SUPERIOR ENERGY SERVICES INC
Form 8-K
December 08, 2011

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 8-K

CURRENT REPORT

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

Date of Report (Date of earliest event reported): December 8, 2011

SUPERIOR ENERGY SERVICES, INC.

(Exact name of registrant as specified in its charter)

Delaware	001-34037	75-2379388
(State or other jurisdiction)	(Commission File Number)	(IRS Employer Identification No.)

601 Poydras St., Suite 2400, New Orleans, Louisiana	**70130**
(Address of principal executive offices)	**(Zip Code)**

(504) 587-7374

(Registrant s telephone number, including area code)

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

x Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)

¨ Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)

¨ Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))

¨ Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Item 8.01 Other Events

On December 8, 2011, Superior Energy Services, Inc. (the Company) issued a press release announcing the closing of its offering of $800.0 million of new senior unsecured notes (the Notes) by SESI, L.L.C. (SESI), its direct, wholly-owned subsidiary.

A copy of the press release is attached hereto as Exhibit 99.1 and is incorporated herein by reference. The press release shall not constitute an offer to sell or a solicitation of an offer to buy, nor shall there be any sale of, the Notes in any jurisdiction in which such offer, solicitation or sale would be unlawful. The Notes will not be registered under the Securities Act of 1933, as amended (the Securities Act), and may not be offered or sold in the United States absent registration or an applicable exemption from registration requirements. The Notes are being offered only to qualified institutional buyers under Rule 144A and outside the United States in compliance with Regulation S under the Securities Act.

Item 9.01 Financial Statements and Exhibits.

(d) Exhibits.

99.1 Press release by Superior Energy Services, Inc., dated December 8, 2011, announcing the closing of the offering by SESI, L.L.C. of $800.0 million of senior unsecured notes.

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Additional Information and Where to Find It

In connection with the proposed transaction, the Company and Complete filed with the SEC a registration statement on Form S-4 (File No. 333-177679), as amended on a Form S-4/A (Amendment No. 1) filed with the SEC on December 6, 2011. The registration statement includes a preliminary joint proxy statement/prospectus of the Company and Complete. The Company and Complete also plan to file with the SEC other relevant documents in connection with the proposed merger. The registration statement has not been declared effective by the SEC and the definitive proxy statement/prospectus is not currently available. The Company and Complete will each deliver their definitive proxy statement/prospectus to their stockholders when it is available. THE REGISTRATION STATEMENT AND THE PRELIMINARY PROXY STATEMENT/PROSPECTUS CONTAIN IMPORTANT INFORMATION REGARDING OUR COMPANY, COMPLETE AND THE PROPOSED ACQUISITION. INVESTORS AND SECURITY HOLDERS ARE URGED TO READ CAREFULLY THE PRELIMINARY JOINT PROXY STATEMENT/PROSPECTUS AND THE DEFINITIVE PROXY STATEMENT/PROSPECTUS, WHEN IT BECOMES AVAILABLE, AS WELL AS OTHER DOCUMENTS FILED WITH THE SEC, BECAUSE THEY CONTAIN OR WILL CONTAIN IMPORTANT INFORMATION. Investors and security holders may obtain free copies of the preliminary proxy statement/prospectus and other documents filed by us and Complete with the SEC at the SEC s web site at www.sec.gov. The preliminary proxy statement/prospectus and such other documents (relating to our company) may also be obtained for free from us by accessing our website at www.superiorenergy.com. The preliminary proxy statement/prospectus and such other documents (relating to Complete) may also be obtained for free from Complete by accessing Complete s website at www.completeproduction.com.

Participants in the Solicitation

The Company, its directors, executive officers and certain members of management and employees may be considered participants in the solicitation of proxies from the Company s stockholders in connection with the acquisition. Information regarding such persons and a description of their interests in the acquisition is available in the Company s joint proxy statement/prospectus filed with the SEC by Superior on November 3, 2011, as amended by Amendment No. 1 thereto dated December 6, 2011, and additional information regarding such persons is included in our proxy statement filed with the SEC on April 15, 2011.

Complete, its directors, executive officers and certain members of management and employees may be considered participants in the solicitation of proxies from Complete s stockholders in connection with the acquisition. Information regarding such persons and a description of their interests in the acquisition is available in its joint proxy statement/prospectus filed with the SEC by Superior on November 3, 2011, as amended by Amendment No. 1 thereto dated December 6, 2011, and additional information regarding such persons is included in Complete s proxy statement filed with the SEC on April 18, 2011.

This communication shall not constitute an offer to sell or the solicitation of an offer to sell or the solicitation of an offer to buy any securities, nor shall there be any sale of securities in any jurisdiction in which such offer, solicitation or sale would be unlawful prior to registration or qualification under the securities laws of any such jurisdiction. No offer of securities shall be made except by means of a prospectus meeting the requirements of Section 10 of the Securities Act of 1933, as amended. This notice is being issued pursuant to and in accordance with Rule 135(c) under the Securities Act.

SIGNATURES

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

SUPERIOR ENERGY SERVICES, INC.

By: /s/ Robert S. Taylor
Robert S. Taylor
Chief Financial Officer

Dated: December 8, 2011

EXHIBIT INDEX

Exhibit No.	Description
99.1	Press release by Superior Energy Services, Inc., dated December 8, 2011, announcing the closing of the offering by SESI, L.L.C. of $800.0 million of senior unsecured notes.

-------- -------- NET GOODWILL $ 25,308 $ 25,308 ======== ======== INTANGIBLE ASSETS Customer relationships $ 20,200 $ 20,200 Technology 4,213 4,213 Trade names and trademarks 1,396 1,396 Supplier relationships 14 14 -------- -------- 25,823 25,823 Less accumulated amortization 19,513 19,110 -------- -------- NET INTANGIBLE ASSETS $ 6,310 $ 6,713 ======== ======== ACCUMULATED OTHER COMPREHENSIVE INCOME: Foreign currency translation adjustments $ 7,327 $ 6,521 Unrealized losses on available-for-sale investments (260) (836) -------- -------- TOTAL ACCUMULATED OTHER COMPREHENSIVE INCOME $ 7,067 $ 5,685 ======== ======== 7 B. EARNINGS PER SHARE: Shares used in the earnings per share computations are as follows (in thousands): QUARTER ENDED ----------------- 9/30/06 9/30/05 -------- -------- Weighted average common shares outstanding-basic 39,379 38,754 Dilutive effect of forward contract -- 489 Dilutive effect of stock options and warrants 90 426 -------- -------- Weighted average common shares outstanding-diluted 39,469 39,669 ======== ======== The dilutive effect of stock options and warrants in the above table excludes all options for which the aggregate exercise proceeds exceeded the average market price for the period. The number of potentially dilutive option shares excluded from the calculation was 37,000 and 78,000 for the quarters ended September 30, 2006 and 2005, respectively. The forward contract in the above table refers to the accelerated stock buyback ("ASB") transaction settled in December 2005. In March 2005, the Company repurchased approximately 2.9 million shares of its common stock under an accelerated stock buyback ("ASB") transaction for an initial value of approximately $100 million ($34.45 per share). The transaction was completed under a privately negotiated contract with an investment bank. The investment bank borrowed the 2.9 million shares to complete the transaction and purchased the replacement shares in the open market over a nine-month period beginning in March 2005. The ASB agreement was subject to a market price adjustment provision based upon the volume weighted average price during the nine-month period. The Company had the option to settle the ASB agreement in cash or shares of the Company's common stock (forward contract) and, accordingly the contract was classified as equity. The ASB agreement was settled in December 2005 for a cash payment of $26.0 million, which resulted in a total price paid per share of approximately $44.67. C. SEGMENT INFORMATION: The Company has three reportable operating segments based on the nature of products and geographic location: biotechnology, R&D Systems Europe and hematology. The biotechnology segment consists of R&D Systems' Biotechnology Division, Fortron Bio Science, Inc. and BiosPacific, Inc., which develop, manufacture and sell biotechnology research and diagnostic products world- wide. R&D Systems Europe distributes Biotechnology Division products throughout Europe. The hematology segment develops and manufactures hematology controls and calibrators for sale world-wide. Following is financial information relating to the Company's operating segments (in thousands): QUARTER ENDED ----------------- 9/30/06 9/30/05 -------- -------- External sales Biotechnology $ 35,922 $ 32,300 R&D Systems Europe 12,927 11,875 Hematology 3,502 3,534 -------- -------- Total external sales 52,351 47,709 Intersegment sales - Biotechnology 5,699 5,299 -------- -------- Total sales 58,050 53,008 Less intersegment sales (5,699) (5,299) -------- -------- Total consolidated net sales $52,351 $47,709 ======== ======== 8 QUARTER ENDED ----------------- 9/30/06 9/30/05 -------- -------- Earnings before income taxes Biotechnology $ 24,468 $ 20,758 R&D Systems Europe 5,350 4,800 Hematology 907 897 Corporate and other (1,013) (965) -------- -------- Total earnings before income taxes $ 29,712 $ 25,490 ======== ======== D. STOCK OPTIONS: Option activity under the Company's stock option plans during the three months ended September 30, 2006 were as follows: WEIGHTED WEIGHTED AVG. AVG. AGGREGATE SHARES EXERCISE CONTRACTUAL INTRINSIC (in 000's) PRICE LIFE (Yrs.) VALUE ---------- -------- ----------- --------- Outstanding at June 30, 2006 421 $38.89 Granted 3 49.43 Exercised (4) 36.50 Forfeited or expired -- -- ------ ------ Outstanding at September 30, 2006 420 38.99 4.58 $5.2 million ====== ====== Exercisable at September 30, 2006 381 $38.50 4.33 $4.9 million ====== ====== The fair value of options granted under the Company's stock option plans were estimated on the date of grant using the Black-Scholes option-pricing model with the following assumptions used:

QUARTER ENDED ------------------ 9/30/06 9/30/05 -------- -------- Dividend yield -- -- Expected annualized volatility 31%-35% 37%-53% Risk free interest rate 4.9%-5.1% 4.0%-4.1% Expected life 4-5 years 4-6 years Weighted average fair value of options granted $18.29 $25.22 The Company has not paid cash dividends and does not have any plans to do so, therefore an expected dividend yield of zero was used to estimate fair value of options granted. The expected annualized volatility is based on the Company's historical stock price over a period equivalent to the expected life of the option granted. The risk-free interest rate is based on U.S. Treasury constant maturity interest rate with a term consistent with the expected life of the options granted. Separate groups of employees that have similar historical exercise behavior with regard to option exercise timing and forfeiture rates are considered separately in determining option fair value. The total intrinsic value of options exercised during the quarters ended September 30, 2006 and 2005 were $55,000 and $5.2 million, respectively. Stock option exercises are satisfied through the issuance of new shares. The total fair value of options vested during the quarters ended September 30, 2006 and 2005 were $57,000 and $58,000, respectively. 9 Stock-based compensation cost of $165,000 and $270,000 was included in selling, general and administrative expense for the quarters ended September 30, 2006 and 2005, respectively. Compensation cost is recognized using a straight-line method over the vesting period and is net of estimated forfeitures. As of September 30, 2006, there was $259,000 of total unrecognized compensation cost related to nonvested stock options which will be expensed over fiscal years 2007 through 2009. E. COMPREHENSIVE INCOME: Comprehensive income and the components of other comprehensive income (loss) were as follows (in thousands): QUARTER ENDED ---------------- 9/30/06 9/30/05 -------- -------- Net earnings $ 19,631 $ 17,001 Other comprehensive gain (loss), net of tax effect: Foreign currency translation adjustments 806 (889) Unrealized gain (loss) on available- for-sale investments 576 (76) -------- -------- Comprehensive income $ 21,013 $ 16,036 ======== ======== F. INVESTMENTS: In September 2006, the Company invested $7.2 million for an 18% equity interest in Nephromics, LLC. Nephromics has licensed technology related to the diagnosis of preeclampsia and has sub-licensed the technology to several major diagnostic companies for the development of diagnostic assays. G. SUBSEQUENT EVENT: On October 31, 2006, the Company paid off its mortgage debt. The total payment of $13.8 million included the mortgage principle balance, accrued interest and a 5% prepayment penalty of $652,000. As a result of the payment, the mortgage was included in current liabilities as of September 30, 2006. ITEM 2 - MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS Results of Operations for the Quarter Ended September 30, 2006 and the Quarter Ended September 30, 2005 Overview TECHNE Corporation (the Company) has two operating subsidiaries: Research and Diagnostic Systems, Inc. (R&D Systems) and R&D Systems Europe Ltd. (R&D Europe). R&D Systems, located in Minneapolis, Minnesota, has two divisions: its Biotechnology Division and its Hematology Division. The Biotechnology Division develops and manufactures purified cytokines (proteins), antibodies and assay kits which are sold to biomedical researchers and clinical research laboratories. The Hematology Division develops and manufactures whole blood hematology controls and calibrators which are sold to hospitals and clinical laboratories to check the performance of hematology instruments to assure the accuracy of hematology test results. R&D Systems has two subsidiaries: Fortron Bio Science, Inc., (Fortron) a developer and manufacturer of monoclonal and polyclonal antibodies, antigens and other biological reagents, located in Minneapolis and BiosPacific, Inc., (BiosPacific) a worldwide supplier of biologics to manufacturers of in vitro diagnostic systems (IVDs) and immunodiagnostic kits, located in Emeryville, California. R&D Europe, located in Abingdon, England, is the European distributor of R&D Systems' biotechnology products. R&D Europe has a sales subsidiary, R&D Systems GmbH, in Germany and a sales office in France. 10 Overall Results Consolidated net earnings increased 15.5% for the quarter ended September 30, 2006 compared to the quarter ended September 30, 2005. The primary reason for the increase was increased net sales and gross margins. Consolidated net sales for the quarter ended September 30, 2006 increased 9.7% from the same period in the prior year. The favorable impact on consolidated net sales of the change from the prior year in exchange rates used to convert R&D Europe results from British pound sterling to U.S. dollars was $734,000 for the quarter ended September 30, 2006. The favorable impact on consolidated net earnings of the change in exchange rates was $206,000 for the quarter ended September 30, 2006. The Company generated cash of $19.4 million from operating activities in the first three months of fiscal 2007 and cash, cash equivalents and available-for-sale investments were $197.1 million at September 30, 2006 compared to $186.5 million at June 30, 2006. Net Sales Consolidated net sales for the quarter ended September 30, 2006 were $52.4 million, an increase of $4.6 million (9.7%) from the quarter ended September 30, 2005. Biotechnology net sales increased $3.6 million (11.2%) for the quarter ended September 30, 2006, mainly as a result of $2.6 million increased U.S. retail sales volume. Sales for the quarter to pharmaceutical/biotechnology customers and academic customers, the two largest segments of the U.S. market, showed the greatest revenue growth over the prior year. Approximately $700,000 of the increase in biotechnology net sales for the quarter ended September 30, 2006 was the result of price increases. R&D Europe net sales increased $1.0 million (8.9%) for the quarter ended September 30, 2006 from the quarter ended September 30, 2005. The effect of changes from the prior year in foreign currency exchange rates used to convert British pounds to U.S. dollars increased R&D Europe net sales approximately $734,000 for the quarter ended September 30, 2006. In British pounds, R&D Europe net sales increased 2.7% for the quarter ended September 30, 2006, mainly as a result of increased sales volume. Hematology net sales decreased $32,000 (.9%) for the quarter ended September 30, 2006 compared to the same prior-year period. Gross Margins Gross margins, as a percentage of net sales, were as follows: QUARTER ENDED ----------------- 9/30/06 9/30/05 -------- -------- Biotechnology 79.6% 77.5% R&D Systems Europe 52.2% 50.8% Hematology 40.1% 40.4% Consolidated gross margin 78.5% 76.7% Biotechnology gross margins as a percentage of sales for the quarter ended September 30, 2006 of 79.6% increased from the prior year mainly as a result of changes in product mix. Biotechnology gross margins were also affected by purchase accounting related to inventory on hand at the acquisition date of Fortron and BiosPacific in fiscal 2006. Included in cost of sales for the quarters ended September 30, 2006 and 2005 were $291,000 and $575,000, respectively related to inventory purchase accounting. 11 R&D Europe's gross margin percentages for the quarter ended September 30, 2006 were greater than the comparable prior-year period as a result of favorable exchange rates. The Company values its manufactured protein and antibody inventory based on a two-year forecast. Quantities in excess of the two-year forecast are considered impaired and not included in the inventory value. Sales of previously impaired protein and antibody inventory for the quarters ended September 30, 2006 and 2005 were not material. Selling, General and Administrative Expenses Selling, general and administrative expenses for the quarter ended September 30, 2006, increased $613,000 (9.5%) from the same period of last year. Selling, general and administrative expenses are composed of the following (in thousands): QUARTER ENDED ----------------- 9/30/06 9/30/05 -------- -------- Biotechnology $ 4,013 $ 3,639 R&D Europe 2,020 1,782 Hematology 398 384 Corporate 636 649 -------- -------- Total selling, general and administrative expenses $ 7,067 $ 6,454 ======== ======== Biotechnology selling, general and administrative expenses increased approximately $374,000 (10.3%) for the quarter ended September 30, 2006, mainly due to a $185,000 increase in wages and benefits as a result of additional sales, marketing and administrative personnel added since the prior year and a $116,000 increase in profit sharing accrual from the prior year. Research and Development Expenses Research and development expenses are composed of the following (in thousands): QUARTER ENDED ----------------- 9/30/06 9/30/05 -------- -------- Biotechnology $ 4,675 $ 4,532 Hematology 180 185 -------- -------- Total research and development expenses $ 4,855 $ 4,717 ======== ======== Other Non-operating Expense and Income Other non-operating expense and income consists mainly of foreign currency transaction losses, rental income, building expenses related to rental property, and the Company's share of losses by Hemerus Medical, LLC (Hemerus). QUARTER ENDED ----------------- 9/30/06 9/30/05 -------- -------- Foreign currency losses $ 147 $ 28 Rental income (299) (342) Real estate taxes, depreciation and utilities 510 443 Hemerus Medical, LLC losses 127 82 -------- -------- Total other non-operating expense (income) $ 485 $ 211 ======== ======== 12 Through February 2006, the Company had a 10% equity interest in Hemerus. On March 1, 2006, the Company invested an additional $750,000, increasing its ownership to 15%. At September 30, 2006, the Company's net investment in Hemerus was $2.8 million. The Company accounts for its investment in Hemerus using the equity method of accounting as Hemerus is a limited liability corporation. The Company has financial exposure to the losses of Hemerus to the extent of its net investment in the company. Hemerus' success is dependent, in part, upon its ability to raise financing and to receiving Federal Drug Administration (FDA) clearance to market its products. If such financing or FDA clearance is not received, the Company would potentially recognize an impairment loss to the extent of its remaining net investment. In September 2006, the Company invested $7.2 million for an 18% equity interest in Nephromics, LLC (Nephromics). The Company accounts for its investment in Nephromics using the equity method of accounting as Nephromics is a limited liability corporation. At September 30, 2006, the Company's net investment in Nephromics was $7.2 million. The Company has financial exposure to any losses of Nephromics to the extent of its net investment in the company. Income Taxes Income taxes for the quarters ended September 30, 2006 and 2005 were provided at rates of approximately 33.9% and 33.3%, respectively, of consolidated earnings before income taxes. U.S. federal taxes have been reduced by the credit for research and development expenditures through December 2005, the benefit for extraterritorial income and the manufacturer's deduction provided for under the American Jobs Creation Act of 2004. Foreign income taxes have been provided at rates which approximate the tax rates in the countries in which R&D Europe operates. Without significant business developments, the Company expects income tax rates for the remainder of fiscal 2007 to range from 34% to 35%. Liquidity and Capital Resources At September 30, 2006, cash and cash equivalents and available-for-sale investments were $197.1 million compared to $186.5 million at June 30, 2006. The Company believes it can meet its future cash, working capital and capital addition requirements through currently available funds, cash generated from operations and maturities of available-for-sale investments. The Company has an unsecured line of credit of $750,000. The interest rate on the line of credit is at prime. There were no borrowings on the line in the prior or current fiscal year. Cash Flows From Operating Activities The Company generated cash of $19.4 million from operating activities in the first three months of fiscal 2007 compared to $17.5 million in the first three months of fiscal 2006. The increase from the prior year was mainly the result of increased net earnings in the current year of $2.6 million. Cash Flows From Investing Activities Capital expenditures for fixed assets for the first three months of fiscal 2007 and 2006 were $1.9 million and $752,000, respectively. Included in capital expenditures for the first three months of fiscal 2007 were $1.6 million for building renovation and construction. The remaining capital additions in the first three months of fiscal 2007 and 2006 were for laboratory and computer equipment. Remaining expenditures in fiscal 2007 for laboratory and computer equipment are expected to be approximately $4.5 million. The Company is currently constructing additional laboratory space at its Minneapolis facility. The remaining construction cost is estimated at $6.3 million and is expected to be complete in the fourth quarter of fiscal 2007. These expenditures are expected to be financed through currently available funds and cash generated from operating activities. 13 During the three months ended September 30, 2006, the Company purchased $4.3 million and had sales or maturities of $2.6 million of available-for-sale investments. During the three months ended September 30, 2005, the Company purchased $16.3 million and had sales or maturities of $9.5 million of available-for-sale investment. The Company's investment policy is to place excess cash in bonds and other investments with maturities of less than three years. The objective of this policy is to obtain the highest possible return with minimal risk, while keeping the funds accessible. In September 2006, the Company invested $7.2 million for an 18% equity interest in Nephromics, LLC. Nephromics has licensed technology related to the diagnosis of preeclampsia and has sub-licensed the technology to several major diagnostic companies for the development of diagnostic assays. The investment was financed through cash and equivalents on hand. The Company acquired Fortron and BiosPacific effective July 1, 2005 for an aggregate purchase price of $20 million. Cash acquired in the transactions was $413,000. The net acquisition cost of $19.6 million was financed through cash and equivalents on hand at July 1, 2005. Cash Flows From Financing Activities Cash of $146,000 and $7.0 million was received during the three months ended September 30, 2006 and 2005, respectively, for the exercise of stock options for 4,000 and 234,000 shares of common stock. The Company also recognized excess tax benefits from stock option exercises of $24,000 and $1.2 million for the three months ended September 30, 2006 and 2005, respectively. In the first three months of fiscal 2007 and 2006, the Company purchased 22,400 shares and 22,541 shares of common stock, respectively, for its employee Stock Bonus Plans at a cost of $1.2 million and $1.3 million, respectively. Subsequent to September 30, 2006, the Company paid off its mortgage debt. The total payment of $13.8 million included the mortgage principle balance, accrued interest and a 5% prepayment penalty of $652,000. Cash and equivalents on hand were used to settle the debt. The Company has never paid cash dividends and has no plans to do so in fiscal 2007. Critical Accounting Policies The Company's significant accounting policies are discussed in the Company's Annual Report on Form 10-K for fiscal 2006. The application of certain of these policies require judgments and estimates that can affect the results of operations and financial position of the Company. Judgements and estimates are used for, but not limited to, accounting for the allowance for doubtful accounts, inventory valuation and allowances, impairment of goodwill, intangibles and other long-lived assets, accounting for investments and income taxes. There have been no changes in estimates in fiscal 2007 which would require disclosure. There have been no changes to the Company's policies in fiscal 2007. Recent Accounting Pronouncements In May 2005, the Financial Accounting Standards Board (FASB) issued Statement of Financial Accounting Standards (SFAS) No. 154, Accounting Changes and Error Corrections. The Statement replaces APB Opinion No. 20, Accounting Changes and SFAS No. 3, Reporting Accounting Changes in Interim Financial Statements. SFAS No. 154 requires companies to apply voluntary changes in accounting principles retrospectively whenever practicable. The requirement is effective for the Company beginning in fiscal 2007. Adoption of the Statement did not have an impact on the Company's prior consolidated financial statements as it is prospective in nature. 14 In June 2006, the FASB issued Interpretation No. 48 (FIN 48), Accounting for Uncertainty in Income Taxes - an interpretation of FASB Statement No. 109. FIN 48 requires disclosures of additional quantitative and qualitative information regarding uncertain tax positions taken for tax-return purposes that have not been recognized for financial reporting, along with analysis of significant changes during each period. The Interpretation is effective for the Company in fiscal 2008. The Company is currently evaluating the provisions of FIN 48, but it is not expected to have a material impact on the Company's consolidated financial statements. In September 2006, the FASB issued SFAS No. 157, Fair Value Measurements. The Statement establishes a single authoritative definition of fair value, sets out a framework for measuring fair value, and requires additional disclosures about fair value measurements. SFAS No. 157 applies only to fair value measurements that are already required or permitted by other accounting standards and is effective for the Company in fiscal 2009. The Company is currently evaluating the impact of adopting SFAS No. 157, but it is not expected to have a material impact on the Company's consolidated financial statements. In September 2006, the Securities and Exchange Commission released Staff Accounting Bulletin 108 (SAB 108). SAB 108 provides interpretative guidance on how the effects of the carryover or reversal of prior year misstatements should be considered in quantifying a current year misstatement. SAB 108 is effective for the Company for fiscal year 2007. The Company is currently evaluating the impact of adopting SAB 108, but it is not expected to have a material impact on the Company's consolidated financial statements. Forward Looking Information and Cautionary Statements This filing contains forward-looking statements within the meaning of the Private Litigation Reform Act. These statements, including the Company's expectations as to compensation expense resulting from stock option expensing, the effective tax rate and capital equipment expenditures, involve risks and uncertainties which may affect the actual results of operations. The following important factors, among others, have affected and, in the future, could affect the Company's actual results: the introduction and acceptance of new biotechnology and hematology products, the levels and particular directions of research by the Company's customers, the impact of the growing number of producers of biotechnology research products and related price competition, the retention of hematology OEM (private label) and proficiency survey business, the impact of currency exchange rate fluctuations, the costs and results of research and product development efforts of the Company and of companies in which the Company has invested or with which it has formed strategic relationships, and the success of financing efforts by companies in which the Company has invested. For additional information concerning such factors, see the Company's Annual Report on Form 10-K as filed with the Securities and Exchange Commission. ITEM 3 - QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK At September 30, 2006, the Company had a professionally managed investment portfolio of fixed income securities, excluding those classified as cash and cash equivalents, of $99.0 million. These securities, like all fixed income instruments, are subject to interest rate risk and will decline in value if market interest rates increase. The Company operates internationally, and thus is subject to potentially adverse movements in foreign currency rate changes. The Company is exposed to market risk from foreign exchange rate fluctuations of the euro and the British pound to the U.S. dollar as the financial position and operating results of the Company's U.K. subsidiary and European operations are translated into U.S. dollars for consolidation. At the current level of R&D Europe operating results, a 10% increase or decrease in the average exchange rate used to translate operating results into U.S. dollars would have an approximate $1.5 million effect on consolidated operating income annually. 15 The Company's exposure to foreign exchange rate fluctuations also arises from transferring funds from the U.K. subsidiary to the U.S. subsidiary and from transferring funds from the German subsidiary and French sales office to the U.K. subsidiary. At September 30, 2006 and 2005, the Company had $540,000 and $352,000, respectively, of dollar denominated intercompany debt at its U.K. subsidiary. At September 30, 2006 and 2005, the U.K. subsidiary had $345,000 and $495,000, respectively, of dollar denominated intercompany debt from its European operations. These intercompany balances are revolving in nature and are not deemed to be long-term balances. The Company's U.K. subsidiary recognized net foreign currency losses of 78,000 British pounds ($147,000) and 15,000 British pounds ($28,000) for the quarters ended September 30, 2006 and 2005, respectively. The Company does not enter into foreign exchange forward contracts to reduce its exposure to foreign currency rate changes on intercompany foreign currency denominated balance sheet positions. As of September 30, 2006, the Company's long-term debt of $13.1 million consisted of a mortgage note payable with a floating interest rate at the one-month LIBOR rate plus 2.5% with a floor of 4%. The floating interest rate on the mortgage note payable was 7.8% as of September 30, 2006. On October 31, 2006, the Company paid off its mortgage debt. ITEM 4 - CONTROLS AND PROCEDURES As of the end of the period covered by this report, the Company conducted an evaluation, under the supervision and with the participation of the principal executive officer and principal financial officer, of the Company's disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d- 15(e) under the Securities Exchange Act of 1934 (the "Exchange Act")). Based on this evaluation, the principal executive officer and principal financial officer concluded that the Company's disclosure controls and procedures are effective to ensure that information required to be disclosed by the Company in reports that it files or submits under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in Securities and Exchange Commission rules and forms. There was no changes in the Company's internal control over financial reporting during the Company's most recently completed fiscal quarter that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting. PART II. OTHER INFORMATION ITEM 1 - LEGAL PROCEEDINGS See Item 3 of the Registrant's Annual Report of Form 10-K for the fiscal year ended June 30, 2006. ITEM 1A. - RISK FACTORS There have been no material changes from the risk factors previously disclosed in Part I, Item 1A, "Risk Factors," of the Company's Annual Report on Form 10-K for the year ended June 30, 2006. 16 ITEM 2 - UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS The following table sets forth the repurchases of Company common stock for the quarter ended September 30, 2006: Total Number of Maximum Approximate Shares Purchased as Dollar Value of Total Number Average Part of Publicly Shares that May Yet of Shares Price Paid Announced Plans Be Purchased Under Period Purchased Per Share or Programs the Plans or Programs ----------- ------------ ---------- ------------------- --------------------- 7/1/06 - 7/31/06 0 -- 0 $6.8 million 8/1/06 - 8/31/06 0 -- 0 $6.8 million 9/1/06 - 9/30/06 22,440 $50.07 0 $6.8 million In May 1995, the Company announced a plan to purchase and retire its common stock. Repurchases of $40 million were authorized as follows: May 1995 - $5 million; April 1997 - $5 million; January 2001 - $10 million; October 2002 - $20 million. The plan does not have an expiration date. ITEM 3 - DEFAULTS UPON SENIOR SECURITIES None. ITEM 4 - SUBMISSION OF MATTERS TO VOTE OF SHAREHOLDERS a. The Annual Meeting of the Registrant's shareholders was held on Thursday, October 26, 2006. b. A proposal to set the number of directors at seven was adopted by a vote of 36,642,683 in favor with 105,982 shares against, and 20,137 shares abstaining. No shares represented broker nonvotes. c. Proxies for the Annual Meeting were solicited pursuant to Regulation 14A under the Securities Exchange Act of 1934. There was no solicitation in opposition to management's nominees as listed in the Proxy Statement, and all such nominees were elected as follows: Nominee For Withheld ------- --- -------- Thomas E. Oland 36,243,405 525,368 Roger C. Lucas 34,628,305 2,140,468 Howard V. O'Connell 35,217,519 1,551,254 G. Arthur Herbert 36,006,081 762,692 Randolph C. Steer 35,997,656 771,117 Robert V. Baumgartner 36,019,356 749,417 Charles A. Dinarello 36,635,006 133,767 17 ITEM 5 - OTHER INFORMATION None. ITEM 6 - EXHIBITS See exhibit index following. SIGNATURES Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized. TECHNE CORPORATION (Company) Date: November 8, 2006 /s/ Thomas E. Oland --------------------------------- President, Chief Executive Officer November 8, 2006 /s/ Gregory J. Melsen ---------------------------------- Chief Financial Officer EXHIBIT INDEX TO FORM 10-Q TECHNE CORPORATION Exhibit # Description 31.1 Section 302 Certification 31.2 Section 302 Certification 32.1 Section 906 Certification 32.2 Section 906 Certification