 3 measurements. This standard was applicable to us beginning January 1, 2011 and did not have a material impact on our consolidated financial statements.

In December 2010, the FASB issued Accounting Standards Update No. 2010-28, *Intangibles: Goodwill and Other (Topic 350)- When to perform Step 2 of the Goodwill Impairment Test for Reporting Units with Zero or negative carrying amounts (ASU 2010-28)*. The amendment in this ASU modifies Step 1 of the goodwill impairment test for reporting units with zero or negative carrying amounts. For those reporting units, the entity is required to perform Step 2 of the goodwill impairment test if it is more likely than not that a goodwill impairment exists. This standard was applicable to us beginning January 1, 2011 and did not have a material impact on our consolidated financial statements.

In December 2010, the FASB issued Accounting Standards Update No. 2010-29, *Business Combinations (Topic 805): Disclosure of Supplemental Pro Forma Information for Business Combinations (ASU 2010-29)*. This ASU specifies that if a public entity presents comparative financial statements, the entity should disclose revenue and earnings of the combined entity as though the business combination(s) that occurred during the current year had occurred as of the beginning of the comparable prior annual reporting period. This update also expands the supplemental pro forma disclosures under Topic 805 to include a description of the

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nature and amount of material, nonrecurring pro forma adjustments directly attributable to the business combination included in the reported pro forma revenue and earnings. This standard was applicable to us beginning January 1, 2011 and did not have a material impact on our consolidated financial statements.

In May 2011, the FASB issued Accounting Standards Update No. 2011-04, *Amendments to Achieve Common Fair Value Measurement and Disclosure Requirements in U.S. GAAP and IFRS (ASU 2011-04)*. This ASU provides guidance about how fair value should be applied where it already is required or permitted under IFRS or U.S. GAAP. The provisions of this update will be applied prospectively and will be effective for us in fiscal years beginning after December 15, 2011, and for the interim periods within fiscal years with early adoption not permitted. In the period of adoption, the entity will be required to disclose a change, if any, in valuation technique and related inputs that result from applying the ASU and to quantify the total effect, if practicable. We believe adoption of this new guidance will not have a material impact on our consolidated results of operations or financial position.

In June 2011, the FASB issued Accounting Standards Update No. 2011-05, *Presentation of Comprehensive Income (ASU 2011-05)*. This ASU gives the entity an option to present the total of comprehensive income, the components of net income, and the components of other comprehensive income either in a single continuous statement of comprehensive income or in two separate but consecutive statements. This ASU eliminates the option in U.S. GAAP to present other comprehensive income in the statement of changes in equity. The provisions of this update will be applied retrospectively and will be effective for us in fiscal years beginning after December 15, 2011, and for the interim periods within fiscal years with early adoption permitted. We believe adoption of this new guidance will not have a material impact on our consolidated results of operations or financial position.

In September 2011, the FASB issued Accounting Standards Update No. 2011-08, *Intangibles- Goodwill and Other (ASU 2011-08)*. Under the amendments in this update, an entity has the option to first assess qualitative factors to determine whether the existence of events or circumstances leads to a determination that it is more likely than not that the fair value of a reporting unit is less than its carrying amount. If, after assessing the totality of events or circumstances, an entity determines it is not more likely than not that the fair value of a reporting unit is less than its carrying amount, then performing the two-step impairment test is unnecessary. However, if an entity concludes otherwise, then it is required to perform the first step of the two-step impairment test by calculating the fair value of the reporting unit and comparing the fair value with the carrying amount of the reporting unit, as described in paragraph 350-20-35-4. If the carrying amount of a reporting unit exceeds its fair value, then the entity is required to perform the second step of the goodwill impairment test to measure the amount of the impairment loss, if any, as described in paragraph 350-20-35-9. Under the amendments in this Update, an entity has the option to bypass the qualitative assessment for any reporting unit in any period and proceed directly to performing the first step of the two-step goodwill impairment test. An entity may resume performing the qualitative assessment in any subsequent period. The provisions of this update will be applied retrospectively and will be effective for us in fiscal years beginning after December 15, 2011, and for the interim periods within fiscal years with early adoption permitted. We believe adoption of this new guidance will not have a material impact on our consolidated results of operations or financial position.

Item 3. Quantitative and Qualitative Disclosures About Market Risk.

The majority of our manufacturing and testing of products occurs in research centers in the United States, the United Kingdom, Germany, Sweden and Spain. We sell our products globally through our direct catalog sales, direct sales force and indirect distributor channels. As a result, our financial results are affected by factors such as changes in foreign currency exchange rates and weak economic conditions in foreign markets.

We collect amounts representing a substantial portion of our revenues and pay amounts representing a substantial portion of our operating expenses in foreign currencies. As a result, changes in currency exchange rates from time to time may affect our operating results.

We are exposed to market risk from changes in interest rates primarily through our financing activities. As of September 30, 2011, we had $16.3 million outstanding under our revolving credit facility. On September 30, 2011, we entered into the Amendment with Bank of America as agent, and Bank of America and Brown Brothers Harriman & Co as lenders. The Amendment extends the maturity date of our credit facility to August 7, 2013 and reduces our interest rate to the London Interbank Offered Rate (LIBOR) plus 3.0%. At September 30, 2011, the interest rate on this debt was 3.24%. Assuming no other changes which would affect the margin of the interest rate under our revolving credit facility, the effect of interest rate fluctuations on outstanding borrowings under our revolving credit facility as of September 30, 2011 over the next twelve months is quantified and summarized as follows:

If compared to the rate as of September 30, 2011

	Interest expense increase (in thousands)
Interest rates increase by 1%	$ 163
Interest rates increase by 2%	$ 326

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Item 4. Controls and Procedures.

Disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act) are designed to ensure that information required to be disclosed in reports filed or submitted under the Exchange Act is recorded, processed, summarized, and reported within the time periods specified in SEC rules and forms and that such information is accumulated and communicated to management, including the Chief Executive Officer and the Chief Financial Officer, to allow timely decisions regarding required disclosures.

As required by Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, our management, under the supervision and with the participation of our Chief Executive Officer and Chief Financial Officer, conducted an evaluation of the effectiveness of the design and operation of our disclosure controls and procedures as of September 30, 2011. Our disclosure controls and procedures are designed to provide reasonable assurance that information required to be disclosed by us in the reports that we file or submit under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the SEC s rules and forms, and our management necessarily was required to apply its judgment in evaluating and implementing our disclosure controls and procedures. Based upon the evaluation described above, our Chief Executive Officer and Chief Financial Officer have concluded that they believe that our disclosure controls and procedures were effective, as of the end of the period covered by this report, in providing reasonable assurance that information required to be disclosed by us in the reports that we file or submit under the Exchange Act is accumulated and communicated to our management, including our Chief Executive Officer and Chief Financial Officer, to allow timely decisions regarding required disclosures, and is recorded, processed, summarized and reported within the time periods specified in the SEC s rules and forms.

We continue to review our internal controls over financial reporting, and may from time to time make changes aimed at enhancing their effectiveness and to ensure that our systems evolve with our business. These efforts have led to various changes in our internal controls over financial reporting. There were no changes in our internal controls over financial reporting that occurred during the third quarter ended September 30, 2011 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II. OTHER INFORMATION

Item 1A. Risk Factors

To our knowledge, there have been no material changes to the risk factors described in Item 1A. Risk Factors in our Annual Report on Form 10-K for the year ended December 31, 2010, which was filed with the SEC on March 16, 2011.

Item 6. Exhibits

Exhibit Index	
31.1+	Certification of Chief Financial Officer of Harvard Bioscience, Inc., pursuant to Rules 13a-14(a) and 15d-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2+	Certification of Chief Executive Officer of Harvard Bioscience, Inc., pursuant to Rules 13a-14(a) and 15d-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32.1*	Certification of Chief Financial Officer of Harvard Bioscience, Inc., pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
32.2*	Certification of Chief Executive Officer of Harvard Bioscience, Inc., pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
101.INS**	XBRL Instance Document
101.SCH**	XBRL Taxonomy Extension Schema Document
101.CAL**	XBRL Taxonomy Extension Calculation Linkbase Document
101.LAB**	XBRL Taxonomy Extension Label Linkbase Document
101.PRE**	XBRL Taxonomy Extension Presentation Linkbase Document

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+	Filed herewith.
*	This certification shall not be deemed filed for purposes of Section 18 of the Securities Exchange Act of 1934, or otherwise subject to the liability of that section, nor shall it be deemed to be incorporated by reference into any filing under the Securities Act of 1933 or the Securities Exchange Act of 1934.
**	XBRL (Extensive Business Reporting Language) information is furnished and not filed or a part of a registration statement or prospectus for purposes of sections 11 or 12 of the Securities Act of 1933, is deemed not filed for purposes of Section 18 of the Securities Exchange Act of 1934, and otherwise is not subject to liability under these sections.

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SIGNATURES

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

Date: November 9, 2011

HARVARD BIOSCIENCE, INC.

By: /s/ Chane Graziano
Chane Graziano
Chief Executive Officer

By: /s/ Thomas McNaughton
Thomas McNaughton
Chief Financial Officer