

APPLIED BIOSYSTEMS INC.

Form 10-K/A

October 03, 2008

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

FORM 10-K/A

(Amendment No. 1)

x Annual Report Pursuant to Section 13 Or 15(d) of the Securities Exchange Act of 1934

For the fiscal year ended June 30, 2008

Or

Transition Report Pursuant to Section 13 Or 15(d) of the Securities Exchange Act of 1934

For the transition period from _____ to _____

Commission File Number 001-04389

Applied Biosystems Inc.

(Exact name of registrant as specified in its charter)

DELAWARE
(State or other jurisdiction of

Incorporation or organization)

301 Merritt 7

06-1534213
(I.R.S. Employer Identification No.)

06851-1070

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(Address of principal executive offices)

(Zip Code)

Registrant's telephone number, including area code: 203-840-2000

Securities registered pursuant to Section 12(b) of the Act:

Title of Each Class	Name of Each Exchange on Which Registered
Applied Biosystems Group Common Stock (par value \$0.01 per share)	New York Stock Exchange
Rights to Purchase Series A Participating Junior Preferred Stock (par value \$0.01 per share)	New York Stock Exchange
Celera Group Common Stock (par value \$0.01 per share)	N/A
Rights to Purchase Series B Participating Junior Preferred Stock (par value \$0.01 per share)	N/A

Securities registered pursuant to Section 12(g) of the Act: None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes No

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

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.

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

Large accelerated filer

Accelerated filer

Non-accelerated filer (Do not check if a smaller reporting company)

Smaller reporting company

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

As of December 31, 2007, the last business day of the registrant's most recently completed second fiscal quarter, the aggregate market value (based upon the average of the high and low price) of our Applied Biosystems Group Common Stock held by non-affiliates was \$5,710,983,856, and the aggregate market value (based upon the average of the high and low price) of our Celera Group Common Stock held by non-affiliates was \$1,262,121,484. As of September 25, 2008, 169,572,004 shares of our Applied Biosystems Group Common Stock were outstanding, and no shares of Celera Group Common Stock were outstanding.

DOCUMENTS INCORPORATED BY REFERENCE

None.

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EXPLANATORY NOTE

Throughout this report: terms such as the company, Applied Biosystems, we, us, or our may be used to refer to Applied Biosystems Inc.; the term Applied Biosystems stock refers to our Applied Biosystems Group Common Stock, which is our only class of common stock outstanding; and the term Celera stock refers to Celera Group Common Stock, a class of common stock that we previously issued.

We filed an Annual Report on Form 10-K for our fiscal year ended June 30, 2008, on August 27, 2008. Some of the information in Part III of our 2008 Form 10-K was incorporated by reference to portions of our definitive Proxy Statement for our 2008 Annual Meeting of Stockholders, to be subsequently filed with the Securities and Exchange Commission, or SEC. Where we incorporated required information by reference to our 2008 Proxy Statement, we did so in reliance on General Instruction G to Form 10-K. Because we do not expect to file a definitive proxy statement within 120 days after the end of our 2008 fiscal year, we are filing this Form 10-K/A to provide the information required in Part III of our 2008 Form 10-K.

As required by the SEC's Rule 12b-15 under the Securities Exchange Act of 1934, as amended, the Items contained in Part III of the Form 10-K (Items 10 through 14) are amended and restated in their entirety as set forth below. We have amended and restated these Items to include all required Part III information and to remove references to our 2008 Proxy Statement. As required by Form 10-K, the cover page of our 2008 Form 10-K included a statement regarding our incorporation of information from our 2008 Proxy Statement. That statement is no longer applicable.

Also, as required by Rule 12b-15, this Form 10-K/A includes as exhibits the certifications required of our principal executive officer and principal financial officer under Section 302 of the Sarbanes-Oxley Act of 2002. We have included Part IV, Item 15 in this Form 10-K/A solely to reflect the filing of these exhibits with this Form 10-K/A. We are not including certifications under Section 906 of the Sarbanes-Oxley Act of 2002 because no financial statements are being filed with this Form 10-K/A.

No attempt has been made in this Form 10-K/A to modify or update the other disclosures presented in our 2008 Form 10-K, including the exhibits thereto, except that we have updated the number of outstanding shares of Applied Biosystems stock on the cover page of this report. In particular, we have not modified or updated any of the other disclosures in our 2008 Form 10-K that may have been affected by events occurring after the filing of our 2008 Form 10-K. Accordingly, this Form 10-K/A should be read in conjunction with our 2008 Form 10-K and our other filings made with the SEC.

Table of Contents**PART III****Item 10. Directors, Executive Officers and Corporate Governance****Identification and Business Experience of Directors**

The following is a list of our directors and provides information about each director, including business experience and the year first elected to the board, as well as age and principal occupation, as of September 25, 2008. Each director serves until his or her successor has been elected at the next annual meeting of stockholders or until his or her earlier resignation, removal, or death.

Name	Age	Year First Elected	Business Experience and Principal Occupation
George F. Adam, Jr.	62	2007	Mr. Adam is the Chairman of Recondo Technology, Inc., a start-up company focused on healthcare payments and care delivery. He was the founder of Adam Aircraft, Inc., a designer and manufacturer of advanced aircraft, and served as Chief Executive Officer of that company from 1998 to July 2007, when he founded Recondo Technology. Adam Aircraft filed for bankruptcy in February 2008, subsequent to Mr. Adam's resignation from that company. From 1993 to 2001 Mr. Adam served as Chairman, President and Chief Executive Officer of New Era of Networks, Inc., an e-business infrastructure provider founded by Mr. Adam, and from 1987 to 1993 he was a general partner and the chief information technology officer of Goldman, Sachs & Co., a global investment banking, securities, and investment management firm.
Robert H. Hayes	72	1985	Dr. Hayes is the Philip Caldwell Professor of Business Administration, Emeritus, at the Harvard Business School. He has held various positions at Harvard since 1966.
Arnold J. Levine	69	1999	Dr. Levine is a professor at the Institute for Advanced Study. He previously served as President and Chief Executive Officer of Rockefeller University from 1998 to 2002 and was the Harry C. Weiss Professor of Life Sciences and Chairman of the Molecular Biology Department at Princeton University from 1984 to 1998. Dr. Levine is also a director of Theravance, Inc. and Infinity Pharmaceuticals, Inc.
William H. Longfield	70	2003	Mr. Longfield is the retired Chairman and Chief Executive Officer of C.R. Bard, Inc., a manufacturer of healthcare products. He joined C.R. Bard in 1989 as executive vice president, became President in 1991,

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and served as Chairman and Chief Executive Officer from 1995 until his retirement in August 2003. Mr. Longfield is also Chairman of the Board of Trustees of Atlantic Health System, a private non-profit health care system.

Elaine R. Mardis	45	2007	Dr. Mardis is an Associate Professor of Genetics at Washington University School of Medicine and Co-Director of the Washington University Genome Sequencing Center where she leads the technology development group. She has served in various positions at Washington University School of Medicine since 1993 and was appointed Associate Professor in October 2006, and Co-Director of the Genome Sequencing Center in December 2002. Dr. Mardis is also a member of the American Society of Human Genetics.
Theodore E. Martin	69	1999	Mr. Martin is the retired President and Chief Executive Officer of Barnes Group Inc., a manufacturer of precision springs and custom metal components. He joined Barnes Group in 1990 as a group vice president and served as President and Chief Executive Officer from 1995 until his retirement in 1998. Mr. Martin is also a director of C.R. Bard, Inc., Ingersoll-Rand Company, and Unisys Corporation.
Carolyn W. Slayman	71	1994	Dr. Slayman is the Sterling Professor of Genetics and Deputy Dean for Academic and Scientific Affairs at Yale University School of Medicine. She joined the Yale faculty in 1967. Dr. Slayman is a consultant to the National Institutes of Health, most recently having served as a member of the National Advisory General Medical Sciences Council.
James R. Tobin	64	1999	Mr. Tobin has served as President and Chief Executive Officer of Boston Scientific Corporation, a medical device manufacturer, since March 1999. Mr. Tobin previously served as President and Chief Executive Officer of Biogen, Inc., a biotechnology company, from 1997 to 1998 and President and Chief Operating Officer from 1994 to 1997. Prior to joining Biogen, he held various positions at Baxter International Inc., including President and Chief Operating Officer from 1992 to 1994. Mr. Tobin is also a director of Boston Scientific and Curis, Inc.
Tony L. White	62	1995	Mr. White has served as our Chairman and Chief Executive Officer since September 1995. He also served as our President from September 1995 through August 2008. Prior to joining the company, Mr. White was Executive Vice President and a member of the

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Office of the Chief Executive of Baxter International Inc., a manufacturer of healthcare products and instruments. He also served as Group Vice President of Baxter from 1986 to 1992. Mr. White is also a director of C.R. Bard, Inc., Ingersoll-Rand Company, and the Standards, Productivity and Innovation Board of Singapore (SPRING Singapore).

Identification and Business Experience of Executive Officers

The following is a list of our executive officers, identifying as of September 25, 2008, their: ages; corporate offices presently held and year first elected to those offices; and other positions currently held.

Name	Age	Present Corporate Offices (Year First Elected)
Ugo D. DeBlasi	46	Vice President and Controller (2003)
Barbara J. Kerr	62	Senior Vice President, Human Resources (2008)
William B. Sawch	54	Senior Vice President (1997) and General Counsel (1993)
Mark P. Stevenson	45	President and Chief Operating Officer (2008)
Tony L. White	62	Chairman and Chief Executive Officer (1995)
Dennis L. Winger	60	Senior Vice President and Chief Financial Officer (1997)

Each of the executive officers identified above was most recently elected to the corporate offices identified above by our Board of Directors at a meeting held on August 21, 2008. The term of each officer will continue until their successors have been duly elected or, if earlier, their death, resignation, or removal. Each of the executive officers has been employed by us or a subsidiary in one or more executive or managerial capacities for at least the past five years.

At the August Board meeting, the Board took several actions regarding our executive officers:

The Board promoted Mr. Stevenson to the position of President and Chief Operating Officer of the company. Mr. White accordingly relinquished his position as President of the company but continues to be our Chairman and Chief Executive Officer. Prior to Mr. Stevenson's August 2008 promotion, he was promoted to the positions of Senior Vice President of the company and President and Chief Operating Officer of the Applied Biosystems Group in December 2007. Prior to that, he served as one of our Vice Presidents since 2004.

The Board promoted Barbara J. Kerr to the position of Senior Vice President, Human Resources, of the company. Prior to the promotion, Ms. Kerr had served as Vice President, Human Resources, since 2000.

The Board determined that Sandeep Nayyar, an Assistant Controller of the company, should no longer be designated as one of our executive officers. This determination, which resulted solely from the Celera separation, did not affect Mr. Nayyar's employment or corporate office.

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In connection with the separation of the Celera group business described in Item 1 of our 2008 Annual Report on Form 10-K, the following individuals, previously executive officers of the company, terminated their employment with us on July 1, 2008, and became executive officers of Celera Corporation: Joel Jung, formerly Assistant Controller; and Kathy P. Ordoñez, formerly Senior Vice President and President, Celera Group.

Family Relationships

To the best of our knowledge and belief, there is no family relationship between any of our directors or executive officers.

Involvement in Certain Legal Proceedings

To the best of our knowledge and belief, none of our directors or executive officers has been involved in any proceedings during the past five years that are material to an evaluation of the ability or integrity of such persons to be our directors or executive officers.

Audit Committee and Audit Committee Financial Expert

We have a separately designated standing audit committee of our Board of Directors established in accordance with Section 3(a)(58)(A) of the Securities Exchange Act of 1934. We have named that committee our Audit/Finance Committee. The members of that committee as of the date of this report are George F. Adam, Jr., Robert H. Hayes (co-chair), Theodore E. Martin, and James R. Tobin (co-chair). Our Board of Directors has determined that Messrs. Adam, Martin, and Tobin are audit committee financial experts as that term has been defined by the Securities and Exchange Commission in Item 407(d)(5) of its Regulation S-K. The designation of members of our Audit/Finance Committee as audit committee financial experts does not impose on those members any duties, obligations, or liabilities that are greater than those generally imposed on them as members of our Audit/Finance Committee and Board of Directors, and does not affect the duties, obligations, or liabilities of any other member of our Audit/Finance Committee or Board of Directors. Our Board of Directors has determined that each member of the Audit/Finance Committee is independent as defined by the rules of the New York Stock Exchange and also satisfies the independence requirements for members of audit committees prescribed under the Sarbanes-Oxley Act of 2002. More information about director independence is set forth below in Item 15 of this report.

Recommendation of Nominees to our Board of Directors

Information concerning our procedures by which security holders may recommend nominees to our Board of Directors is set forth in our Proxy Statement relating to our 2007 Annual Meeting of Stockholders under the heading Board of Directors and Committees Board Committees Nominating/Corporate Governance Committee. We have not made any material changes to these procedures since they were last disclosed in our 2007 Proxy Statement.

Section 16(a) Beneficial Ownership Reporting Compliance

We are required to identify any officer, director, or beneficial owner of more than 10% of our Applied Biosystems stock or Celera stock who failed to timely file with the Securities and Exchange Commission and the New York Stock Exchange a required report relating to beneficial ownership of stock under Section 16(a) of the Securities Exchange Act of 1934. Based solely on a

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review of information provided to us, all persons subject to these reporting requirements filed the required reports on a timely basis for our 2008 fiscal year.

Code of Ethics

We have adopted a code of ethics that applies to our officers, directors, and employees. Our code of ethics, which we refer to as our Code of Business Conduct and Ethics, was designed to comply with the definition of code of ethics adopted by the Securities and Exchange Commission as applicable to our Chief Executive Officer (our principal executive officer), our Chief Financial Officer (our principal financial officer), and our Controller (our principal accounting officer). This definition is contained in Item 406(b) of the SEC's Regulation S-K. Our code of ethics was also designed to meet the code of business conduct and ethics requirements promulgated by the New York Stock Exchange, which requirements are set forth in Section 303A.10 of the NYSE Listed Company Manual.

Our Code of Business Conduct and Ethics is posted on our Internet website, which is located at www.appliedbiosystems.com. Also, we intend to post any amendments to or waivers from the code that are applicable to our officers or directors on our Internet website as required to satisfy SEC and New York Stock Exchange disclosure requirements applicable to amendments and waivers. This information can be accessed on our website free of charge as described in Part I, Item 1 of our 2008 Annual Report on Form 10-K on pages 3 and 4 under the heading Available Information. In addition, you can obtain this information free of charge by calling our corporate Secretary at 203-840-2000 or by making a request in writing mailed to: Applied Biosystems Inc., Attention: Secretary, Applied Biosystems Inc., 301 Merritt 7, Norwalk, CT 06851-1070.

Item 11. Executive Compensation Compensation Discussion and Analysis

Our Background and Structure

Our corporate mission is to improve human health and society by understanding and applying the power of biology to develop breakthrough research technologies and diagnostic products. Through July 1, 2008, we conducted our business through two operating groups: the Applied Biosystems group, which serves the life science industry and research community by developing and marketing instrument-based systems, consumables, software, and services; and the Celera group, which was a diagnostics business that delivered personalized disease management through a combination of products and services incorporating proprietary discoveries. On July 1, 2008, we separated all of the business, assets, and liabilities of the Celera group into an independent publicly-traded company known as Celera Corporation.

Through July 1, 2008, we had two classes of common stock that were intended to reflect or track the relative performance of the businesses of Applied Biosystems and Celera. The Applied Biosystems group and the Celera group were not separate legal entities and did not have separate boards of directors. We had one board of directors, one chief executive officer, and senior functional executives for finance, legal, and human resources with responsibility for both groups. The overall operations for both groups were managed by a Management Executive Committee consisting of Mr. White (chair), Dennis L. Winger, Senior Vice President and Chief Financial

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Officer, Kathy Ordoñez, Senior Vice President and President of the Celera group, Mark P. Stevenson, President and Chief Operating Officer, William B. Sawch, Senior Vice President and General Counsel, and Barbara J. Kerr, Senior Vice President, Human Resources. Mr. White acted as the interim President of the Applied Biosystems group during fiscal 2008 until Mr. Stevenson's appointment to this position in December 2007. Messrs. White, Winger, Stevenson, and Sawch and Ms. Ordoñez are Named Executive Officers for purposes of the disclosures contained in this Form 10-K/A. Ms. Ordoñez resigned from the company effective July 1, 2008, in connection with the Celera separation.

On June 11, 2008, we entered into an Agreement and Plan of Merger with Invitrogen Corporation and Atom Acquisition, LLC, a direct wholly-owned subsidiary of Invitrogen. This agreement provides that we will merge with and into Atom Acquisition, with that entity continuing as the surviving entity and a direct wholly-owned subsidiary of Invitrogen. Upon completion of the merger, Mr. Stevenson will be appointed President and Chief Operating Officer of Invitrogen. The parties currently expect the merger to be completed in the fall of 2008.

Compensation Philosophy

Our compensation programs work together to achieve several key objectives, including the payment of compensation related to company performance and the collective efforts of our employees. In particular, the primary goals of our executive compensation program are to:

Attract and retain top quality leadership by delivering competitive levels of base salary, short and long term incentives, and benefits commensurate with the capabilities, depth of experience, and background of our executives, as well as in recognition of their individual contributions to the achievement of the organization's objectives;

Reward executives for business performance and results that increase shareholder value, such as revenue and earnings growth, cash flow, organizational and operational excellence, and new product development and commercialization. We use variable and equity based programs that deliver rewards commensurate with the effort and achievement of these results;

Drive and motivate executive behaviors (for example, thinking from the perspective of a shareholder, facilitating the achievement of team goals, making appropriate research and development investment choices, balancing long term and short term objectives, managing risk, and creating business continuity) that are aligned with the short and long term strategies of the business and with shareholder interests; and

Place an appropriate portion of each executive's total compensation at risk based on the level of responsibility and impact of the position on the company's or Group's financial results.

These objectives are considered in the design of each compensation program and in the process that is followed in making decisions. While we do not make use of any formulaic policies that state a specific market percentile position for defining individual compensation levels or any specific percentage mix of base, bonus, benefits, and equity as part of total compensation, we do consider each of these factors. Affordability, business conditions, and an assessment of the degree

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to which an executive is subject to being recruited by other companies are also taken into account in making decisions about compensation.

Section 162(m) of the Internal Revenue Code generally limits the tax deductibility of certain compensation in excess of one million dollars paid to a company's chief executive officer and the three other most highly compensated executive officers, except for the chief financial officer. While we seek to maximize the deductibility of compensation paid to our executive officers, we maintain flexibility to pay compensation that may not be deductible under Section 162(m) if that would be in the best interests of our shareholders.

Roles and Responsibilities Pertaining to Compensation Management

Mr. White provides recommendations to the Management Resources Committee of the Board of Directors, or MRC, with regard to compensation philosophy, the structure and design of programs and policies in which our executives may participate, and specific compensation awards for each of our Named Executive Officers other than himself. Ms. Kerr, as Senior Vice President, Human Resources, provides benchmarking analyses, compilations of total compensation values, and reviews of performance against objectives for the MRC. Mr. Winger, as Chief Financial Officer, prepares information for the MRC with regard to financial targets and metrics upon which the incentive compensation programs and equity programs are based. Our finance department calculates actual performance against these financial targets and metrics following the end of the fiscal year based on company performance for that year.

The MRC is responsible for making decisions regarding Mr. White's compensation and for reviewing and approving his recommendations regarding the compensation of the other Named Executive Officers. During fiscal 2008, the MRC retained an independent executive compensation consulting firm, Frederic W. Cook and Co., Inc., or FWC, to review the executive compensation analyses and reports prepared by the company and provide ongoing advice to the MRC as deemed appropriate by the committee. Among other things, FWC provided an independent assessment of the peer companies used in the analysis. In addition, FWC participated in the MRC meetings where the executive compensation analysis and recommendations were discussed.

Competitive Assessment Process

We review annually our pay practices for each of the Named Executive Officers with the practices of comparable companies primarily engaged in biotechnology, instrument development and manufacturing, and life sciences. Separate companies were selected as peers for the Applied Biosystems group, the Celera group, and for the company as a whole, based on being engaged substantially in the same business and considering, as applicable, revenues and market capitalization as compared to the Groups or the company. We also consider whether we compete with these companies for executives and whether the executive officers of the other companies provide appropriate benchmarks relative to the specific duties and responsibilities of the Named Executive Officers.

In fiscal 2008, the company used chief executive officer, chief financial officer, and general counsel data from the following companies' most recent proxy disclosures as a point of reference for Messrs. White, Winger, and Sawch, who serve in those positions at our company. The peer company list is periodically reviewed by the MRC, and the list used in connection with its fiscal 2007 executive compensation review was updated in August 2008 in connection with its fiscal 2008 review. At that time, the MRC removed Dade Behring Holdings Inc. and Medimmune

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Inc. from the list because they were acquired during the fiscal year, and also removed Allergan Inc. and Mylan Laboratories Inc. because of their pharmaceutical-specific focus. The MRC added C.R. Bard, Inc. due to its related industry focus and comparable size in terms of revenue and market capitalization. The peer companies used by the MRC for these reviews are shown below:

Fiscal 2007

Agilent Technologies Inc.
 Allergan Inc.
 Amgen Inc.
 Barr Pharmaceuticals Inc.
 Beckman Coulter Inc.
 Becton Dickinson & Co.
 Biogen Idec Inc.
 Bio-Rad Laboratories Inc.
 Dade Behring Holdings Inc.
 Genentech Inc.
 Genzyme Corp.
 Invitrogen Corp.
 Medimmune Inc.
 Millipore Corp.
 Mylan Laboratories Inc.
 PerkinElmer Inc.
 Thermo Fisher Scientific Inc.
 Varian Medical Systems Inc.
 Waters Corp.

Fiscal 2008

Agilent Technologies Inc.
 Amgen Inc.
 Barr Pharmaceuticals Inc.
 Beckman Coulter Inc.
 Becton Dickinson & Co.
 Biogen Idec Inc.
 Bio-Rad Laboratories Inc.
 C.R. Bard, Inc.
 Genentech Inc.
 Genzyme Corp.
 Invitrogen Corp.
 Millipore Corp.
 PerkinElmer Inc.
 Thermo Fisher Scientific Inc.
 Varian Medical Systems Inc.
 Waters Corp.

As there was insufficient data from the companies listed above to provide a source of comparison for Mr. Stevenson, the MRC used information from a third-party executive compensation survey of president and COO positions in the general market as the primary source of competitive benchmarking for him. This survey was also considered as a secondary source of information for the other Named Executive Officers. In the case of Mr. Stevenson, the survey information focused on companies with revenues from \$1 to 3 billion in the life sciences, medical device, pharmaceutical, and technology industries. The companies included in this survey are provided below.

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Adobe Systems Inc.	Marvell Technology Group Ltd.
Atmel Corp.	McAfee, Inc.
Autodesk, Inc.	National Semiconductor Corp.
Bio-Rad Laboratories Inc.	NetApp, Inc.
Cadence Design Systems, Inc.	Novellus Systems, Inc.
Edwards Lifesciences LLC	PerkinElmer Inc.
Hitachi Data Systems	Quantum Corp.
Hughes Network Systems	Spansion
Intuit Inc.	Synopsys, Inc.
Juniper Networks, Inc.	Teradyne Inc.
KLA-Tencor Corp.	Toshiba America Information Systems, Inc.
Lam Research Corp.	Varian Medical Systems Inc.
Lawrence Livermore National Laboratory	Varian Semiconductor Equipment
Lifescan, Inc.	Verisign, Inc.
LSI Logic	Xilinx, Inc.

The MRC used data about chief executive officers from the following companies' most recent proxy disclosures as a point of reference for the fiscal year 2008 compensation of Ms. Ordoñez, with peer company data appropriately discounted because Celera was not an independent publicly traded company during fiscal 2008.

Biosite Inc.
 CuraGen Corp.
 DeCODE Genetics Inc.
 Digene Corp.
 Genomic Health Inc.
 Gen-Probe Inc.
 Human Genome Sciences Inc.
 Medarex Inc.
 Millennium Pharmaceutical Inc.
 Myriad Genetics Inc.
 PDL BioPharma Inc.
 Seattle Genetics Inc.
 Third Wave Technologies Inc.
 Ventana Medical Systems Inc.

We prepared competitive analyses for each of the Named Executive Officers against executives of the relevant peer group. This included a review of base salary levels, actual short-term incentive levels (i.e., annual bonus), and the value of long-term and equity compensation in the year of grant based on a Black-Scholes value as published in proxy disclosures.

While a review of the compensation of similarly situated executives at our peers assists us in determining whether our compensation programs are generally competitive, the unique responsibilities and experience of our executives limits the usefulness of competitive data, especially in an evolving, dynamic, and growing organization such as ours where the future needs of the organization must be considered along with present needs. For example, our tracking stock structure required that senior executives oversee the management and controls associated with the

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separate publicly traded stocks related to Applied Biosystems and Celera. Therefore, compensation recommendations for our Named Executive Officers may be made at levels that are above or below the compensation paid to executives at our peers, depending on specific individual factors such as skills, performance, experience, and retention.

Compensation Components

We utilize compensation programs and elements that are aligned with and support our compensation philosophies. These components work together to provide flexibility which helps us manage through change and a dynamic business climate. These compensation programs or elements consist of:

Base salary;

Annual incentive compensation;

Long-term and equity incentive compensation; and

Benefits and perquisites.

We believe that these components work in balance with one another to support our overarching goals of motivating our executives and recognizing positive results. From time to time we may revise our programs or add new programs to achieve our goals.

Under the terms of the Invitrogen merger agreement, Invitrogen will be required to provide base salary, bonus opportunity, and employee benefits following the merger that are no less favorable in the aggregate than those provided to our employees, including the Named Executive Officers, prior to the merger.

Base Salary

Base salary is a fixed compensation amount paid during the course of the fiscal year. It is designed to recognize demonstrated mastery of the day-to-day requirements of the position and pay competitive amounts that reflect the individual attributes of each Named Executive Officer. Base salaries are reviewed annually and are individually determined taking into consideration each executive's unique set of skills, experience, and level of responsibility.

Fiscal 2008. For fiscal 2008, Mr. White recommended to the MRC increases to the base salaries of each of the Named Executive Officers other than himself. The MRC approved, as recommended, these salary increases, and also determined an increase to Mr. White's base salary.

The salary increases for each Named Executive Officer, including Mr. White, Mr. Winger, Mr. Sawch and Ms. Ordoñez, were approximately 4%, consistent with the trend increase in base salary compensation for the industry as a whole and were intended to keep the executive's base salary in line with competitive conditions. Mr. Stevenson's salary was increased by approximately 16%, from \$430,000 to \$500,000, to reflect his increased role within the Applied Biosystems group. Mr. Stevenson's salary was further increased by 20%, from \$500,000 to \$600,000, effective with his appointment as President and COO of the Applied Biosystems group in December 2007.

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Fiscal 2009. Similar to fiscal 2008, the salary increases for each Named Executive Officer, including Mr. White, for fiscal 2009 were 4% and were intended to keep the executive's base salary in line with competitive conditions and to continue our historical base salary adjustment practices at the outset of the fiscal year. The MRC did not approve a salary increase for Ms. Ordoñez for fiscal 2009 as she resigned from the company effective July 1, 2008 in connection with the Celera separation. Below are the annual base salaries and increases for each of the Named Executive Officers for fiscal 2008 and 2009:

	Fiscal 2008	% Change	Fiscal 2009	% Change
	Annual	from Fiscal	Annual	from Fiscal
	Base Salary	2007 Base	Base Salary	2008
		Salary		Base Salary
Tony L. White	\$ 1,200,000	4.4	\$ 1,248,000	4.0
Dennis L. Winger	618,500	4.0	643,000	4.0
William B. Sawch	546,000	4.0	568,000	4.0
Mark P. Stevenson	600,000	39.5	624,000	4.0
Kathy Ordoñez	590,500	4.0	na	na

Annual Incentive Compensation