



Healthcare Tools & Instrumentation

*An Analysis of Board Trends and Director Compensation
2009*

CTPartners
Board Consultants

Vertical Market: Healthcare Tools & Instrumentation

Introduction

To provide information on governance trends in Healthcare Tools & Instrumentation, CTPartners conducted the following research based upon the most recent proxy statements of 12 selected public companies that operate in the industry.

Key Findings

Performance: The market performance of the twelve companies surveyed indicates that the healthcare tools & instrumentation industry as a whole has enjoyed years of impressive growth before succumbing to the effects of the recession beginning in 2007. Of the eleven companies for which performance data since 2000 was available, four showed negative performance.

Share Ownership: Alignment between the interests of directors and shareholders is strong, with non-executive directors holding sizeable stakes (average: \$2.2 MM) in the companies on whose boards they serve. Including executive board members in the analysis raises the average director's equity stake to over \$47 MM.

Overboarding: None of the companies surveyed had any directors who served on four or more rated boards.

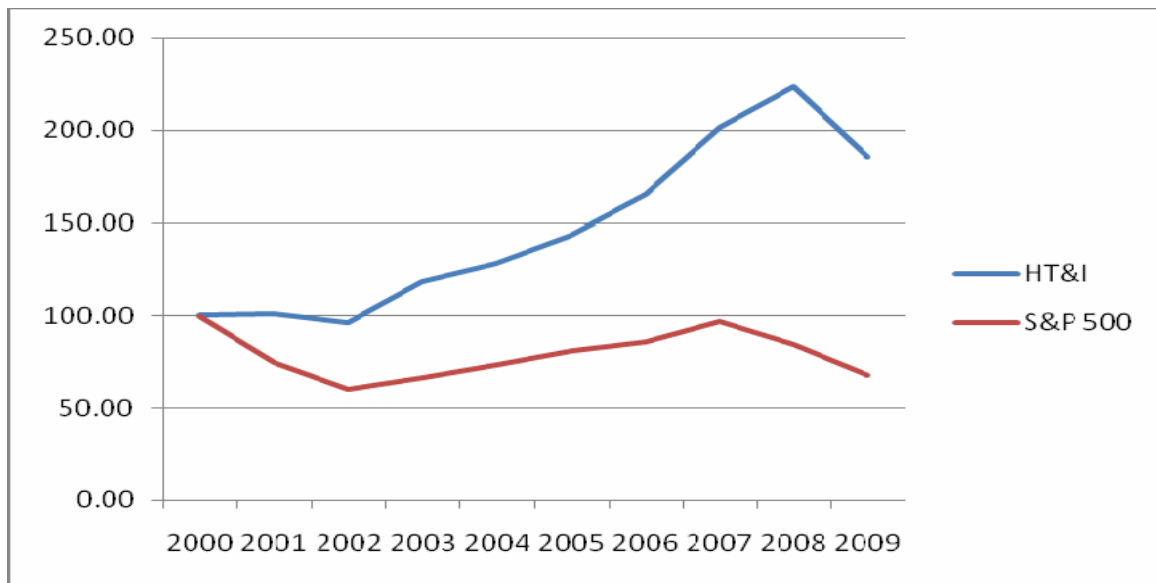
Rotation: There is little indication that the next few years will see a higher-than-average service rotation. Current board members have an average age of 62 and an average length of board service of eleven years; only 11% of non-executive directors are over the age of 70.

Composition: Boards are similar in composition. The average board has ten directors, with a range from seven to thirteen, and is 80% independent. Selection of directors by industry or functional background appears to be of moderate concern, with a heavy emphasis placed on selection of those with healthcare industry experience.

Diversity: Efforts to increase board diversity by gender, if not ethnicity, appear to be taking place within the industry as a whole. Eleven of the twelve boards studied employ at least one female director, and only one board in this survey consists solely of Caucasian males.

Compensation: Non-executive director compensation is largely comprised of equity grants. Of the eleven companies for which data was available, eleven compensated non-executive directors in cash, seven in stock grants, and seven in options grants. Average director compensation was \$54,364 in cash, \$87,466 in stocks, and \$77,517 in options.

Industry Performance



Indexed performance of the eleven HT&I equities that have been publicly traded since 2000 as compared to the performance of the S&P 500.

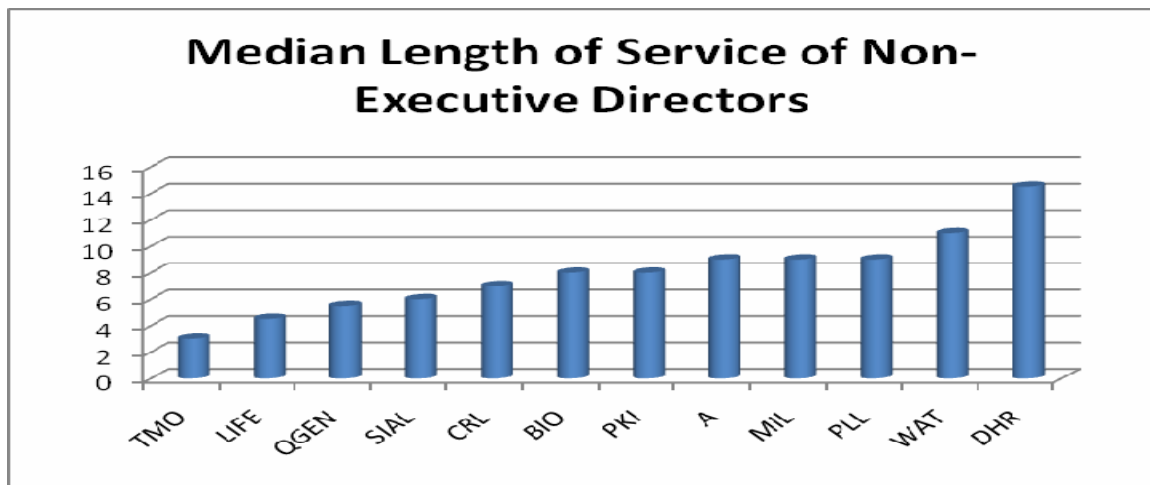
Stock performance data relative to the S&P 500 index over an extended period of time can often be useful in determining board performance. Eleven of the twelve public companies surveyed have historical performance data since 2000; only Life Technologies Corporation did not. This performance data was compared to S&P 500 index performance from the period of September, 2000 through September, 2009.

During this period, the S&P 500 lost 32%. Seven of the eleven healthcare tools & instrumentation companies analyzed beat the index performance, with an average gain of 185%. Four companies surveyed exhibited a negative performance during the period studied.

All four of these companies posted most of their value loss in 2001 after strong showings in 2000. The high performer for the period studied was Bio-Rad Laboratories (BIO), whose stock has increased by 623% over the past nine years.

While this performance data could be viewed as indicative of the effectiveness of the corporate governance at the companies surveyed, the consistency of the performance patterns suggest that gains and losses were the result of larger market forces at work. Two-thirds of the companies surveyed appear to have capitalized on an exceptional market opportunity, while one third were stunted by the 2001 recession. It is difficult to ascertain how much influence past Directors had on the decisions that resulted in these performances.

Director Demographics

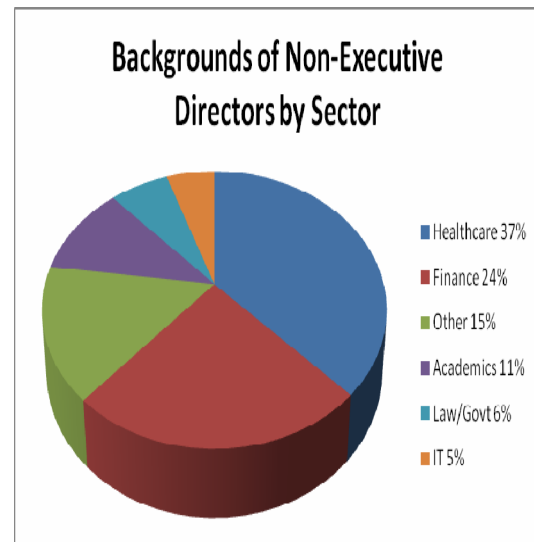


The typical healthcare tools & instrumentation company board consists of ten directors, 80% of whom are independent. Their non-executive directors likely come from the healthcare and finance industries, and each board typically includes at least one director with a legal, academic, or IT background. Other professional backgrounds represented on the boards of the companies surveyed include consulting and CPG.

Directors are most likely male and Caucasian, with an average age of 62 and an age range of 44 to 85. They have served for an average of eleven years with a range of one to 52 years (in the case of David Schwartz of Bio-Rad Laboratories).

Most directors serve on at least one other board; of the 89 non-executive directors for which data

was available, only 17% hold no other directorships.



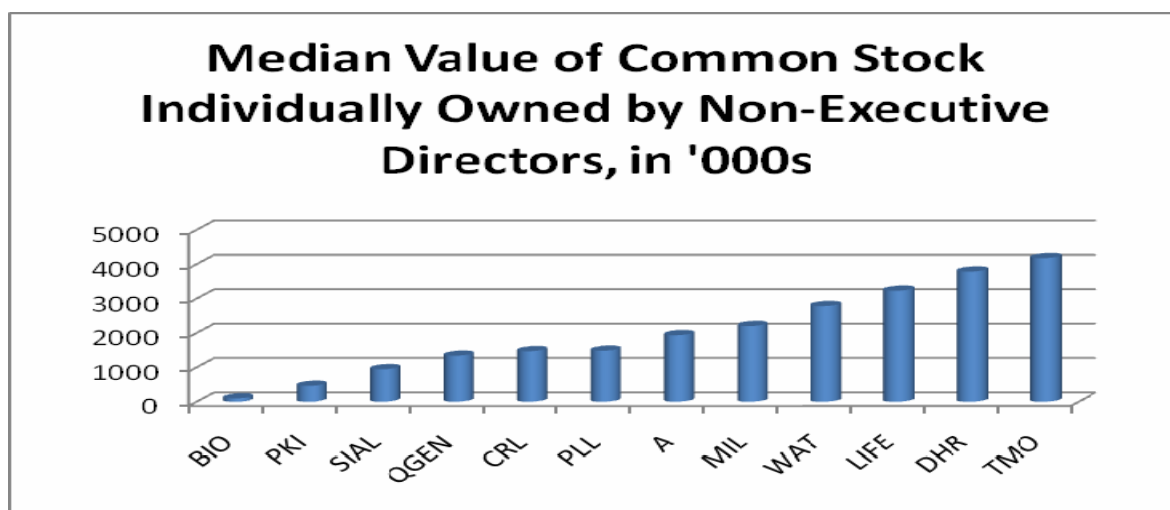
Board Diversity

Director diversity has been touted as a hot-button issue in the past few years, and it appears that in the case of the healthcare tools & instrumentation industry, efforts are being made to diversify boards by gender and ethnicity somewhat. Women currently hold 17 of the 114 seats in the twelve companies surveyed, or 15% as compared to the Fortune 500 average of 14.6%; of these, all but one (Ruth Schwartz of Bio-Rad Laboratories) were appointed in the late 1990's and early 2000's, a period during which

the failure of some companies to appoint female governors was garnered negative press attention. Only one of the eleven companies surveyed had an exclusively male board.

Board diversification by ethnicity, on the other hand, seems to be less of a priority: of the five boards surveyed for which ethnicity data was available, three were made up of exclusively Caucasian directors.

Equity Ownership



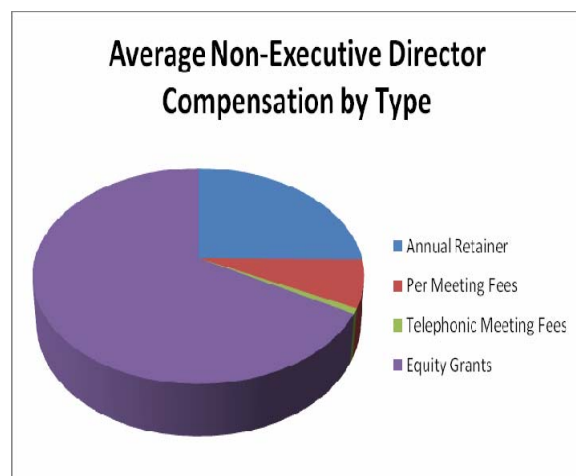
Equity ownership has historically been viewed as a metric by which director-shareholder alignment can be measured. In keeping with that philosophy, it can be derived from the data above that this alignment strongly exists among the major firms in the healthcare tools & instrumentation industry. The 89 non-executive directors of the eleven companies for which data was available own a total of \$208 million in stock in the companies on whose boards they serve, or an average individual investment of \$2,228,942.

In the instance of several of the companies surveyed, the median figure of the stakes of non-executive directors obscures a tremendous variation in individual investment. Two directors of Danaher, for example, personally owns over \$20 MM each of common stock in the company, while one of their contemporaries owns less than \$1 MM. The difference between the company median figures and the overall average illustrates the existence of several individual directors holding very significant stakes in their respective companies.

Non-Executive Director Compensation

Company	Market Cap as of 11/1/2009 (in Bs)	Data Year	Annual Retainer	Per Meeting Fee	Telephonic Meeting Fee	Equity Grants	# of Meetings
AGILENT TECHNOLOGIES INC (A)	\$8.69	2008	\$75,000				6
BIO-RAD LABORATORIES INC (BIO)	\$2.60	2008	\$24,000	\$100			11
CHARLES RIVER LABS INTL INC (CRL)	\$2.30	2008	\$60,000			\$217,454	5
DANAHER CORP (DHR)	\$22.50	2008	\$40,000	\$2,500	\$2,500	\$84,144	9
LIFE TECHNOLOGIES CORP (LIFE)	\$8.51	2008	\$75,000				12
MILLIPORE CORP (MIL)	\$3.80	2008	\$60,000			\$140,000	5
PALL CORP (PLL)	\$3.79	2008	\$24,000	\$2,500	\$1,000	\$78,945	10
PERKINELMER INC (PKI)	\$2.16	2008	\$70,000			\$155,000	6
QIAGEN (QGEN)	\$4.23	2008					
SIGMA-ALDRICH CORP (SIAL)	\$6.51	2008	\$50,000	\$3,000	\$1,500	\$178,710	7
THERMO FISHER SCIENTIFIC INC (TMO)	\$18.07	2008	\$70,000			\$125,000	8
WATERS CORP (WAT)	\$5.49	2008	\$50,000	\$1,500		\$175,629	5

Non-executive director compensation has historically been split between cash payments and equity grants. Among the companies surveyed in the healthcare tools & instrumentation industry, the ratio of this compensation division favors equity grants. This may reflect a larger trend in corporate governance. In this survey, nine out of the eleven companies for which data was available compensated more heavily in equity than in cash; the median compensation split was 69% equity, 31% cash. Only two of the eleven companies for which data was available did not compensate directors with stock or option grants.



Board Directors

Agilent Technologies Inc (9)

NYSE: A

A. Barry Rand †
David M. Lawrence (C)
Heidi Kunz Fields (A) ◦
James G. Cullen ×
Koh Boon Hwee †
Paul N. Clark
Robert J. Herbold
Robert L. Joss
William P. Sullivan

Bio-Rad Laboratories Inc (7)

NYSE: BIO

Albert J. Hillman
Alice N. Schwartz ◦
David Schwartz ×
James J. Bennett
Louis Drapeau
Norman Schwartz
Ruediger Naumann-Etienne

Charles River Labs Intl Inc (10)

NYSE: CRL

C. Richard Reese
Deborah T. Kochevar ◦
Douglas E. Rogers
George E. Massaro (A)
George M. Milne (C)
James C. Foster ×
Nancy T. Chang ◦ †
Samuel O. Thier
Stephen D. Chubb
William H. Waltrip ±

Danaher Corp (9)

NYSE: DHR

Alan G. Spoon
Donald J. Ehrlich (C)
H. Lawrence Culp
John T. Schwieters (A)
Linda P. Hefner ◦
Mitchell P. Rales
Mortimer M. Caplin
Steven M. Rales ×
Walter G. Lohr

Life Technologies Corp (13)

NasdaqGS: LIFE

Arnold J. Levine
Balakrishnan S. Iyer †
Bradley G. Lorimier
David C. U'Prichard
Donald W. Grimm
George F. Adam
Gregory T. Lucier ×
Per A. Peterson
Raymond V. Dittamore (A)
Ronald A. Matricaria (C)
W. Ann Reynolds ◦
William H. Longfield
William S. Shanahan

Millipore Corp (10)

NYSE: MIL

Daniel Bellus
Edward M. Scolnick
John F. Reno (A)
Karen E. Welke (C) ◦
Mark Hoffman
Martin D. Madaus ×
Maureen A. Hendricks ◦
Melvin D. Booth ±
Robert C. Bishop
Rolf A. Classon

Pall Corp (11)

NYSE: PLL

Cheryl W. Grisé ◦
Daniel J. Carroll × ±
Dennis Longstreet
Edward Travaglianti (A)
Edward L. Snyder
Edwin W. Martin
Eric Krasnoff
Heywood Shelley
Katharine L. Plourde ◦
John H.F. Haskill
Ulric S. Haynes

Perkinelmer Inc (9)

NYSE: PKI

Alexis P. Michas
G. Robert Tod ± (C)
Gabriel Schmergel
James C. Mullen
Kenton J. Sicchitano (A)
Nicholas A. Lopardo
Patrick J. Sullivan
Robert F. Friel ×
Vicki L. Sato ◦ †

Qiagen (7)

NasdaqGS: QGEN

Erik Hornnaess (C)
Werner Brandt (A)
Manfred Karobath *
Heino Von Prondzynski
Carsten Claussen
Metin Colpan
Detlev Riesner ×

Sigma-Aldrich Corp (10)

NasdaqGS: SIAL

Avi M. Nash
Barrett A. Toan
D. Dean Spatz (C)
David R. Harvey
J. Pedro Reinhard
Jai P. Nagarkatti ×
Rebecca M. Bergman ◦
Steven M. Paul
Timothy R.G. Sear
W. Lee McCollum (A)

Thermo Fisher Scientific Inc (10)

NYSE: TMO

Elaine S. Ullian ± ◦
Jim P. Manzi ×
Judy C. Lewent ◦
Marijn E. Dekkers
Michael A. Bell
Michael E. Porter
Peter J. Manning
Scott M. Sperling
Stephen P. Kaufman (C)
William G. Parrett (A)

Waters Corp (9)

NYSE: WAT

Christopher A. Kuebler
Douglas A. Berthiaume ×
Edward Conard
JoAnn A. Reed ◦
Joshua Bekenstein
Laurie H. Glimcher ◦
Michael J. Berendt
Thomas P. Salice ± (A)
William J. Miller (C)

× chair
± lead independent director
* supervisory director
(A) audit committee chair
(C) comp committee chair
+ insider
◦ woman
† minority**

**director ethnicity data not available for all companies

Basis of the Research

The data in the survey was compiled from proxy statements from January 2008 through March 2009.

This study focuses on 12 healthcare tools & instrumentation companies. Nine of the companies surveyed are traded on the New York Stock Exchange: Agilent Technologies Inc, Bio-Rad Laboratories Inc, Charles River Labs Intl Inc, Danaher Corp, Millipore Corp, Pall Corp, Perkinelmer Inc, Thermo Fisher Scientific Inc, Waters Corp. Three of the companies surveyed,

Life Technologies Corp, Qiagen, and Sigma-Aldrich Corp, trade on the NASDAQ.

More detailed information concerning the company boards discussed in this survey is available by contacting Ernest W. Brittingham, Partner, at the address below:

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Nestor D'Angelo	Miami	ndangelo@ctnet.com / +1 305 913 6273