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

FORM 10-K

**ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF
THE SECURITIES EXCHANGE ACT OF 1934**

For the fiscal year ended June 30, 2011

Commission file number 333-147871

CATALENT PHARMA SOLUTIONS, INC.

(Exact name of registrant as specified in its charter)

Delaware
(State of incorporation)

13-3523163
(I.R.S. Employer Identification No.)

14 Schoolhouse Road
Somerset, New Jersey
(Address of principal executive offices)

08873
(Zip Code)

Registrant's telephone number, including area code: (732) 537-6200

Securities Registered Pursuant to Section 12(b) of the Act: None

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 Exchange 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 Exchange Act 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

(Note: As a voluntary filer not subject to the filing requirements of Section 13 or 15(d) of the Exchange Act, the registrant has filed all reports pursuant to Section 13 or 15(d) of the Exchange Act during the preceding 12 months as if it were subject to such filing requirements.)

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes No

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (§ 229.405 of this chapter) 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", "non-accelerated filer" and "smaller reporting company" in Rule 12b of the Exchange Act.

Large accelerated filer

Accelerated filer

Non-accelerated filer

Smaller reporting company

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

On September 16, 2011 there were 100 shares of the Registrant's Common Stock, par value \$0.01 per share, issued and outstanding.

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PART I

Special Note Regarding Forward-Looking Statements

Certain information included in this Annual Report on Form 10-K may be deemed to be “forward-looking statements.” All statements, other than statements of historical facts, included in this Form 10-K are forward-looking statements. In particular, statements that we make regarding future market trends are forward-looking statements. When used in this document, the words “believe,” “expect,” “anticipate,” “estimate,” “project,” “plan,” “should,” “intend,” “may,” “will,” “would,” “potential” and similar expressions are intended to identify forward-looking statements.

These statements are based on assumptions and assessments made by our management in light of their experience and their perception of historical trends, current conditions, expected future developments and other factors they believe to be appropriate. Any forward-looking statements are not guarantees of our future performance and are subject to risks and uncertainties that could cause actual results, developments and business decisions to differ materially from those contemplated by such forward-looking statements. We disclaim any duty to update any forward-looking statements.

We can give no assurances that any of the events anticipated by the forward-looking statements will occur or, if any of them does, what impact they will have on our results of operations and financial condition.

ITEM 1. BUSINESS

General

Catalent Pharma Solutions, Inc. (“we”, “us”, “our” or the “Company”), a Delaware corporation, is the leading provider of development solutions and advanced delivery technologies for the global pharmaceutical, biotechnology and consumer health industry. Through our extensive capabilities and deep expertise in product development, we help our customers bring more products to market, faster. Our advanced delivery technologies, the broadest and most diverse range of formulation, dose form, manufacturing expertise and intellectual property available to the industry, enable our customers to bring more products and better treatments to the market. Across both development and delivery, our commitment to reliably supply our customers’ needs serves as the foundation for the value we provide. We operate through four businesses: Development & Clinical Services, Softgel Technologies, Modified Release Technologies, and Medication Delivery Solutions. Medication Delivery Solutions includes our Packaging Services and Sterile Technologies offerings. We believe that through our prior and ongoing investments in growth capacity and capabilities, our ongoing focus on Lean Six Sigma and compliance, our innovation activities, the sales of existing customer products, and the introduction of new customer products, we will continue to benefit from attractive margins and realize the growth potential in these areas.

We have extensive relationships with industry-leading customers. In fiscal 2011, we did business with 90 of the top 100 global pharmaceutical marketers, and 44 of the top 50 biotechnology marketers. Selected key customers include Pfizer, Johnson & Johnson, GlaxoSmithKline, Eli Lilly, Merck, and Novartis. We have many long-standing relationships with our customers, particularly in advanced delivery technologies, where a prescription pharmaceutical product relationship will often last for nearly two decades, extending from mid-clinical development through the end of the product’s life cycle. We serve customers who require innovative product development, superior quality, advanced manufacturing and skilled technical services to support their development and marketed product needs.

We believe our customers value us because our depth of development services and advanced delivery technologies, consistent and reliable supply, geographic reach, and substantial expertise enable us to create a broad range of business and product solutions that can be customized to fit their individual needs. Many of these offerings are unavailable on an integrated basis from other providers of individual technologies or development services. The aim of our offerings is to allow our customers to bring more products to market faster, and develop and market differentiated new products that improve patient outcomes. We believe our leading market position, significant global scale, and diversity of customers, offerings, regulatory category, products, and geographies reduce our exposure to potential strategic and product shifts within the industry.

Our history of innovation in the advanced delivery of drugs formed the foundation of our market-leading business. We have a track record of nearly eight decades of oral dose form innovation since we first commercialized softgel manufacturing in the 1930s. We launched the oral dissolving tablet category by commercializing our Zydis® technology in the 1980s and, in 2001, introduced a vegetable-based softgel shell system, VegiCaps® Soft capsules. During fiscal 2011, we in-licensed a development stage novel oral dissolving tablet alternative, LyoPan™. Also in fiscal 2011, we acquired a novel molecular optimization platform, OptiForm™ from GlaxoSmithKline, which provides drug developers a new and novel way to identify the best form of a molecule to take forward into development. We also have three decades of packaging innovation experience in patient and physician sample kits, innovative child resistant/senior-friendly designs, award-winning unit dose technologies, and adherence-enhancing packaging solutions. Our GPEX® cell line technology for biologics can help bring innovative and biosimilar products to the market more rapidly. Today we employ more than 1,000 scientists and technicians and hold approximately 1,300 patents and patent applications in advanced delivery, drug and biologics formulation, manufacturing and packaging. We apply this portfolio to actively support current and future revenue generation, and we may receive exclusivity fees and royalties for certain technologies.

History

Until we were acquired by affiliates of The Blackstone Group (“Blackstone”) in 2007, we operated as part of the Pharmaceutical Technologies and Services (“PTS”) segment of Cardinal Health, Inc. (“Cardinal”). PTS was created through a series of acquisitions starting in 1996 in order to provide a broad range of specialized, comprehensive, market-leading solutions for the global pharmaceutical and biotechnology industry. In 1996, Cardinal acquired PCI Services, Inc., which was the market leader for outsourced pharmaceutical packaging. Two years later, R.P. Scherer Corporation, the market leader in advanced oral drug delivery technologies, was acquired. In 1999, Cardinal acquired Automated Liquid Packaging, Inc., the market leader in blow-fill-seal technology for respiratory treatments, ophthalmics, and other areas, entering the important sterile dose form market.

In 2001, Cardinal continued its expansion of the PTS segment with International Processing Corporation, a provider of oral solid coating and dose manufacturing services. In 2002, PTS entered the fee-for-service development solutions market with the acquisition of Magellan Labs, a leader in the provision of analytical sciences services to the U.S. pharmaceuticals industry. Finally, in 2003, Cardinal acquired Intercare Group PLC, through which we expanded our European injectable manufacturing network.

During the period from 2001 through 2006 we also made other selective acquisitions of businesses, facilities and technologies in all segments.

Subsequent to our 2007 acquisition, we have regularly reviewed our portfolio of offerings and operations in the context of our strategic growth plan. As a result of those ongoing assessments, since 2007 we have sold four businesses, including two injectable vial facilities in the U.S., a French oral dose facility, and most recently in fiscal 2011 the printed components business (consisting of four facilities in the U.S. and Ireland). We have also consolidated operations at two other facilities into the remaining facility network since our acquisition by Blackstone.

Our Competitive Strengths

- ***Leading Provider of Development Solutions and Advanced Delivery Technologies.*** We are the leading providers of development solutions and advanced delivery technologies to the global pharmaceutical, biotechnology and consumer health industry. In the last seven years, we have supported the development and launch of more than 40% of FDA new chemical entity product approvals, and as of June 30, 2011, we are currently participating in the development of approximately 10% of oral new chemical entities in active clinical development globally (based upon industry surveys of drugs in development). With over 1,000 scientists and technicians worldwide and approximately 1,300 patents and patent applications, we possess substantial expertise in drug development and advanced delivery technologies, and help our customers bring more products and better treatments to market faster.
- ***Longstanding, Extensive Relationships with Blue Chip Customers.*** We have longstanding, extensive relationships with leading pharmaceutical and biotechnology customers. In fiscal 2011, we did business with 90 of the top 100 global pharmaceutical marketers and 44 of the top 50 biotechnology marketers, as well as more than a thousand others. Regardless of size, our customers all seek innovative product development, superior quality, advanced manufacturing and skilled technical services to support their development and marketed product needs. We believe our customers value us because our depth of development services and advanced delivery technologies, consistent and reliable supply, geographic reach and substantial expertise enable us to create a broad range of tailored solutions, many of which are unavailable from other individual providers.
- ***Diversified Operating Platform.*** We are diversified by virtue of our geographic scope, our large customer base, the extensive range of products we produce, our service offerings, and our ability to provide solutions at nearly every stage of product lifecycles. We produce nearly 15,000 distinct items across multiple categories, including brand and generic prescription drugs and biologics, over-the-counter, consumer health, veterinary, and medical device and diagnostics. In fiscal 2011, our top 20 products represented less than one third of total revenue, with no individual product greater than 4%. We serve more than 1,000 customers in nearly 100 countries, with a majority of our fiscal 2011 revenues coming from outside the United States. This diversity, combined with long product lifecycles and close customer relationships, has contributed to the stability of our business. It has also allowed us to reduce our exposure to potential strategic, customer and product shifts.
- ***Deep, Broad and Growing Technology Foundation.*** We have a long track record of innovation across our offerings, which substantially differentiate us from other industry participants. Our culture of creativity and innovation is grounded in our advanced delivery technologies, our advanced packaging and blow-fill-seal design engineers, and our patents and proprietary manufacturing processes throughout our global network. In fiscal 2011, we created an Innovation & Growth function to drive focused application of existing and incremental resources to highest priority opportunities. As of June 30, 2011, we have more than 500 product development programs in active development across our businesses.
- ***Significant Investment in Global Manufacturing Network.*** We have made significant past investments to establish a global manufacturing network, and today hold more than four million square feet of manufacturing and laboratory space across five continents. Recent growth-related investments in facilities, capacity and capabilities across our businesses have positioned us for future growth in key market areas. Through operational expertise and focus, we ensure ongoing and continuous improvements in safety, productivity and reliable supply to customer expectations, which we believe further differentiates us. Our manufacturing network and capabilities allow us the flexibility to reliably supply the changing needs of our customers while consistently meeting their quality, delivery and regulatory compliance expectations.
- ***High Standards of Quality and Regulatory Compliance.*** We operate our plants in accordance with current good manufacturing practices (“cGMP”), following our own high standards which are consistent with those of many of our

large global pharmaceutical and biotechnology customers. We have nearly 1,000 employees around the globe focused on quality and regulatory compliance. More than half of our facilities are registered with the U.S. Food and Drug Administration (“FDA”), with the remaining facilities registered with other applicable regulatory agencies, such as the European Medicines Agency (“EMA”). In some cases, facilities are registered with multiple regulatory agencies. In fiscal 2011, we underwent more than 50 regulatory audits, as well as hundreds of customer audits.

- ***Strong and Experienced Management Team.*** Our senior management team has been transformed over the last two years, with more than 200 years of combined and diverse experience within the pharmaceutical and healthcare industries. With an average of more than twenty years of functional experience, this team possesses deep knowledge and a wide network of industry relationships.
- ***Principal Shareholder with Proven Healthcare Sector Expertise.*** Our principal shareholder is an entity controlled by affiliates of The Blackstone Group, a leading global alternative asset manager and financial advisory firm. Current and prior healthcare investments by The Blackstone Group, in addition to the Company, include: Biomet, Emcure, Apria Healthcare, Nycomed, DJO Inc., Southern Cross, Stiefel Labs, TeamHealth and Vanguard Health Systems.

Our Strategy

We believe that we are well situated to leverage our market-leading position, strong customer relationships, innovative technologies and growth investments to accelerate future growth and attractive returns on capital. We are pursuing three key strategic growth accelerators:

- Enhancing the value of our current businesses through expanded capacity, extended capabilities, and targeting market strategies addressing under-served customers/geographies and adjacent markets.
- Proactive, tailored market entry in emerging/high-growth economies and other geographic markets where we are currently only narrowly represented, including but not limited to China, Brazil, and India.
- Expanding our diversified participation in marketed products, such as through royalty and profit-sharing opportunities or through proactive development and out-licensing of such products, to enable us to retain a greater share of the value of the products we produce.

To realize these, we will continue to focus on enhancing our core functional competencies: quality and compliance; operational and commercial excellence; market-driven innovation; and talent acquisition, development and retention. We also expect to pursue selected acquisitions of other companies that are aligned with our growth strategies.

Our Segments

Our offerings and services are summarized below by reporting segment.

Segment	Offerings and Services	Fiscal 2011 Revenue* (in millions)
Development & Clinical Services	<ul style="list-style-type: none">Manufacturing, packaging, storage, distribution and inventory management for clinical trial drugs and biologics, analytical testing, scientific and regulatory consulting services, biologic cell line development including our GPEX[®] technology, and development and manufacturing services for inhaled products	\$ 175.3
Oral Technologies	<ul style="list-style-type: none">Formulation, development and manufacturing of prescription and consumer health products using our proprietary softgel, Vegicaps[®] and Zydis[®] technologies, as well as other proprietary and conventional oral drug delivery technologies	\$ 1,114.4
Sterile Technologies	<ul style="list-style-type: none">Formulation, development, and manufacturing for prefilled syringes, other injectable formats, and blow-fill-seal unit doses	\$ 219.8
Packaging Services	<ul style="list-style-type: none">Commercial packaging services (blisters, bottles, pouches and unit doses), and advanced packaging technologies	\$ 157.2

* Segment Revenue includes inter-segment revenue of \$26.4 million.

This table should be read in conjunction with Note 15 to the Consolidated Financial Statements.

Development & Clinical Services segment

Our Development & Clinical Services segment provides manufacturing, packaging, storage and inventory management for drugs and biologics in clinical trials. We offer customers flexible solutions for clinical supplies production, and provide distribution and inventory management support for both simple and complex clinical trials. This includes dose form manufacturing or over-encapsulation where needed, supplying placebos, comparator drug procurement, clinical packages and kits for physicians and patients, inventory management, investigator kit ordering and fulfillment, and return supply reconciliation and reporting. We support trials in all regions of the world through our facilities and distribution network.

We also offer analytical chemical and cell-based testing and scientific services, respiratory products formulation and manufacturing, regulatory consulting, and biologics product development. Our respiratory product capabilities include development services for sterile products and inhaled products for delivery via metered dose inhalers, dry powder inhalers and nasal sprays. Demand for our offerings is driven by the need for scientific expertise and depth and breadth of services offered, as well as by the reliable supply thereof (including quality, execution and performance). We provide global regulatory and clinical support services for our customers' regulatory and clinical strategies during all stages of development. Our biologics offerings include our formulation development and clinical-scale bio-manufacturing based on our advanced and patented Gene Product Expression ("GPEX") technology, which is used to develop stable, high-yielding mammalian cell lines for both innovator and bio-similar biologic compounds. Our GPEX[®] technology can provide rapid cell line development, high biologics production yields, flexibility and versatility.

Oral Technologies segment

Our Oral Technologies segment provides advanced oral delivery technologies, including formulation, development and manufacturing of oral dose forms for prescription and consumer health products. These oral dose forms include softgel, modified release and immediate release solid oral technology products. At certain facilities we also provide integrated primary packaging services for the products we manufacture.

Through our Softgel Technologies business, we provide formulation, development and manufacturing services for soft gelatin capsules, or "softgels", which we first commercialized in the 1930s. We are the market leader in overall softgel manufacturing, and hold the leading market position in the prescription arena. Our principal softgel technologies include traditional softgel capsules (in

which the shell is made from animal-derived materials) and VegiCaps capsules (in which the shell is made from vegetable-derived materials), which are used in a broad range of customer products including prescription drugs, over-the-counter medications, and vitamins and supplements. Softgel capsules encapsulate liquid, paste or oil-based active compounds in solution or suspension into an outer shell, filling and sealing the capsule simultaneously. Softgels have historically been used to solve formulation challenges or technical issues for a specific drug, to help improve the clinical performance of compounds, to provide important market differentiation, particularly for over-the-counter compounds, and to provide safe handling of hormonal, potent and cytotoxic drugs. We also participate in the softgel vitamin, mineral and supplement business in selected regions around the world. With the 2001 introduction of our vegetable-derived softgel shell, VegiCaps capsules, drug and consumer health manufacturers have been able to expand the compatibility of the softgel dose form with a broader range of active ingredients and serve patient/consumer populations that were previously inaccessible due to religious, dietary or cultural preferences. Our VegiCaps capsules are patent protected in most major global markets. Physician and patient studies we have conducted have demonstrated a preference for softgels versus traditional tablet and capsule dose forms in terms of ease of swallowing, real or perceived speed of delivery, ability to remove or eliminate unpleasant odor or taste and, for physicians, perceived improved patient compliance with dosing regimens.

Through our Modified Release Technologies business we provide formulation, development and manufacturing services for fast-dissolve and controlled release products. We launched within this segment the orally dissolving tablet category in 1986 with the introduction of Zydis tablets, a unique oral dosage form that is freeze-dried in its package, can be swallowed without water, and typically dissolves in the mouth in less than three seconds. Most often used for drugs and patient groups that can benefit from rapid oral disintegration, the Zydis technology is utilized in a wide range of products and indications, including treatments for a variety of central nervous system-related conditions such as migraines, Parkinsons' Disease, schizophrenia, and pain-relief. Zydis tablets continue to be used in new ways by our customers as we extend the application of the technology to new categories, such as for immunotherapies or vaccines. We plan to continue to expand the development pipeline of customer products for Zydis tablets. Representative customers include Pfizer, Novartis, Merck, GlaxoSmithKline, Mylan, Eli Lilly and Johnson & Johnson.

Sterile Technologies segment

Our Sterile Technologies segment principally provides formulation, development and manufacturing services for advanced stage delivery of drugs and biologics, including products for injection and inhalation, using both traditional and advanced technologies. Our range of injectable manufacturing offerings includes filling drugs or biologics into pre-filled syringes, bags and other delivery formats. We provide integrated solutions offerings and related supporting services such as process validation skills. With our range of injectable solutions we are able to meet a wide range of specifications, timelines and budgets. The complexity of the manufacturing process, the importance of experience and know-how, and the high start-up capital requirements create significant barriers to entry and, as a result, limit the number of competitors in the market. For example, blow-fill-seal is an advanced aseptic processing technology which uses a continuous process to form, fill with drug, and seal a plastic container in a sterile environment. Blow-fill-seal units typically cost less than traditional sterile forms on a per-unit basis and are currently used primarily for non-injectable drugs, such as respiratory, ophthalmic and otic products. We are a leader in the outsourced blow-fill-seal market and operate one of the largest capacity commercial manufacturing blow-fill-seal facilities in the world. Our sterile blow-fill-seal manufacturing has the capacity and flexibility of manufacturing configurations and solutions for products that are temperature, light and/or oxygen-sensitive. We also provide innovative solutions related to complex container design and manufacturing. Our regulatory expertise leads to decreased time to commercialization and our dedicated development production lines support feasibility, stability and clinical runs. We plan to continue to expand our product line in existing and new markets and in higher margin specialty products with additional respiratory, ophthalmic, injectable and nasal applications. Representative customers include Pfizer, Sanofi-Aventis, Novartis and Roche.

Packaging Services segment

In Packaging Services we offer standard and custom packaging for prescription drugs and biologics, over-the-counter medications, veterinary and consumer health products. We package bulk tablets, capsules, syringes and other dose forms into market-ready forms, such as blister packs, pouches, sachets and bottles.

Examples of our patented and proprietary technologies include the design of the award-winning DelPouch package for unit dosing of topical compounds.

We have more than three decades of package design innovation experience, including child-resistant packaging, compliance-enhancing calendar packaging designs such as Hingepak®, cutting-edge anti-counterfeiting packaging solutions, and two-dimensional bar code-and RFID-incorporating packaging processes. We remain focused on providing fully-integrated solutions, both within the packaging area and across our other businesses. Our scalability and flexibility is a key to our historic success, allowing us to meet the needs for products of varying market sizes, from orphan drugs all the way through blockbuster launches.

Representative customers include Johnson & Johnson, GlaxoSmithKline, Novartis, Pfizer Wyeth, Amgen, Daiichi Sankyo and Pfizer.

Development and Product Supply Chain Solutions

In addition to our proprietary offerings, we are also differentiated in the market by our ability to offer a broad range of innovative development and product supply solutions which can be combined or tailored in many ways to help our customers take their compounds from laboratory to market. Once a product is on the market, we can provide comprehensive integrated product supply, from the sourcing of the bulk drug to comprehensive manufacturing and packaging to the testing required for release to distribution. Customer solutions we develop are flexible, scalable and creative, so that they meet the unique needs of both large and emerging companies, and for products of all sizes. We believe that our development and product supply solutions will continue to contribute to our future growth.

Sales and Marketing

Our target customers include large pharmaceutical and biotechnology companies, mid-size, emerging and specialty pharmaceutical and biotechnology companies, and consumer health companies, along with companies in other selected healthcare market segments. We have longstanding, extensive relationships with leading pharmaceutical and biotechnology customers. In fiscal 2011, we did business with 90 of the top 100 global pharmaceutical marketers, 44 of the top 50 biotechnology marketers, and more than one thousand other customers. Faced with pricing and reimbursement pressures as well as other market challenges, large pharmaceutical and biotechnology companies have increasingly sought partners to enhance the clinical competitiveness of their drugs and biologics and to reduce their fixed cost base. Many mid-size, emerging and specialty pharmaceutical and biotechnology companies, while facing the same pricing and market pressures, have chosen not to build a full infrastructure, but rather to partner with other companies—through licensing agreements, collaborations or outsourcing—to access the critical skills, technologies and services required to bring their products to market. Consumer health companies require rapidly-developed, innovative dose forms, packaging and formulations to keep up in the fast-paced over-the-counter medication and vitamins markets. These market segments are all critically important to our growth, but require distinct solutions, marketing and sales approaches, and market strategy.

We follow a hybrid demand generation organization model, with global account teams offering the full breadth of Catalent's solutions to selected accounts and technical specialist teams providing the in-depth technical knowledge and practical experience essential for each individual offering. All business development and field sales representatives ultimately report to a single sales head, and significant investments have been made in capabilities-specific training and selling. Our sales organization currently consists of nearly 160 full-time, experienced sales professionals. We participate in major trade shows relevant to the offerings globally and ensure adequate visibility to our offerings and solutions through a comprehensive advertising and publicity program.

Global Accounts

We manage selected accounts globally due to their materiality and growth potential by establishing strategic plans, goals and targets. We recorded approximately 50% of our total revenue in fiscal 2011 from these global accounts. These accounts are assigned a dedicated business development professional with substantial industry experience. These account leaders, along with members of the executive leadership team, are responsible for managing and extending the overall account relationship. Growing sales, profitability, and increasing account penetration are key goals and are directly linked to compensation. Account leaders also work closely with the rest of the sales organization to ensure alignment around critical priorities for the accounts.

Emerging, Specialty and Virtual Accounts.

Emerging, specialty and virtual pharmaceutical and biotechnology companies are expected to be a critical driver of industry growth globally. Historically, many of these companies have chosen not to build a full infrastructure, but rather partner with other companies to produce their products. We expect them to continue to do so in the future, providing a critical source for future integrated solution demand. We expect to continue to increase our penetration of geographic clusters of emerging companies in North America, Europe and Japan. We regularly use active pipeline screening and customer targeting to identify the optimal candidates for partnering based on product profiles, funding status, and relationships, to ensure that our technical sales specialists and field sales representatives develop custom solutions designed to address the specific needs of customers in the market.

Contractual Arrangements

We generally enter into a broad range of contractual arrangements with our customers, including agreements with respect to feasibility, development, supply, licenses, packaging service arrangements and quality. The terms of these contracts vary significantly depending on the offering and customer requirements. Some of our agreements may include a variety of revenue arrangements such as fee-for-service, royalties, profit-sharing and fixed fees. We generally secure pricing and contract mechanisms in our supply agreements that allow for periodic resetting of pricing terms and, in some cases, these agreements provide for our ability to renegotiate pricing in the event of certain price increases for the raw materials underlying our products. Our typical supply agreements include indemnification from our customers for product liability and intellectual property matters and caps on Catalent's contractual liabilities, subject in each case to negotiated exclusions. In addition, our typical manufacturing supply agreement terms

range from two to five years with regular renewals of one to three years, although some of our agreements are terminable upon much shorter notice periods, such as 30 or 90 days.

Manufacturing Capabilities

We operate manufacturing facilities, development centers and sales offices throughout the world. We have twenty-four facilities on five continents with more than four million square feet of manufacturing, lab and related space. Our manufacturing capabilities encompass a full suite of competencies including regulatory, quality assurance and in-house validation at all of the production sites.

We operate our plants in accordance with cGMP. More than half of our facilities are registered with the U.S. FDA, with the remaining facilities being registered with other applicable regulatory agencies, such as the EMEA. In some cases certain facilities are registered with multiple regulatory agencies.

We have invested approximately \$550 million in our manufacturing facilities since fiscal 2007 through improvements and expansions in our facilities including \$89.2 million on capital expenditures in fiscal 2011. With the exception of our Corby, UK operation, we believe that all of our facilities and equipment are in good condition, are well maintained and are able to operate at or above present levels for the foreseeable future. (See “Recent Developments” within Item 7 Management’s Discussion and Analysis of Financial Condition and Results of Operations)

Our manufacturing operations are focused on regulatory compliance, continuous improvement, process standardization and excellence in execution across the organization. Our manufacturing operations are structured around an enterprise management philosophy and methodology that utilizes principles and tools common to a number of quality management programs including Six Sigma and Lean Manufacturing.

Raw Materials

We use a broad and diverse range of raw materials in the design, development and manufacture of our products. This includes, but is not limited to key materials such as gelatin, starch, and iota carrageenan for the Oral Technologies segment; packaging films and printed components for our Packaging Technologies and Development & Clinical Services segments, and resin for our blow-fill-seal business in our Sterile Technologies segment. The raw materials that we use are sourced externally on a global basis. Globally, our supplier relationships could be interrupted due to natural disasters and international supply disruptions, including those caused by pandemics, geopolitical and other issues. For example, the supply of gelatin is obtained from a limited number of sources. In addition, much of the gelatin we use is bovine-derived. Past concerns of contamination from Bovine Spongiform Encephalopathy (“BSE”) have narrowed the number of possible sources of particular types of gelatin. If there were a future disruption in the supply of gelatin from any one or more key suppliers, there can be no assurance that we could obtain an alternative supply from our other suppliers. If future restrictions were to emerge on the use of bovine-derived gelatin from certain geographic sources due to concerns of contamination from BSE, any such restriction could hinder our ability to timely supply our customers with products and the use of alternative non-bovine-derived gelatin for specific customer products could be subject to lengthy formulation, testing and regulatory approval.

We work very closely with our suppliers to assure continuity of supply while maintaining excellence in material quality and reliability. We continually evaluate alternate sources of supply, although we do not typically pursue regulatory qualification of alternative sources due to the strength of our existing supplier relationships, the reliability of our current supplier base and the time and expense associated with the regulatory process. Although a change in suppliers could require significant effort or investment by us in circumstances where the items supplied are integral to the performance of our products or incorporate unique technology such as gelatin, we do not believe that the loss of any existing supply arrangement would have a material adverse effect on our business. See “Risk Factor—Our future results of operations are subject to fluctuations in the costs, availability, and suitability of the components of the products we manufacture, including active pharmaceutical ingredients, excipients, purchased components, and raw materials.”

Competition

We compete on several fronts both domestically and internationally, including competing with other companies that offer advanced delivery technologies or development services to pharmaceutical, biotechnology and consumer health companies based in North America, Latin America, Europe and the Asia-Pacific region. We also may compete with the internal operations of those pharmaceutical, biotechnology and consumer health manufacturers that choose to source these services internally, where possible.

Competition is driven by proprietary technologies and know-how (where relevant), consistency of operational performance, quality, price, value and speed. While we do have competitors who compete with us in our individual technology platforms, we do not believe we have competition from directly comparable companies.

Employees

We have approximately 8,200 employees in twenty-four facilities on five continents: Nine facilities are in the United States, one of which is unionized; the unionized facility has a four year collective bargaining agreement in place, expiring during fiscal 2014. National work councils and/or unions are active at all twelve of our European facilities consistent with labor environments/laws in European countries. Similar relationships with labor unions or national work councils exist in our plants in Argentina, Brazil and Australia. Our management believes that our employee relations are satisfactory.

	<u>North America</u>	<u>Europe</u>	<u>South America</u>	<u>Asia Pacific</u>	<u>Total</u>
Approximate Number of Employees	3,250	3,700	700	550	8,200

Intellectual Property

We rely on a combination of trade secret, patent, copyright and trademark and other intellectual property laws, nondisclosure and other contractual provisions and technical measures to protect a number of our offerings, services and intangible assets. These proprietary rights are important to our ongoing operations. We operate under licenses from third parties for certain patents, software and information technology systems and proprietary technology and in certain instances we license our technology to third parties. We also have a long track record of innovation across our lines of business and, to further encourage active innovation, we have developed incentive compensation systems linked to patent filings and other recognition and reward programs for scientists and non-scientists alike.

We have applied in the United States and certain foreign countries for registration of a number of trademarks, service marks and patents, some of which have been registered and issued, and also hold common law rights in various trademarks and service marks. We hold approximately 1,300 patents and patent applications worldwide in advanced drug delivery and biologics formulations and technologies, and manufacturing and packaging.

We hold patents and license rights relating to certain aspects of our formulations, nutritional and pharmaceutical dosage forms, mammalian cell engineering, sterile manufacturing services and packaging services. We also hold patents relating to certain processes and products. We have a number of pending patent applications in the United States and certain foreign countries, and intend to pursue additional patents as appropriate. We have enforced and will continue to enforce our intellectual property rights in the United States and worldwide.

We do not consider any particular patent, trademark, license, franchise or concession to be material to our overall business.

Regulatory Matters

The manufacture, distribution and marketing of the products of our customers in this industry are subject to extensive ongoing regulation by the FDA, other government authorities and foreign regulatory authorities. Certain of our subsidiaries may be required to register for permits and/or licenses with, and will be required to comply with operating and security standards of, the Drug Enforcement Agency (“DEA”), the FDA, the Department of Health and Human Services (“DHHS”), the European Union (“EU”) member states and various state boards of pharmacy, state health departments and/or comparable state agencies as well as foreign agencies, and certain accrediting bodies depending upon the type of operations and location of product distribution, manufacturing and sale.

In addition, certain of our subsidiaries may be subject to the Federal Food, Drug, and Cosmetic Act, The Public Health Service Act, the Controlled Substances Act and comparable state and foreign regulations, and the Needlestick Safety and Prevention Act.

Laws regulating the manufacture and distribution of products also exist in most other countries where our subsidiaries conduct business. In addition, the international manufacturing operations are subject to local certification requirements, including compliance with domestic and/or foreign good manufacturing practices and quality system regulations established by the FDA and/or applicable foreign regulatory authorities.

We are also subject to various federal, state, local, foreign and transnational laws, regulations and recommendations, both in the United States and abroad, relating to safe working conditions, laboratory and manufacturing practices and the use, transportation and disposal of hazardous or potentially hazardous substances. In addition, U.S. and international import and export laws and regulations require us to abide by certain standards relating to the importation and exportation of finished goods, raw materials and supplies and the handling of information. We are also subject to certain laws and regulations concerning the conduct of our foreign operations, including the U.S. Foreign Corrupt Practices Act, the U.K. Anti-Bribery Act and other anti-bribery laws and laws pertaining to the accuracy of our internal books and records.

The costs associated with complying with the various applicable federal regulations, as well as state, local, foreign and transnational regulations, could be significant and the failure to comply with such legal requirements could have an adverse effect on our results of operations and financial condition.

Quality Assurance

We are committed to creating and maintaining the highest standard of regulatory compliance while providing high quality products to our customers. To meet these commitments, we have developed and implemented quality systems and concepts throughout the organization that we believe are appropriate. Our senior management team is actively involved in setting quality policies, standards and internal position papers as well as managing internal and external quality performance. Our quality assurance department provides quality leadership and supervises our quality systems programs. An internal audit program monitors compliance with all applicable regulations, standards and internal policies. In addition, our facilities are subject to periodic inspection by the FDA and other equivalent local, state and foreign regulatory authorities and customers. All FDA, DEA and other regulatory inspectional observations have been resolved or are on track to be completed at the prescribed timeframe provided in response to the agency. We believe that our operations are in compliance in all material respects with the regulations under which our facilities are governed. We have more than 1,000 employees around the globe focusing on quality and regulatory compliance.

Environmental Matters

Our operations are subject to a variety of environmental, health and safety laws and regulations, including those of the Environmental Protection Agency (“EPA”) and equivalent state, local and foreign regulatory agencies in each of the jurisdictions in which we operate. These laws and regulations govern, among other things, air emissions, wastewater discharges, the use, handling and disposal of hazardous substances and wastes, soil and groundwater contamination and employee health and safety. Our manufacturing facilities use, in varying degrees, hazardous substances in their processes. These substances include, among others, chlorinated solvents, and in the past chlorinated solvents were used at one or more of our facilities, including a number we no longer own or operate. As at our current facilities, contamination at such formerly owned or operated properties can result and has resulted in liability to us, for which we have recorded appropriate reserves as needed.

ITEM 1A. RISK FACTORS

If any of the following risks actually occur, our business, financial condition, operating results or cash flow could be materially and adversely affected. Additional risks or uncertainties not presently known to us, or that we currently believe are immaterial, may also impair our business operations.

Risks Related to Our Indebtedness

Our substantial leverage could adversely affect our ability to raise additional capital to fund our operations, limit our ability to react to changes in the economy or in our industry, expose us to interest rate risk to the extent of our variable rate debt and prevent us from meeting our obligations under the notes.

We are highly leveraged. The following chart shows our level of indebtedness as of June 30, 2011.

	<u>Maturity</u>	<u>June 30, 2011</u> <u>(in millions)</u>
Debt:		
Senior secured credit facilities:		
Revolving credit facility ⁽¹⁾	April 2013-2016	\$ —
Term loan facilities ⁽²⁾	April 2014	1,381.7
Senior toggle notes	April 2015	624.4
Senior subordinated notes ⁽³⁾	April 2017	308.4
Other obligations	June 2011-December 2026	32.8
Total debt		<u>\$ 2,347.3</u>

- (1) We have a senior secured \$350.0 million revolving credit facility, with an original six-year maturity through April 10, 2013. On June 1, 2011, the Company amended certain applicable rates and extended the maturity of certain revolving credit loans for the amount of \$200.25 million through April 10, 2016, subject to certain conditions regarding the refinancing or repayment of the Company's term loans, the senior toggle notes, the senior subordinated notes and certain other unsecured debt.
- (2) We have approximately \$1,381.7 million (U.S. dollar equivalent) aggregate principal amount of senior secured term loan facilities, consisting of a \$1,017.6 million U.S. dollar-denominated tranche and a € 254.4 million Euro-denominated tranche (equal to \$364.1 million based on an exchange rate of €1 = \$1.4312, each with an original seven-year maturity).
- (3) Represents the U.S. dollar-equivalent of the €215.5 million aggregate principal amount of senior subordinated notes based on an exchange rate of €1 = \$1.4312.

Our high degree of leverage could have important consequences for us, including:

- increasing our vulnerability to adverse economic, industry or competitive developments;
- exposing us to the risk of increased interest rates because certain of our borrowings, including borrowings under our senior secured credit facilities, are at variable rates of interest;
- exposing us to the risk of fluctuations in exchange rates because certain of our borrowings, including our senior secured term loan facilities and the senior subordinated notes, are denominated in euros;
- making it more difficult for us to satisfy our obligations with respect to our indebtedness, including the notes, and any failure to comply with the obligations of any of our debt instruments, including restrictive covenants and borrowing conditions, could result in an event of default under the indentures governing the notes and the agreements governing such other indebtedness;
- restricting us from making strategic acquisitions or causing us to make non-strategic divestitures;
- limiting our ability to obtain additional financing for working capital, capital expenditures, product development, debt service requirements, acquisitions and general corporate or other purposes; and
- limiting our flexibility in planning for, or reacting to, changes in our business or market conditions and placing us at a competitive disadvantage compared to our competitors who are less highly leveraged and who, therefore, may be able to take advantage of opportunities that our leverage prevents us from exploiting.

Our total interest expense was \$166.0 million, \$161.4 million and \$183.2 million for fiscal years 2011, 2010 and 2009, respectively. After taking into consideration our ratio of fixed-to-floating rate debt, a 100 basis point increase in such rates would increase our annual interest expense by approximately \$2.8 million.

Current global economic conditions could negatively affect our operating results.

The economies of the United States and the other countries in which the Company produces its products continue to be affected by the economic conditions that began with the financial and credit crisis in late 2008. Although economic conditions began to improve in fiscal 2011, there continues to be significant uncertainty as to whether global economic improvement is sustainable. These conditions may result in a further slowdown to the global economy that could affect our business by reducing the prices that end market participants are willing to pay for our customer's products or by reducing the demand of our offerings, which could in turn negatively impact our sales and revenue generation and result in a material adverse effect on our business, cash flow, results of operations, financial position and prospects.

Despite our high indebtedness level, we and our subsidiaries will still be able to incur significant additional amounts of debt, which could further exacerbate the risks associated with our substantial indebtedness.

We and our subsidiaries may be able to incur substantial additional indebtedness in the future. Although the indentures governing the notes and the senior secured credit facilities contain restrictions on the incurrence of additional indebtedness, these restrictions are subject to a number of significant qualifications and exceptions and, under certain circumstances, the amount of indebtedness that could be incurred in compliance with these restrictions could be substantial. In addition to the \$334.6 million available to us for borrowing, subject to certain conditions, from our \$350 million revolving credit facility, we have the option to increase the amount available under the term loan and revolving credit facilities by up to an aggregate of \$300.0 million on an uncommitted basis. If new debt is added to our subsidiaries' existing debt levels, the risks associated with debt we currently face would increase.

Our debt agreements contain restrictions that limit our flexibility in operating our business.

Our senior secured credit facilities and the indentures governing the notes contain various covenants that limit our ability to engage in specified types of transactions. These covenants limit our ability and the ability of our restricted subsidiaries to, among other things:

- incur additional indebtedness and issue certain preferred stock;
- pay certain dividends on, repurchase or make distributions in respect of capital stock or make other restricted payments;
- place limitations on distributions from restricted subsidiaries;
- issue or sell capital stock of restricted subsidiaries;
- guarantee certain indebtedness;
- make certain investments;
- sell or exchange assets;
- enter into transactions with affiliates;
- create certain liens; and
- consolidate, merge or transfer all or substantially all of our assets and the assets of our subsidiaries on a consolidated basis.

A breach of any of these covenants could result in a default under one or more of these agreements, including as a result of cross default provisions, and, in the case of the revolving credit facility, permit the lenders to cease making loans to us. Upon the occurrence of an event of default under the senior secured credit facilities, the lenders could elect to declare all amounts outstanding under the senior secured credit facilities to be immediately due and payable and to terminate all commitments to extend further credit. Such actions by those lenders could cause cross defaults under our other indebtedness. If we were unable to repay those amounts, the lenders under the senior secured credit facilities could proceed against the collateral granted to them to secure that indebtedness. We pledged a significant portion of our assets as collateral under the senior secured credit facilities. If the lenders under the senior secured credit facilities accelerate the repayment of borrowings, we may not have sufficient assets to repay the senior secured credit facilities as well as our unsecured indebtedness, including the notes. In addition, our senior secured credit facilities include other and more restrictive covenants and restrict our ability to prepay our other indebtedness, including the notes. Our ability to comply with these covenants may be affected by events beyond our control.

We utilize derivative financial instruments to reduce our exposure to market risks from changes in interest rates on our variable rate indebtedness and we are exposed to risks related to counterparty credit worthiness or non-performance of these instruments.

We enter into pay-fixed interest rate swaps to limit our exposure to changes in variable interest rates. We are exposed to credit-related losses which could impact the results of operations in the event of fluctuations in the fair value of the interest rate swaps due to a change in the credit worthiness or non-performance by the counterparties to the interest rate swaps.

Risks Related to our Business

We participate in a highly competitive market and increased competition may adversely affect our business.

We operate in a market that is highly competitive. We compete on several fronts, both domestically and internationally, including competing with other companies that provide similar offerings to pharmaceutical, biotechnology and consumer health companies based in North America, Latin America, Europe and the Asia-Pacific region. We also may compete with the internal operations of those pharmaceutical, biotechnology and consumer health manufacturers that choose to source these offerings internally, where possible.

We face material competition in each of our markets. Competition is driven by proprietary technologies and know-how, capabilities, consistency of operational performance, quality, price, value and speed. Some competitors may have greater financial, research and development, operational and marketing resources than we do. Competition may also increase as additional companies begin to enter our markets or use their existing resources to compete directly with ours. Expanded competition from companies in low-cost jurisdictions, such as India and China, may in the future impact our results of operations or prevent our growth. Greater financial, research and development, operational and marketing resources may allow our competitors to respond more quickly with new, alternative or emerging technologies. Changes in the nature or extent of our customer requirements may render our offerings obsolete or non-competitive and could adversely affect our results of operations and financial condition.

The demand for our offerings depends in part on our customers' research and development and the clinical and market success of their products. Our business, financial condition and results of operations may be harmed if our customers spend less on or are less successful in these activities.

Our customers are engaged in research, development, production and marketing in the pharmaceutical, biotechnology and consumer health products. The amount of customer spending on research, development, production and marketing has a large impact on our sales and profitability, particularly the amount our customers choose to spend on our offerings. Our customers determine the amounts that they will spend based upon, among other things, available resources and their need to develop new products, which, in turn, is dependent upon a number of factors, including their competitors' research, development and production initiatives, and the anticipated market uptake, clinical and reimbursement scenarios for specific products and therapeutic areas. In addition, consolidation in the industries in which our customers operate may have an impact on such spending as customers integrate acquired operations, including research and development departments and their budgets. Our customers finance their research and development spending from private and public sources. A reduction in spending by our customers could have a material adverse effect on our business, financial condition and results of operations. If our customers are not successful in attaining or retaining product sales due to market conditions, reimbursement issues or other factors, our results of operations may be materially impacted.

We are subject to product and other liability risks that could adversely affect our results of operations, financial condition, liquidity and cash flows.

We are subject to significant product liability and other liability risks that are inherent in the design, development, manufacture and marketing of our offerings. We may be named as a defendant in product liability lawsuits, which may allege that our offerings have resulted or could result in an unsafe condition or injury to consumers. Such lawsuits could be costly to defend and could result in reduced sales, significant liabilities and diversion of management's time, attention and resources. Even claims without merit could subject us to adverse publicity and require us to incur significant legal fees.

Furthermore, product liability claims and lawsuits, regardless of their ultimate outcome, could have a material adverse effect on our business operations, financial condition and reputation and on our ability to attract and retain customers. We have historically sought to manage this risk through the combination of product liability insurance and contractual indemnities and liability limitations in our agreements with customers and vendors. The availability of product liability insurance for companies in the pharmaceutical industry is generally more limited than insurance available to companies in other industries. Insurance carriers providing product liability insurance to those in the pharmaceutical and biotechnology industries generally limit the amount of available policy limits, require larger self-insured retentions and exclude coverage for certain products and claims. There can be no assurance that a successful product liability claim or other liability claim would be adequately covered by our applicable insurance policies or by any applicable contractual indemnity or liability limitations. In addition, as we seek to expand our participation in marketed products through royalty and profit sharing arrangements, our ability to contractually limit our liability may be restricted.

Failure to comply with existing and future regulatory requirements could adversely affect our results of operations and financial condition.

The healthcare industry is highly regulated. We are subject to various local, state, federal, foreign and transnational laws and regulations, which include the operating and security standards of DEA, FDA, various state boards of pharmacy, state health departments, the United States DHHS, the EU member states and other comparable agencies and, in the future, any changes to such laws and regulations could adversely affect us. In particular, we are subject to laws and regulations concerning good manufacturing practices and drug safety. Our subsidiaries may be required to register for permits and/or licenses with, and may be required to comply with the laws and regulations of the DEA, the FDA, DHHS, foreign agencies including the EMEA, and other various state boards of pharmacy, state health departments and/or comparable state agencies as well as certain accrediting bodies depending upon the type of operations and location of product distribution, manufacturing and sale.

The manufacture, distribution and marketing of our offerings for use in our customers' products are subject to extensive ongoing regulation by the FDA, the DEA, the EMEA, and other equivalent local, state, federal and foreign regulatory authorities. Failure by us or by our customers to comply with the requirements of these regulatory authorities could result in warning letters, product recalls or seizures, monetary sanctions, injunctions to halt manufacture and distribution, restrictions on our operations, civil or criminal sanctions, or withdrawal of existing or denial of pending approvals, including those relating to products or facilities. In addition, such a failure could expose us to contractual or product liability claims as well as contractual claims from our customers, including claims for reimbursement for lost or damaged active pharmaceutical ingredients, the cost of which could be significant.

In addition, any new offerings or products must undergo lengthy and rigorous clinical testing and other extensive, costly and time-consuming procedures mandated by the FDA, the EMEA and other equivalent local, state, federal and foreign regulatory authorities. We or our customers may elect to delay or cancel anticipated regulatory submissions for current or proposed new products for any number of reasons.

Although we believe that we are in compliance in all material respects with applicable laws and regulations, there can be no assurance that a regulatory agency or tribunal would not reach a different conclusion concerning the compliance of our operations with applicable laws and regulations. In addition, there can be no assurance that we will be able to maintain or renew existing permits, licenses or any other regulatory approvals or obtain, without significant delay, future permits, licenses or other approvals needed for the operation of our businesses. Any noncompliance by us with applicable laws and regulations or the failure to maintain, renew or obtain necessary permits and licenses could have an adverse effect on our results of operations and financial condition.

Failure to provide quality offerings to our customers could have an adverse effect on our business and subject us to regulatory actions and costly litigation.

Our results depend on our ability to execute and improve when necessary our quality management strategy and systems, and effectively train and maintain our employee base with respect to quality management. Quality management plays an essential role in determining and meeting customer requirements, preventing defects and improving our offerings. While we have a network of quality systems throughout our business units and facilities which relate to the design, formulation, development, manufacturing, packaging, sterilization, handling, distribution and labeling of our customers' products which use our offerings, quality and safety issues may occur with respect to any of our offerings. A quality or safety issue could have an adverse effect on our business, financial condition and results of operations and may subject us to regulatory actions, including product recalls, product seizures, injunctions to halt manufacture and distribution, restrictions on our operations, civil sanctions, including monetary sanctions and criminal actions. In addition, such an issue could subject us to costly litigation, including claims from our customers for reimbursement for the cost of lost or damaged active pharmaceutical ingredients, the cost of which could be significant.

The services and offerings we provide are highly exacting and complex, and if we encounter problems providing the services or support required, our business could suffer.

The offerings we provide are highly exacting and complex, particularly in our Sterile Technologies segment, due in part to strict regulatory requirements. From time to time, problems may arise in connection with facility operations or during preparation or provision of an offering, in both cases for a variety of reasons including, but not limited to, equipment malfunction, sterility variances or failures, failure to follow specific protocols and procedures, problems with raw materials, environmental factors and damage to, or loss of, manufacturing operations due to fire, flood or similar causes. Such problems could affect production of a particular batch or series of batches, requiring the destruction of product, or could halt facility production altogether. This could, among other things, lead to increased costs, lost revenue, damage to customer relations, reimbursement to customers for lost active pharmaceutical ingredients, time and expense spent investigating the cause and, depending on the cause, similar losses with respect to other batches or products. Production problems in our drug and biologic manufacturing operations could be particularly significant because the cost of raw materials is often higher than in our other businesses. If problems are not discovered before the product is released to the market, recall and product liability costs may also be incurred. In addition, such risks may be greater at facilities that are new or going through significant expansion.

Our global operations are subject to a number of economic, political and regulatory risks.

We conduct our operations in various regions of the world, including North America, South America, Europe and the Asia-Pacific region. Global economic and regulatory developments affect businesses such as ours in many ways. Our operations are subject to the effects of global competition, including potential competition from manufacturers in low-cost jurisdictions such as India and China. Local jurisdiction risks include regulatory risks arising from local laws. Our global operations are also affected by local economic environments, including inflation and recession. Political changes, some of which may be disruptive, can interfere with our supply chain and customers and some or all of our activities in a particular location. While some of these risks can be hedged using derivatives or other financial instruments and some are insurable, such attempts to mitigate these risks are costly and not always successful. Also, fluctuations in foreign currency exchange rates can impact our consolidated financial results.

If we do not enhance our existing or introduce new technology or service offerings in a timely manner, our offerings may become obsolete over time, customers may not buy our offerings and our revenue and profitability may decline.

The healthcare industry is characterized by rapid technological change. Demand for our offerings may change in ways we may not anticipate because of such evolving industry standards as well as a result of evolving customer needs that are increasingly sophisticated and varied and the introduction by others of new offerings and technologies. Several of our higher margin offerings are based on proprietary technologies. The patents for these technologies will ultimately expire, and these offerings may become subject to competition. Without the timely introduction of enhanced or new offerings, our offerings may become obsolete over time, in which case our revenue and operating results would suffer. For example, if we are unable to respond to changes in the nature or extent of the technological or other needs of our pharmaceutical customers through enhancing our offerings, our competition may develop offering portfolios that are more competitive than ours and we could find it more difficult to renew or expand existing agreements or obtain new agreements. Innovations directed at continuing to offer enhanced or new offerings generally will require a substantial investment before we can determine their commercial viability, and we may not have the financial resources necessary to fund these innovations.

The success of enhanced or new offerings will depend on several factors, including our ability to:

- properly anticipate and satisfy customer needs, including increasing demand for lower cost products;
- enhance, innovate, develop and manufacture new offerings in an economical and timely manner;
- differentiate our offerings from competitors' offerings;
- achieve positive clinical outcomes for our customers' new products;
- meet safety requirements and other regulatory requirements of government agencies;
- obtain valid and enforceable intellectual property rights; and
- avoid infringing the proprietary rights of third parties.

Even if we succeed in creating enhanced or new offerings from these innovations, they may still fail to result in commercially successful offerings or may not produce revenue in excess of the costs of development, and they may be quickly rendered obsolete by changing customer preferences or the introduction by our competitors of offerings embodying new technologies or features. Finally, innovations may not be accepted quickly in the marketplace because of, among other things, entrenched patterns of clinical practice, the need for regulatory clearance and uncertainty over third-party reimbursement.

We and our customers depend on patents, copyrights, trademarks and other forms of intellectual property protections, however, these protections may not be adequate.

We rely on a combination of trade secret, patent, copyright and trademark and other intellectual property laws, nondisclosure and other contractual provisions and technical measures to protect a number of our offerings and intangible assets. These proprietary rights are important to our ongoing operations. There can be no assurance that these protections will prove meaningful against competitive offerings or otherwise be commercially valuable or that we will be successful in obtaining additional intellectual property or enforcing our intellectual property rights against unauthorized users. Our exclusive rights under certain of our offerings are protected by patents, some of which are subject to expire in the near term. When patents covering an offering expire, loss of exclusivity may occur and this may force us to compete with third parties, thereby affecting our revenue and profitability. We do not currently expect any material loss of revenue to occur as a result of the expiration of any material patent.

Our proprietary rights may be invalidated, circumvented or challenged. We have in the past been subject to patent oppositions before the European Patent Office and we may in the future be subject to patent oppositions in Europe or other jurisdictions in which we hold patent rights. In addition, in the future, we may need to take legal actions to enforce our intellectual property rights, to protect our trade secrets or to determine the validity and scope of the proprietary rights of others. The outcome of any such legal action may be unfavorable to us.

These legal actions regardless of outcome might result in substantial costs and diversion of resources and management attention. Although we use reasonable efforts to protect our proprietary and confidential information, there can be no assurance that our confidentiality and non-disclosure agreements will not be breached, our trade secrets will not otherwise become known by competitors or that we will have adequate remedies in the event of unauthorized use or disclosure of proprietary information. Even if the validity and enforceability of our intellectual property is upheld, a court might construe our intellectual property not to cover the alleged infringement. In addition, intellectual property enforcement may be unavailable in some foreign countries. There can be no assurance that our competitors will not independently develop technologies that are substantially equivalent or superior to our technology or that third parties will not design around our patent claims to produce competitive offerings. The use of our technology or similar technology by others could reduce or eliminate any competitive advantage we have developed, cause us to lose sales or otherwise harm our business.

We have applied in the United States and certain foreign countries for registration of a number of trademarks, service marks and patents, some of which have been registered or issued, and also claim common law rights in various trademarks and service marks. In the past, third parties have opposed our applications to register intellectual property and there can be no assurance that they will not do so in the future. It is possible that in some cases we may be unable to obtain the registrations for trademarks, service marks and patents for which we have applied and a failure to obtain trademark and patent registrations in the United States or other countries could limit our ability to protect our trademarks and proprietary technologies and impede our marketing efforts in those jurisdictions.

Our use of certain intellectual property rights is also subject to license agreements with third parties for certain patents, software and information technology systems and proprietary technologies. If these license agreements were terminated for any reason, it could result in the loss of our rights to this intellectual property, our operations may be materially adversely affected and we may be unable to commercialize certain offerings.

In addition, many of our branded pharmaceutical customers rely on patents to protect their products from generic competition. Because incentives exist in some countries, including the United States, for generic pharmaceutical companies to challenge these patents, pharmaceutical and biotechnology companies are under the ongoing threat of a challenge to their patents. If our customers' patents were successfully challenged and as a result subjected to generic competition, the market for our customers' products could be significantly impacted, which could have an adverse effect on our results of operations and financial condition.

Our future results of operations are subject to fluctuations in the costs, availability, and suitability of the components of the products we manufacture, including active pharmaceutical ingredients, excipients, purchased components, and raw materials.

We depend on various active pharmaceutical ingredients, components, compounds, raw materials, and energy supplied primarily by others for our offerings. This includes, but is not limited to, gelatin, starch, iota carrageenan, petroleum-based products, packaging components, and resin. Also, frequently our customers provide their active pharmaceutical or biologic ingredient for formulation or incorporation in the finished product. It is possible that any of our or our customer supplier relationships could be interrupted due to natural disasters, international supply disruptions caused by pandemics, geopolitical issues or other events or could be terminated in the future.

For example, gelatin is a key component in our Oral Technologies segment. The supply of gelatin is obtained from a limited number of sources. In addition, much of the gelatin we use is bovine-derived. Past concerns of contamination from Bovine Spongiform Encephalopathy ("BSE") have narrowed the number of possible sources of particular types of gelatin. If there were a future disruption in the supply of gelatin from any one or more key suppliers, we may not be able to obtain an alternative supply from our other suppliers. If future restrictions were to emerge on the use of bovine-derived gelatin due to concerns of contamination from BSE, any such restriction could hinder our ability to timely supply our customers with products and the use of alternative non-bovine-derived gelatin could be subject to lengthy formulation, testing and regulatory approval.

Any sustained interruption in our receipt of adequate supplies could have an adverse effect on us. In addition, while we have processes intended to reduce volatility in component and material pricing, we may not be able to successfully manage price fluctuations and future price fluctuations or shortages may have an adverse effect on our results of operations.

Changes in healthcare reimbursement in the United States or internationally could adversely affect our results of operations and financial condition.

The healthcare industry has changed significantly over time, and we expect the industry to continue to evolve. Some of these changes, such as ongoing healthcare reform, adverse changes in government funding of healthcare products and services, legislation or regulations governing the privacy of patient information, or the delivery or pricing of pharmaceuticals and healthcare services or mandated benefits, may cause healthcare industry participants to change the amount of our offerings they purchase or the price they are willing to pay for our offerings. Changes in the healthcare industry's pricing, selling, inventory, distribution or supply policies or

practices could also significantly reduce our revenue and results of operations. Particularly, volatility in individual product demand may result from changes in public or private payer reimbursement or coverage.

Fluctuations in the exchange rate of the U.S. dollar and other foreign currencies could have a material adverse effect on our financial performance and results of operations.

As a company with many international entities, certain revenues, costs, assets and liabilities, including a portion of our senior secured credit facilities and the senior subordinated notes, are denominated in currencies other than the U.S. dollar. As a result, changes in the exchange rates of these currencies or any other applicable currencies to the U.S. dollar will affect our revenues, earnings and cash flows and could result in unrealized and realized exchange losses despite any efforts we may undertake to manage or mitigate our exposure to foreign currency fluctuations.

Tax legislation initiatives or challenges to our tax positions could adversely affect our results of operations and financial condition.

We are a large multinational corporation with operations in the United States and international jurisdictions, including North America, South America, Europe and the Asia-Pacific region. As such, we are subject to the tax laws and regulations of the United States federal, state and local governments and of many international jurisdictions. From time to time, various legislative initiatives may be proposed that could adversely affect our tax positions. There can be no assurance that our effective tax rate or tax payments will not be adversely affected by these initiatives. In addition, United States federal, state and local, as well as international tax laws and regulations are extremely complex and subject to varying interpretations. There can be no assurance that our tax positions will not be challenged by relevant tax authorities or that we would be successful in any such challenge.

We are dependent on key personnel.

We depend on senior executive officers and other key personnel, including our technical personnel, to operate and grow our business and to develop new enhancements, offerings and technologies. The loss of any of these officers or other key personnel combined with a failure to attract and retain suitably skilled technical personnel could adversely affect our operations. Although an incentive compensation plan is in place, we do not have the ability to compensate employees with publicly traded equity, which may have a negative impact on our ability to recruit and retain professionals, and could have a material adverse effect on our business, financial condition and results of operations.

Risks generally associated with our information systems could adversely affect our results of operations.

We rely on information systems in our business to obtain, rapidly process, analyze and manage data to:

- facilitate the manufacture and distribution of thousands of inventory items to and from our facilities;
- receive, process and ship orders on a timely basis;
- manage the accurate billing and collections for thousands of customers;
- manage the accurate accounting and payment for thousands of vendors; and
- schedule and operate our global network of development, manufacturing and packaging facilities.

Our results of operations could be adversely affected if these systems are interrupted, damaged by unforeseen events or fail for any extended period of time, including due to the actions of third parties.

We may in the future engage in acquisitions and other transactions that may complement or expand our business or divest of non-strategic businesses or assets. We may not be able to complete such transactions and such transactions, if executed, pose significant risks and could have a negative effect on our operations.

Our future success may be dependent on opportunities to buy other businesses or technologies and possibly enter into joint ventures that could complement, enhance or expand our current business or offerings and services or that might otherwise offer us growth opportunities. We may face competition from other companies in pursuing acquisitions in the pharmaceutical and biotechnology industry. Our ability to acquire targets may also be limited by applicable antitrust laws and other regulations in the United States and other foreign jurisdictions in which we do business. To the extent that we are successful in making acquisitions, we may have to expend substantial amounts of cash, incur debt and assume loss-making divisions. We may not be able to complete such transactions, for reasons including, but not limited to, a failure to secure financing. Any transactions that we are able to identify and complete may involve a number of risks, including the diversion of management's attention to integrate the acquired businesses or joint ventures, the possible adverse effects on our operating results during the integration process, the potential loss of customers or employees in connection with the acquisition, delays or reduction in realizing expected synergies and our potential inability to achieve our intended objectives for the transaction. In addition, we may be unable to maintain uniform standards, controls, procedures and policies, and this may lead to operational inefficiencies.

To the extent that we are not successful in completing divestitures, we may have to expend substantial amounts of cash, incur debt and continue to absorb loss-making or under-performing divisions. Any divestitures that we are unable to complete may involve a number of risks, including diversion of management's attention, a negative impact on our customer relationships, costs associated with retaining the targeted divestiture, closing and disposing of the impacted business or transferring business to other facilities.

Our offerings and our customers' products may infringe on the intellectual property rights of third parties.

From time to time, third parties have asserted intellectual property infringement claims against us and our customers and there can be no assurance that third parties will not assert infringement claims against either us or our customers in the future. While we believe that our offerings do not infringe in any material respect upon proprietary rights of other parties and/or that meritorious defenses would exist with respect to any assertions to the contrary, there can be no assurance that we would not be found to infringe on the proprietary rights of others. Patent applications in the United States and some foreign countries are generally not publicly disclosed until the patent is issued or published, and we may not be aware of currently filed patent applications that relate to our offerings or processes. If patents later issue on these applications, we may be found liable for subsequent infringement. There has been substantial litigation in the pharmaceutical and biotechnology industries with respect to the manufacture, use and sale of products that are the subject of conflicting patent rights.

Any claims that our offerings or processes infringe these rights (including claims arising through our contractual indemnification of our customers), regardless of their merit or resolution, could be costly and may divert the efforts and attention of our management and technical personnel. We may not prevail in such proceedings given the complex technical issues and inherent uncertainties in intellectual property litigation. If such proceedings result in an adverse outcome, we could, among other things, be required to:

- pay substantial damages (potentially treble damages in the United States);
- cease the manufacture, use or sale of the infringing offerings or processes;
- discontinue the use of the infringing technology;
- expend significant resources to develop non-infringing technology;
- license technology from the third party claiming infringement, which license may not be available on commercially reasonable terms, or may not be available at all; and
- lose the opportunity to license our technology to others or to collect royalty payments based upon successful protection and assertion of our intellectual property against others.

In addition, our customers' products may be subject to claims of intellectual property infringement and such claims could materially affect our business if their products cease to be manufactured and they have to discontinue the use of the infringing technology which we may provide.

Any of the foregoing could affect our ability to compete or have a material adverse effect on our business, financial condition and results of operations.

We are subject to environmental, health and safety laws and regulations, which could increase our costs and restrict our operations in the future.

Our operations are subject to a variety of environmental, health and safety laws and regulations, including those of EPA and equivalent local, state, and foreign regulatory agencies in each of the jurisdictions in which we operate. These laws and regulations govern, among other things, air emissions, wastewater discharges, the use, handling and disposal of hazardous substances and wastes, soil and groundwater contamination and employee health and safety. Any failure by us to comply with environmental, health and safety requirements could result in the limitation or suspension of production or subject us to monetary fines or civil or criminal sanctions, or other future liabilities in excess of our reserves. We are also subject to laws and regulations governing the destruction and disposal of raw materials and non-compliant products, the handling of regulated material that are included in our offerings, and the disposal of our offerings at the end of their useful life. In addition, compliance with environmental, health and safety requirements could restrict our ability to expand our facilities or require us to acquire costly pollution control equipment, incur other significant expenses or modify our manufacturing processes. Our manufacturing facilities may use, in varying degrees, hazardous substances in their processes. These substances include, among others, chlorinated solvents, and in the past chlorinated solvents were used at one or more of our facilities, including a number we no longer own or operate. As at our current facilities, contamination at such formerly owned or operated properties can result and has resulted in liability to us. In the event of the discovery of new or previously unknown contamination either at our facilities or at third-party locations, including facilities we formerly owned or operated, the issuance of additional requirements with respect to existing contamination, or the imposition of other cleanup obligations for which we are responsible, we may be required to take additional, unplanned remedial measures for which no reserves have been recorded. We are conducting monitoring and cleanup of contamination at certain facilities currently or formerly owned or

operated by us. We have established accounting reserves for certain contamination liabilities but cannot assure you that such liabilities will not exceed our reserves.

Certain of our pension plans are underfunded, and additional cash contributions we may be required to make will reduce the cash available for our business, such as the payment of our interest expense.

Certain of our employees in the United States, United Kingdom, Germany, France, Japan and Australia are participants in defined benefit pension plans which we sponsor. As of June 30, 2011, the underfunded amount of our pension plans on a worldwide basis was approximately \$80.2 million, primarily related to our plans in the United Kingdom and Germany. We are also party to a multiemployer plan and other ongoing pension plan negotiations. The amount of future contributions to the United Kingdom plan or to our other underfunded plans will depend upon asset returns and a number of other factors and, as a result, the amount we may be required to contribute to such plan in the future may vary. Such cash contributions to the plans will reduce the cash available for our business such as the payment of interest expense on the notes or our other indebtedness.

Blackstone controls us and our Investors may have conflicts of interest with us or our noteholders in the future.

Blackstone controls approximately 86% of BHP PTS Holdings L.L.C., with the other Investors (as defined in Note 11 to the Consolidated Financial Statements) controlling the remainder. By virtue of this controlling interest and BHP PTS Holdings L.L.C.'s ownership of all the outstanding membership interests of our indirect parent company, Phoenix Charter LLC, we are controlled by Blackstone. Blackstone controls us and all of our subsidiaries and is entitled to elect all of our directors, to appoint new management and to approve actions requiring the approval of our stockholder, including approving or rejecting proposed mergers or sales of all or substantially all of our assets, regardless of whether noteholders believe that any such transactions are in their own best interests.

The interests of the Investors may differ from holders of our notes in material respects. For example, if we encounter financial difficulties or are unable to pay our debts as they mature, the interests of the Investors as equity holders might conflict with the interests of our noteholders. The Investors also may have an interest in pursuing acquisitions, divestitures, financings (including financings that are secured and/or senior to the senior subordinated notes) or other transactions that, in their judgment, could enhance their equity investments, even though such transactions might involve risks to our noteholders. Additionally, the indentures governing the notes permit us to pay advisory fees, dividends or make other restricted payments under certain circumstances, and the Investors or their affiliates and/or advisors may have an interest in our doing so. See "Certain Relationships and Related Party Transactions—Transaction and Advisory Fee Agreement" for a discussion of certain payments to be made to affiliates of Blackstone in connection with the Acquisition and related financings.

Members of the Investors or their affiliates or advisors are in the business of making or advising on investments in companies and may, from time to time in the future, acquire interests in businesses or provide advice that directly or indirectly compete with certain portions of our business or are suppliers or customers of ours. They may also pursue acquisition opportunities that may be complementary to our business and, as a result, those acquisition opportunities may not be available to us. You should consider that the interests of these holders may differ from yours in material respects. See Item 12 "Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters" and Item 13 "Certain Relationships and Related Party Transactions".

ITEM 1B. UNRESOLVED STAFF COMMENTS

None.

ITEM 2. PROPERTIES

Our principal executive offices are located at 14 Schoolhouse Road, Somerset, New Jersey. We also operate manufacturing operations, development centers and sales offices throughout the world. We have twenty-four manufacturing operations on five continents with over four million square feet of manufacturing, lab and related space. Our manufacturing capabilities encompass a full suite of competencies including regulatory, quality assurance and in-house validation at all of the production sites. The following table sets forth our manufacturing and laboratory facilities by area and region:

	Facility Sites	Country	Region	Segment	Total Square Footage	Owned/Leased
1	Kakegawa	Japan	Asia Pacific	Oral Technologies	107,300	Owned
2	Braeside	Australia	Asia Pacific	Oral Technologies	163,100	Owned
3	Beinheim	France	Europe	Oral Technologies	78,100	Owned
4	Eberbach	Germany	Europe	Oral Technologies	370,580	Leased
5	Aprilia	Italy	Europe	Oral Technologies	72,000	Owned
6	Swindon	United Kingdom	Europe	Oral Technologies	164,687	Owned
7	Swindon	United Kingdom	Europe	Oral Technologies	253,314	Owned
8	Somerset, NJ	USA	North America	Oral Technologies	265,000	Owned
9	Winchester, KY	USA	North America	Oral Technologies	120,000	Owned
10	St. Petersburg, FL	USA	North America	Oral Technologies	328,073	Owned
11	Buenos Aires	Argentina	South America	Oral Technologies	265,000	Owned
12	Sorocaba	Brazil	South America	Oral Technologies	88,993	Owned
13	Schorndorf	Germany	Europe	Oral Technologies	166,027	Owned
14	Brussels	Belgium	Europe	Sterile Technologies	313,725	Owned
15	Limoges	France	Europe	Sterile Technologies	179,000	Owned
16	Woodstock, IL	USA	North America	Sterile Technologies	321,665	Owned
17	Philadelphia, PA	USA	North America	Packaging Services	427,908	Owned
18	Corby*	United Kingdom	Europe	Packaging Services	103,000	Owned
19	Woodstock, IL	USA	North America	Packaging Services	100,000	Owned
20	Schorndorf	Germany	Europe	Development & Clinical Services	54,693	Owned
21	Bolton	United Kingdom	Europe	Development & Clinical Services	46,700	Owned
22	Philadelphia, PA	USA	North America	Development & Clinical Services	140,716	Leased/owned
23	Middleton, WI	USA	North America	Development & Clinical Services	43,600	Leased
24	Morrisville, NC	USA	North America	Development & Clinical Services	186,406	Leased
	TOTAL				4,359,587	

* The Corby U.K. facility was damaged by a fire in March 2011. Reference is made to Note 14 of the Company's Consolidated Financial Statements for additional information.

ITEM 3. LEGAL PROCEEDINGS

Legal Matters

Beginning in November 2006, the Company, along with several pharmaceutical companies, has been named in civil lawsuits filed by individuals allegedly injured by their use of the prescription acne medication Amnesteem®, a branded generic form of isotretinoin, and in some instances of isotretinoin products made and/or sold by other firms as well. Currently, the Company is a named defendant in two hundred and sixty-six pending isotretinoin lawsuits. Plaintiffs allege that they suffer from inflammatory bowel disease and other disorders as a result of their ingestion of Amnesteem. The geographic distribution of these two hundred and sixty-six lawsuits is as follows: one in the U.S. District Court for the Middle District of North Carolina that has been transferred to the Accutane® (Isotretinoin) federal Multi-District Litigation (“Accutane MDL”) in the Middle District of Florida; two in the Court of Common Pleas, Washington County, Pennsylvania; and two hundred and sixty-three in the Superior Court, Atlantic County, New Jersey. The New Jersey cases and several of the other cases have been brought by a consortium of plaintiffs’ law firms, including Seeger Weiss. The following discussion contains more detail about the lawsuits.

Two hundred and sixty-three lawsuits are pending in the Superior Court of New Jersey, Law Division, Atlantic County by individual plaintiffs who claim to have ingested Amnesteem, and, in some cases, one or more competing branded generic isotretinoin products, including Sotret® (Ranbaxy) and/or Claravis® (Barr), as well as Accutane (the pioneer isotretinoin product sold by Hoffmann-La Roche). One hundred and two of these cases allegedly involve the use of both Accutane and one or more of the branded generic forms of isotretinoin. Such cases, which include one or more Roche entities as defendants, are filed as part of the New Jersey consolidated mass tort proceeding set up in 2005 for all Accutane lawsuits pending in New Jersey state courts. The remaining one hundred and sixty-one cases do not involve the use of Accutane, but allegedly involve the use of one or more branded generic isotretinoin products, including Amnesteem. These cases are not part of the Accutane mass tort litigation; these non-mass tort, generics-only cases have been consolidated for discovery purposes but not for trial. All two hundred and sixty-three of the cases pending in New Jersey, both mass tort and non-mass tort, are assigned to the same judge. In addition to the Company, these lawsuits name the pharmaceutical companies whose respective isotretinoin products each plaintiff allegedly ingested.

Two lawsuits involving only Amnesteem use are pending in the Court of Common Pleas, Washington, County, Pennsylvania. One lawsuit was filed in the General Court of Justice, Superior Court Division, Durham County, North Carolina, but was removed to the United States District Court for the Middle District of North Carolina, Durham Division. Pursuant to a tolling agreement, the case had been dismissed without prejudice pending the outcome of the United States Court of Appeals for the Eleventh Circuit’s review of the decision of the Accutane MDL Court to exclude plaintiff’s general causation expert. On August 26, 2008, the Eleventh Circuit affirmed the exclusion of plaintiff’s expert, and a subsequent petition for rehearing was denied. Plaintiffs have since re-filed the case in the Middle District of North Carolina and the Company successfully moved to transfer the case to the Accutane MDL in the Middle District of Florida.

One lawsuit appearing to involve only Amnesteem use was served on the Company in February 2009 and had been pending in the District Court of Bowie County, Texas. This plaintiff ultimately dismissed his Texas lawsuit, shortly after filing a new lawsuit in New Jersey, and this New Jersey lawsuit is included among the above-referenced one hundred and sixty-one consolidated non-mass tort cases.

One lawsuit allegedly involving Amnesteem, Claravis and Accutane ingestions had been filed in the Circuit Court, Cook County, Illinois. The Company was dismissed from the suit without prejudice in June 2010.

One lawsuit allegedly involving Amnesteem and Claravis filed in the Superior Court, Atlantic County, New Jersey was dismissed with prejudice on September 17, 2010.

One lawsuit allegedly involving Amnesteem filed in the Superior Court, Atlantic County, New Jersey was dismissed with prejudice on November 10, 2010 and another lawsuit allegedly involving Amnesteem filed in the Superior Court, Atlantic County, New Jersey was dismissed with prejudice on December 29, 2010.

Although expressed in various terms, generally speaking, all two hundred and sixty-six lawsuits set forth some or all of the standard array of product liability claims, including strict liability for defective design, strict liability for failure to warn, negligence (in both design and warnings), fraud and misrepresentation, and breach of warranty. The lawsuits seek unspecified amounts of compensatory and punitive damages. The Company believes it has valid defenses to these lawsuits and intends to vigorously defend them.

From time to time, we may be involved in legal proceedings arising in the ordinary course of business, including, without limitation, inquiries and claims concerning environmental contamination as well as litigation and allegations in connection with acquisitions, product liability, manufacturing or packaging defects and claims for reimbursement for the cost of lost or damaged

active pharmaceutical ingredients, the cost of which could be significant. We intend to vigorously defend ourselves against such other litigation and do not currently believe that the outcome of any such other litigation will have a material adverse effect on our financial statements. In addition, the healthcare industry is highly regulated and government agencies continue to scrutinize certain practices affecting government programs and otherwise.

From time to time, we receive subpoenas or requests for information from various government agencies, including from state attorneys general and the U.S. Department of Justice relating to the business practices of customers or suppliers. We generally respond to such subpoenas and requests in a timely and thorough manner, which responses sometimes require considerable time and effort and can result in considerable costs being incurred by us. We expect to incur additional costs in the future in connection with existing and future requests.

ITEM 4. [REMOVED AND RESERVED]

PART II

ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES

There is no established public trading market for our common stock. PTS Intermediate Holdings LLC, which is wholly owned by PTS Holdings Corp., owns 100% of our issued and outstanding common stock. We have not paid cash dividends on our common stock over the past five fiscal years and we do not expect to pay cash dividends in the next twelve months. The agreements governing our indebtedness limit our ability to pay dividends and our ability to obtain funds from certain of our subsidiaries through dividends, loans or advances.

ITEM 6. SELECTED FINANCIAL DATA

The following table sets forth our selected historical financial and operating data for, or as of the end of, each of the five years ended June 30, 2011 (including the Predecessor and Successor periods as defined below). The selected historical financial data as of and for the predecessor year ended April 9, 2007 and the combined predecessor and successor year ended June 30, 2007 and the successor years ended June 30, 2008 through 2011 were derived from our audited Consolidated Financial Statements. This table should be read in conjunction with the Consolidated Financial Statements and notes thereto.

The Successor is the Company, presented as a stand alone entity and the Predecessor is the combined financial position of the Acquired Business when operated as part of the Pharmaceutical Technologies and Services (“PTS”) segment of Cardinal. The Predecessor’s financial statements were derived from the consolidated financial statements of Cardinal using the historical results of operations and the historical basis of assets and liabilities of the Predecessor.

	<u>Predecessor</u> For the Period July 1, 2006 to April 9, 2007	<u>Successor</u> For the Period April 10, 2007 to June 30, 2007	<u>Combined⁽¹⁾</u> <u>Unaudited</u> Year Ended June 30, 2007	<u>Successor</u> Year Ended June 30, 2008	<u>Successor</u> Year Ended June 30, 2009	<u>Successor</u> Year Ended June 30, 2010	<u>Successor</u> Year Ended June 30, 2011
(in millions, except as noted)							
Statement of Operations							
Data:							
Net revenue	\$ 1,183.8	\$ 396.8	\$ 1,580.6	\$ 1,714.6	\$ 1,561.6	\$ 1,626.2	\$ 1,640.3
Cost of products sold	905.9	313.5	1,219.4	1,275.1	1,166.6	1,159.9	1,121.8
Gross margin	277.9	83.3	361.2	439.5	395.0	466.3	518.5
Selling, general and administrative expenses	214.5	69.5	284.0	296.6	269.8	297.4	311.2
Impairment charges and (gain)/ loss on sale on assets	(1.3)	(0.2)	(1.5)	316.6	175.8	234.8	3.6
In-process research and development (IPR&D)	—	112.4	112.4	—	—	—	—
Restructuring and other *	21.9	25.5	47.4	23.2	16.4	24.6	14.7
Property and casualty losses	—	—	—	—	—	—	11.6
Operating earnings, income/ (loss)	42.8	(123.9)	(81.1)	(196.9)	(67.0)	(90.5)	177.4
Interest expense, net	9.4	44.1	53.5	201.2	181.7	161.0	165.5
Other (income)/expense, net	0.3	—	0.3	144.6	(14.4)	(5.4)	27.3
Earnings/(loss) from continuing operations before income taxes	33.1	(168.0)	(134.9)	(542.7)	(234.3)	(246.1)	(15.4)
Income tax expense/(benefit)	1.2	(19.6)	(18.4)	(82.4)	17.2	21.6	24.1
Earnings/(loss) from continuing operations	31.9	(148.4)	(116.5)	(460.3)	(251.5)	(267.7)	(39.5)
Earnings/(loss) from discontinued operations ⁽²⁾	(3.1)	(1.2)	(4.3)	(75.9)	(57.2)	(19.3)	(10.6)
Net earnings/(loss)	28.8	(149.6)	(120.8)	(536.2)	(308.7)	(287.0)	(50.1)
Less: Net earnings/(loss) attributable to noncontrolling interest ⁽³⁾	3.9	0.7	4.6	3.5	(0.6)	2.6	3.9
Net earnings/(loss) attributable to Catalent	<u>\$ 24.9</u>	<u>\$ (150.3)</u>	<u>\$ (125.4)</u>	<u>\$ (539.7)</u>	<u>\$ (308.1)</u>	<u>\$ (289.6)</u>	<u>\$ (54.0)</u>

* In March 2011 a U.K. based packaging facility was damaged by fire. See Note 14 to the Consolidated Financial Statements for additional information.

	June 30,				
	2007	2008	2009	2010	2011
Balance Sheet Data (at period end)					
Cash and cash equivalents	\$ 82.7	\$ 72.4	\$ 63.9	\$ 164.0	\$ 205.1
Goodwill	1,421.7	1,291.3	1,082.7	848.9	906.0
Total assets	3,890.3	3,704.3	3,131.8	2,727.4	2,831.2
Long term debt, including current portion and other short term borrowing	2,312.0	2,411.5	2,347.3	2,270.0	2,347.3
Total liabilities	2,973.1	3,112.2	3,051.3	2,990.9	3,041.1
Total shareholder's equity (deficit)	917.2	592.1	80.6	(263.5)	(209.9)

	<u>Predecessor</u> For the Period July 1, 2006 to April 9, 2007	<u>Combined</u> <u>Un-audited</u> For the Period April 10, 2007 to June 30, 2007	<u>Successor</u> Year Ended June 30, 2007	<u>Successor</u> Year Ended June 30, 2008	<u>Successor</u> Year Ended June 30, 2009	<u>Successor</u> Year Ended June 30, 2010	<u>Successor</u> Year Ended June 30, 2011
Other Financial Data:							
Capital expenditures	\$ 97.5	\$ 17.4	\$ 114.9	\$ 78.9	\$ 78.2	\$ 73.3	\$ 92.7
Ratio of earnings to fixed charges ⁽⁴⁾	3.1x	—	—	—	—	—	—
Net cash provided by (used in) continuing operations:							
Operating activities	178.3	67.8	246.1	85.9	65.2	237.4	114.7
Investing activities	(78.7)	(3,303.6)	(3,382.3)	78.4	(76.2)	(72.0)	(88.5)
Financing activities	(208.3)	3,289.9	3,081.6	(20.3)	7.2	(56.7)	(26.1)
Net cash provided by (used in) discontinued operations	(16.3)	2.0	(14.3)	(9.6)	2.9	1.7	23.1
Effect of foreign currency on cash	13.9	4.1	18.0	12.1	(7.6)	(10.3)	17.9

- (1) The combined results of the Successor and the Predecessor are not necessarily comparable due to the change in the basis of accounting resulting from Blackstone's acquisition and the change in the capital structure, which primarily impact depreciation and amortization expense, in-process research and development, gross margin, selling, general and administrative expenses and interest expense. While the presentation of the fiscal 2007 results on this combined basis does not comply with U.S. GAAP, management believes that this provides useful information to assess the relative performance of the businesses in all periods presented in the financial statements. The combined results are un-audited.
- (2) Loss from discontinued operations, net of tax provision/ (benefit) of \$(2.7) million for the period July 1, 2006 to April 9, 2007, \$(2.1) million for the period April 10, 2007 to June 30, 2007, \$(4.8) million in fiscal 2007 on a combined basis, \$(2.5) million for fiscal 2008, \$3.8 million for fiscal 2009, \$(0.1) million for fiscal year 2010 and \$0.5 million for fiscal year 2011.
- (3) Noncontrolling interest, net of tax expense/(benefit) of \$(3.2) million for the period July 1, 2006 to April 9, 2007, \$(0.5) million for the period April 10, 2007 to June 30, 2007, \$(3.7) million in fiscal 2007 on a combined basis, \$(0.3) million for the fiscal 2008, \$(0.1) million for fiscal 2009, \$(0.4) million for fiscal year 2010 and \$(1.0) million for fiscal year 2011.
- (4) The ratio of earnings to fixed charges is calculated by dividing the sum of earnings (loss) from continuing operations before income taxes, equity in earnings (loss) from non-consolidated investments and fixed charges, by fixed charges. Fixed charges consist of interest expenses, capitalized interest and imputed interest on our leased obligations. For the period April 10, 2007 to June 30, 2007 and year ended June 30, 2007 on a combined basis and fiscal years 2008, 2009, 2010 and 2011, earnings were insufficient to cover fixed charges by \$167.7 million, \$134.6 million, \$540.2 million, \$231.8 million, \$245.0 and \$14.0 million, respectively.

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

You should read the following discussion together with our historical financial statements and related notes included elsewhere herein and the information set forth under "Item 6. Selected Financial Data"

The discussion contains forward-looking statements that involve risks and uncertainties. For additional information regarding some of the risks and uncertainties that affect our business and the industry in which we operate, please read "Item 1A.—Risk Factors" included elsewhere herein. Our actual results may differ materially from those estimated or projected in any of these forward-looking statements.

Overview

We are the leading provider of development solutions and advanced delivery technologies for the global pharmaceutical, biotechnology and consumer health industry. Through our extensive capabilities and deep expertise in product development, we help our customers bring more products to market, faster. Our advanced delivery technologies, the broadest and most diverse range of formulation, dose form, manufacturing expertise and intellectual property available to the industry, enable our customers to bring more products and better treatments to the market. Across both development and delivery, our unwavering commitment to reliably supply our customers' needs serves as the foundation for the value we provide. We operate through four businesses: Development & Clinical Services, Softgel Technologies, Modified Release Technologies, and Medication Delivery Solutions. We believe that through our prior and ongoing investments in growth capacity and capabilities, our ongoing focus on Lean Six Sigma and compliance, our innovation activities, the sales of existing customer products, and the introduction of new customer products, we will continue to benefit from attractive margins and realize the growth potential in these areas.

For financial reporting purposes, we present four distinct financial reporting segments based on criteria established by U.S. GAAP: Development & Clinical Services, Oral Technologies, Sterile Technologies, and Packaging Services. The Oral Technologies segment includes the Softgel Technologies and Modified Release Technologies businesses. The Medication Delivery Solutions business is comprised of the Sterile Technologies and Packaging Services reporting segments.

- **Development & Clinical Services.** We provide manufacturing, packaging, storage and inventory management for drugs and biologics in clinical trials. We offer customers flexible solutions for clinical supplies production, and provide distribution and inventory management support for both simple and complex clinical trials. This includes dose form manufacturing or over-encapsulation where needed supplying, placebos, comparator drug procurement, clinical packages and kits for physicians and patients, inventory management, investigator kit ordering and fulfillment, and return supply reconciliation and reporting. We support global trials through our facilities and distribution network. We also offer analytical chemical and cell-based testing and scientific services, respiratory products formulation and manufacturing, regulatory consulting, and biologics proprietary expression technology and product development. We have five facilities, including three in North America and two in Europe. Our Development & Clinical Services segment represented approximately 10.5% of total net revenue for fiscal 2011 on a combined basis before inter-segment eliminations.
- **Oral Technologies.** We provide advanced oral delivery technologies including, formulation, development and manufacturing services for most of the major oral dose forms on the market today. Our advanced oral drug delivery technologies are used in many well-known customer products and include proprietary delivery technologies for drugs and consumer health products. We also provide formulation, development and manufacturing for conventional oral dose forms, including controlled release formulations, as well as immediate release tablets and capsules. Certain facilities also provide on-site primary packaging services. There are twelve Oral Technologies facilities in nine countries, including three in North America, five in Europe, two in South America and two in the Asia-Pacific region. Our Oral Technologies segment represented approximately 67% of total net revenue for fiscal 2011 on a combined basis before inter-segment eliminations.
- **Sterile Technologies.** Sterile drugs may be injected, inhaled, or applied to the eye, ear, or other areas, and we offer both proprietary and traditional dose forms necessary for these separate routes of administration. For injectable drugs, we provide formulation and development for injectables. We also fill drugs or biologics into pre-filled syringes, bags and other sterile delivery formats. For respiratory, ophthalmic and other routes of administration, our blow-fill-seal technology provides integrated dose form creation and filling of sterile liquids in a single process, which offers cost and quality benefits for our customers. The complexity of aseptic manufacturing, high start-up capital requirements, long lead time and stringent regulatory requirements serve as significant barriers to market entry. We have three Sterile Technologies manufacturing facilities, including one in North America and two in Europe. Our Sterile Technologies segment represented approximately 13% of total net revenue for fiscal 2011 on a combined basis before inter-segment eliminations.

- **Packaging Services.** We provide both traditional and specialty packaging services for pharmaceuticals, biologics, consumer health and veterinary products, both on a standalone basis and as part of integrated supply-chain solutions that span both manufacturing and packaging. Our Packaging Services segment offers packaging into blisters, bottles, pouches and unit doses, specialty vial or syringe labeling and kitting for injectables, adherence-enhancing, cold-chain and other specialty packaging. We operate through a network of two Packaging Services facilities in North America and one in the United Kingdom. Our Packaging Services segment represented approximately 9.5% of total net revenue for fiscal 2011 on a combined basis before inter-segment eliminations.

Recent Developments

On August 22, 2011, the Company announced that the Company and Aptuit, LLC, a Delaware limited liability company (“Aptuit”), had entered into a Stock Purchase Agreement (the “Stock Purchase Agreement”) dated as of August 19, 2011. Pursuant to the terms and subject to the conditions of the Stock Purchase Agreement, the Company will acquire Aptuit’s Clinical Trial Supplies business (the “CTS Business”) by purchasing all of the outstanding shares of capital stock of Aptuit Holdings, Inc. (“Holdings”), a wholly-owned subsidiary of Aptuit, for cash consideration of \$410 million on a cash and debt free basis.

The purchase price is subject to possible upward or downward adjustment based on certain provisions in the Stock Purchase Agreement relating to working capital and indebtedness. In addition, the purchase price is subject to possible downward adjustment based on certain provisions in the Stock Purchase Agreement relating to earnings before interest, taxes, depreciation and amortization of the CTS Business’s facilities.

The acquisition is conditioned upon the consummation of a restructuring by Aptuit, whereby Aptuit will transfer non-CTS Business assets and liabilities from Holdings and its subsidiaries to Aptuit and its subsidiaries, such that after the restructuring Holdings and its subsidiaries will solely hold and operate the CTS Business. The completion of the Acquisition is also subject to customary conditions, including expiration of the applicable waiting period under the Hart-Scott Rodino Antitrust Improvements Act of 1976, as amended, and certain anti-competition filings in foreign jurisdictions; no injunctions or illegality, and no material adverse effect with respect to the CTS Business having occurred. The acquisition is not subject to any financing condition and is expected to close by the end of calendar year 2011.

The Company concluded during the third fiscal quarter ended March 31, 2011 that its printed components facilities qualified as a component entity, the operations of which were classified as held for sale and reported as discontinued operations. Accordingly, all current and prior period financial information has been reclassified within the financial statements to discontinued operations captions within the statements of operations and cash flow. The printed components entity was previously reported in the Company’s Packaging Services segment. The Company completed the sale of its printed component operations in April 2011.

On March 24, 2011, a Packaging Services manufacturing operation located in Corby, United Kingdom was damaged by a fire. All employees and contractors on site were safely evacuated with no injuries reported. The Company recorded expense for inventory that was damaged and additional costs associated with transition activities in the income statement line item Property and casualty losses within continuing operations. For the year ended June 30, 2011, the Company recorded \$11.3 million of expense, net of insurance recoveries, to operating expense. The Company has comprehensive insurance coverage which covers business interruption and property damage. For the year ended June 30, 2011, the Company recognized business interruption insurance proceeds related to lost profits of \$1.9 million. Future impairment charges, capital expenditures and non-recurring expenses may be required in subsequent periods as more information becomes available and the Company finalizes and executes on its strategic plans in response to the losses. Although the Company expects insurance proceeds to eventually cover a substantial portion of losses related to the fire, generally accepted accounting principles require the Company to record a charge to income with respect to the affected assets. While the Company is working diligently with its insurance providers, no determination has been made as to the total amount of the associated charges or timing of the receipt of insurance proceeds.

Critical Accounting Policies and Estimates

The following disclosure is provided to supplement the descriptions of Company’s accounting policies contained in Note 1 to the Consolidated Financial Statements in regard to significant areas of judgment. Management was required to make certain estimates and assumptions during the preparation of its Consolidated Financial Statements in accordance with generally accepted accounting principles. These estimates and assumptions impact the reported amount of assets and liabilities and disclosures of contingent assets and liabilities as of the date of the Consolidated Financial Statements. They also impact the reported amount of net earnings during any period. Actual results could differ from those estimates. Because of the size of the financial statement elements

to which they relate, some of our accounting policies and estimates have a more significant impact on our Consolidated Financial Statements than others. What follows is a discussion of some of our more significant accounting policies and estimates.

Revenues and Expenses

Net Revenue

We sell products and services directly to our pharmaceutical, biotechnology and consumer health customers. The majority of our business is conducted through supply or development agreements. Revenue is recognized net of sales returns and allowances. The majority of our manufacturing and packaging revenue is charged on a price-per-unit basis and is recognized either upon shipment or delivery of the product. Revenue generated from research and development arrangements are generally priced by project and are recognized either upon completion of the required service or achievement of a specified project phase or milestone.

Our overall net revenue is generally impacted by the following factors:

- Fluctuations in overall economic activity within the geographic markets in which we operate;
- Sales trends for our customers' products, the level of competition they experience, the levels of their outsourcing, and the impact of regulation and healthcare reimbursement upon their products and the timing and uptake of their product launches;
- Change in the level of competition we face from our competitors;
- Mix of different products or services that we sell and our ability to provide offerings that meet our customers' requirements;
- New intellectual property we develop and expiration of our patents;
- Changes in prices of our products and services, which are generally relatively stable due to our long-term contracts; and
- Fluctuations in exchange rates between foreign currencies, in which a substantial portion of our revenues and expenses are denominated, and the U.S. dollar.

Operational Expenses

Cost of products sold consists of direct costs incurred to manufacture and package products and costs associated with supplying other revenue-generating services. Cost of products sold includes labor costs for employees involved in the production process and the cost of raw materials and components used in the process or product. Cost of products sold also includes labor costs of employees supporting the production process, such as production management, quality, engineering, and other support services. Other costs in this category include the external research and development costs, depreciation of fixed assets, utility costs, freight, operating lease expenses and other general manufacturing expenses.

Selling, general and administration expenses consist of all expenditures incurred in connection with the sales and marketing of our products, as well as administrative expenses to support our businesses. The category includes salaries and related benefit costs of employees supporting sales and marketing, finance, human resources, information technology, research and development costs and costs related to executive management. Other costs in this category include depreciation of fixed assets, amortization of our intangible assets, professional fees, marketing and other expenses to support selling and administrative areas.

Direct expenses incurred by a segment are included in that segment's results. Shared sales and marketing, information technology services and general administrative costs are allocated to each segment based upon the specific activity being performed for each segment or are charged on the basis of the segment's respective revenues or other applicable measurement. Certain corporate expenses are not allocated to the segments. We do not allocate the following costs to the segments:

- Impairment charges; and (gain)/loss on sale of assets;
- Equity compensation;
- Restructuring expenses and other special items;
- Sponsor advisory fee
- Noncontrolling interest; and
- Other income/(expense), net.

Our operating expenses are generally impacted by the following factors:

- The utilization rate of our facilities: as our utilization rate increases, we achieve greater economies of scale as fixed manufacturing costs are spread over a larger number of units produced;
- Production volumes: as volumes change, the level of resources employed also fluctuate, including raw materials, component costs, employment costs and other related expenses, and our utilization rate may also be affected;
- The mix of different products or services that we sell;

- The cost of raw materials, components and general expense;
- Implementation of cost control measures and our ability to effect cost savings through our Operational Excellence, Lean Manufacturing and Lean Six Sigma program;
- Fluctuations in exchange rates between foreign currencies, in which a substantial portion of our revenues and expenses are denominated, and the U.S. dollar.

Allowance for Inventory Obsolescence

The Company writes down its inventory for estimated obsolescence or unmarketable inventory equal to the difference between the cost of the inventory and the estimated market value based upon assumptions about future demand and market conditions. If actual market conditions are less favorable than those projected, additional inventory write-downs may be required resulting in a charge to income in the period such determination was made.

Long-lived and Other Definite Lived Intangible Assets

We allocate the cost of an acquired company to the tangible and identifiable intangible assets and liabilities acquired, with the remaining amount being recorded as goodwill. Certain intangible assets are amortized over their estimated lives, while in-process research and development was recorded as a charge to product development expense in the statements of operations on the acquisition date in accordance with applicable standards in effect at that time.

We assess the impairment of identifiable intangibles if events or changes in circumstances indicate that the carrying value of the asset may not be recoverable. Factors that we consider important which could trigger an impairment review include the following:

- Significant under-performance relative to historical or projected future operating results;
- Significant changes in the manner of use of the acquired assets or the strategy of the overall business;
- Significant negative industry or economic trends; and
- Recognition of goodwill impairment charges.

If we determine that the carrying value of intangibles and/or long-lived assets may not be recoverable based on the existence of one or more of the above indicators of impairment, we measure any impairment based on fair value, which we derive either by the estimated cash flows expected to result from the use of the asset and its eventual disposition or on assumptions we believe marketplace participants would utilize and comparable marketplace information in similar arms length transactions. We then compare weighted values to the asset's carrying amount. Any impairment loss recognized would represent the excess of the asset's carrying value over its estimated fair value. Significant estimates and judgments are required when estimating such fair values. If it is determined that these assets are impaired, an impairment charge would be recorded and the amount could be material. During fiscal 2008 through 2011, we recorded asset impairment charges relating to property and equipment as well as other definite-lived intangible assets. See Note 4 to the audited Consolidated Financial Statements for further discussion.

Goodwill

The Company accounts for purchased goodwill and intangible assets with indefinite lives in accordance with Accounting Standard Codification ("ASC") 350-*Goodwill- Intangible and Other Assets*. Under ASC 350, purchased goodwill and intangible assets with indefinite lives are no longer amortized, but instead are tested for impairment at least annually. Intangible assets with finite lives, primarily customer relationships and patents and trademarks, continue to be amortized over their useful lives. Goodwill and other indefinite-lived intangible assets are tested for impairment and written down to fair value, in accordance with ASC 350. The Company determines the fair value of its reporting units utilizing estimated future discounted cash flows and incorporates assumptions that it believes marketplace participants would utilize and comparative market information. The Company's impairment analysis is partially based on a discounted cash flow analysis and incorporates assumptions that it believes marketplace participants would utilize. The discount rate used for impairment testing is based on the risk-free rate plus an adjustment for market and company-specific risk factors. The use of alternative estimates or adjusting the discount rate used could affect the estimated fair value of the assets and potentially result in more or less impairment. Any identified impairment would result in an adjustment to the Company's results of operations. The Company performs its annual impairment as of April 1 each year. See Note 3 to the Consolidated Financial Statements for further discussion.

Risk Management

The Company uses derivative instruments as part of its overall strategy to manage its exposure to market risks primarily associated with fluctuations in interest rates. As a matter of policy, the Company does not use derivatives for trading or speculative purposes.

All derivatives are recorded at fair value either as assets or liabilities. Changes in fair value of derivatives not designated as hedging instruments are recognized currently in earnings in the statements of operations. The effective portion of changes in fair value of derivatives designated as cash flow hedging instruments is recorded as a component of other comprehensive income. The ineffective portion, if any, is reported in the statements of operations. Amounts included in other comprehensive income are reclassified into earnings in the same period during which the hedged cash flows affect earnings.

Derivative Instruments and Hedging Activities

As required by *ASC 815 Derivatives and Hedging*, (ASC 815) the Company records all derivatives on the balance sheet at fair value. The accounting for changes in the fair value of derivatives depends on the intended use of the derivative, whether the Company has elected to designate a derivative in a hedging relationship and apply hedge accounting and whether the hedging relationship has satisfied the criteria necessary to apply hedge accounting. Derivatives designated and qualifying as a hedge of the exposure to changes in the fair value of an asset, liability, or firm commitment attributable to a particular risk, such as interest rate risk, are considered fair value hedges. Derivatives designated and qualifying as a hedge of the exposure to variability in expected future cash flows, or other types of forecasted transactions, are considered cash flow hedges. Derivatives may also be designated as hedges of the foreign currency exposure of a net investment in a foreign operation. Hedge accounting generally provides for the matching of the timing of gain or loss recognition on the hedging instrument with the recognition of the changes in the fair value of the hedged asset or liability that are attributable to the hedged risk in a fair value hedge or the earnings effect of the hedged forecasted transactions in a cash flow hedge. The Company may enter into derivative contracts that are intended to economically hedge certain of its risk, even though hedge accounting does not apply or the Company elects not to apply hedge accounting under ASC 815.

Equity-Based Compensation

The Company accounts for stock-based compensation in accordance with *ASC 718 Compensation- Stock Compensation*, (ASC 718) requires companies to recognize compensation expense using a fair-value based method for costs related to share-based payments including stock options and employee stock purchase plans. The expense is determined using the fair value of the award at its grant date based on the estimated number of awards that are expected to vest, and recorded over the applicable requisite service period. In the absence of an observable market price for a share-based award, the fair value is based upon a valuation methodology that takes into consideration various factors, including the exercise price of the award, the expected term of the award, the current price of the underlying shares, the expected volatility of the underlying share price based on peer companies, the expected dividends on the underlying shares and the risk-free interest rate. The Company's parent, PTS Holdings Corp., has a stock incentive plan for the purposes of retaining certain key employees and directors.

Income Taxes

In accordance with the provisions of *ASC 740 Income Taxes*, (ASC 740) the Company accounts for income taxes using the asset and liability method. The asset and liability method requires recognition of deferred tax assets and liabilities for expected future tax consequences of temporary differences that currently exist between tax bases and financial reporting bases of the Company's assets and liabilities. Deferred tax assets and liabilities are measured using enacted tax rates in the respective jurisdictions in which the Company operates. In assessing the ability to realize deferred tax assets, the Company considers whether it is more likely than not that some portion or all of the deferred tax assets will not be realized. Deferred taxes are not provided on the undistributed earnings of subsidiaries outside of the U.S. when it is expected that these earnings are permanently reinvested. The Company has not made any provision for U.S. income taxes on the undistributed earnings of foreign subsidiaries as those earnings are considered permanently reinvested in the operations of those foreign subsidiaries.

ASC 740 clarifies the accounting for uncertainty in income taxes recognized in the financial statements. Elements of this standard also provides that a tax benefit from an uncertain tax position may be recognized when it is more likely than not that the position will be sustained upon examination, including resolutions of any related appeals or litigation processes, based on the technical merits. The Company recognized no material adjustment in the liability for unrecognized income tax benefits. As of June 30, 2010, the Company had a total of \$39.0 million of unrecognized tax benefits, including accrued interest as applicable.

Critical and New Accounting Pronouncements

Refer to Note 1 to the Consolidated Financial Statements for a description of critical accounting policies and recent accounting pronouncements.

Trends Affecting Our Business

We participate in the market for development solutions and advanced delivery technologies for drugs, biologics, and consumer health products. We estimate this size of this market to be approximately \$15 billion currently, and expect key current and future trends to both sustain and drive additional growth for this market.

Recent strengthening in early stage development pipelines for drugs and biologics, compounded by increasing clinical trial breadth and complexity, sustain our belief in the attractive growth prospects for development solutions. Large companies are in many cases reconfiguring their R&D resources, increasingly involving appointment of strategic partners for key outsourced functions. Additionally, an increasing portion of compounds in development are from companies who less frequently have full R&D infrastructure, and thus are more likely to need strategic development solutions partners.

Aging population demographics in developed countries, combined with health care reforms in many global markets which are expanding access to treatments to a greater proportion of their populations, will continue to drive strong increases in demand for both prescription and consumer health product volumes. Increasing economic affluence in key developing regions will further increase demand for health care treatments, and we are taking active steps to ensure we participate effectively in these key growth regions and product categories.

Finally, we believe reimbursement pressures, supply chain complexity, and the increasing range of treatment options will continue to escalate the need for product differentiation, improved outcomes and treatment cost reduction, all of which can often be addressed using our advanced delivery technologies.

Results of Operations

Use of EBITDA from continuing operations and Adjusted EBITDA

Management measures operating performance based on consolidated earnings from continuing operations before interest expense, expense/ (benefit) for income taxes and depreciation and amortization and is adjusted for the income or loss attributable to noncontrolling interest (“EBITDA from continuing operations”). EBITDA from continuing operations is not defined under US U.S. GAAP and is not a measure of operating income, operating performance or liquidity presented in accordance with U.S. GAAP and is subject to important limitations.

We believe that the presentation of EBITDA from continuing operations enhances an investor’s understanding of our financial performance. We believe this measure is a useful financial metric to assess our operating performance from period to period by excluding certain items that we believe are not representative of our core business and use this measure for business planning purposes. In addition, given the significant investments that we have made in the past in property, plant and equipment, depreciation and amortization expenses represent a meaningful portion of our cost structure. We believe that EBITDA from continuing operations will provide investors with a useful tool for assessing the comparability between periods of our ability to generate cash from operations sufficient to pay taxes, to service debt and to undertake capital expenditures because it eliminates depreciation and amortization expense. We present EBITDA from continuing operations in order to provide supplemental information that we consider relevant for the readers of the financial statements, and such information is not meant to replace or supersede U.S. GAAP measures. Our definition of EBITDA from continuing operations may not be the same as similarly titled measures used by other companies.

In addition, the Company evaluates the performance of its segments based on segment earnings before minority interest, other (income) expense, impairments, restructuring costs, interest expense, income tax (benefit)/expense, and depreciation and amortization (“Segment EBITDA”).

Under the indentures governing the notes, the Company’s ability to engage in certain activities such as incurring certain additional indebtedness, making certain investments and paying certain dividends is tied to ratios based on Adjusted EBITDA (which is defined as “EBITDA” in the indentures). Adjusted EBITDA is based on the definitions in the Company’s indentures, is not defined under U.S. GAAP, and is subject to important limitations. We have included the calculations of Adjusted EBITDA for the periods presented. Adjusted EBITDA is the covenant compliance measure used in certain covenants under the indentures governing the notes, particularly those governing debt incurrence and restricted payments. Because not all companies use identical calculations, the Company’s presentation of Adjusted EBITDA may not be comparable to other similarly titled measures of other companies.

The most directly comparable GAAP measure to EBITDA from continuing operations and Adjusted EBITDA is earnings/ (loss) from continuing operations. Included in this report is a reconciliation of earnings/(loss) from continuing operations to EBITDA from continuing operations and to Adjusted EBITDA.

Use of Constant Currency

As exchange rates are an important factor in understanding period-to-period comparisons, we believe the presentation of results on a constant currency basis in addition to reported results helps improve investors' ability to understand our operating results and evaluate our performance in comparison to prior periods. Constant currency information compares results between periods as if exchange rates had remained constant period-over-period. We use results on a constant currency basis as one measure to evaluate our performance. In this Annual Report on Form 10-K, we calculate constant currency by calculating current-year results using prior-year foreign currency exchange rates. We generally refer to such amounts calculated on a constant currency basis as excluding the impact of foreign exchange. These results should be considered in addition to, not as a substitute for, results reported in accordance with U.S. GAAP. Results on a constant currency basis, as we present them, may not be comparable to similarly titled measures used by other companies and are not measures of performance presented in accordance with U.S. GAAP.

Fiscal Year Ended June 30, 2011 compared to Fiscal Year Ended June 30, 2010

Results for the fiscal year ended June 30, 2011 compared to the fiscal year ended June 30, 2010 are as follows:

(in millions)	Fiscal Year Ended 2011	Fiscal Year Ended 2010	Increase/Decrease	
			Change \$	Change %
Net revenue	\$ 1,640.3	\$ 1,626.2	\$ 14.1	1%
Cost of products sold	1,121.8	1,159.9	(38.1)	-3%
Gross margin	518.5	466.3	52.2	11%
Selling, general and administrative expenses	311.2	297.4	13.8	5%
Impairment charges and (gain)/loss on sale of assets	3.6	234.8	(231.2)	-98%
Restructuring and other	14.7	24.6	(9.9)	-40%
Property and casualty loss	11.6	—	11.6	*
Operating earnings, income/(loss)	177.4	(90.5)	267.9	*
Interest expense, net	165.5	161.0	4.5	3%
Other (income) expense, net	27.3	(5.4)	32.7	*
Earnings/(loss) from continuing operations before income taxes	(15.4)	(246.1)	230.7	94%
Income tax expense/(benefit)	24.1	21.6	2.5	12%
Earnings/(loss) from continuing operations	(39.5)	(267.7)	228.2	85%
Earnings/(loss) from discontinued operations	(10.6)	(19.3)	8.7	45%
Net earnings/(loss)	(50.1)	(287.0)	236.9	83%
Net earnings/(loss) attributable to noncontrolling interest	3.9	2.6	1.3	*
Net earnings/(loss) attributable to Catalent	<u>\$ (54.0)</u>	<u>\$ (289.6)</u>	<u>\$ 235.6</u>	<u>81%</u>

* Percentage not meaningful

Net Revenue

Net revenue increased \$14.1 million, or 1%, compared to the same period a year ago. The weaker U.S. dollar favorably impacted revenue by less than 1%, or \$6.0 million. Excluding the impact of foreign exchange, net revenue increased by \$8.1 million, or 0.5%, during the fiscal year 2011. The increase was primarily due to increased demand within the Oral Technologies and Development & Clinical Services segments, partially offset by decreases within Packaging Services. The Oral Technologies increase was a result of stronger demand for prescription and consumer health softgels within multiple geographies, as well as an increase for controlled release products within North America and Europe, partially offset decreased market demand for customer products using the Zydis® technology realized in the first half of the year. The Development & Clinical Services volume increase was primarily related to strong demand for biologic and clinical services within North America and Europe. Within the Packaging Services segment, the decrease in revenue was driven by reduced demand for commercial packaging services, partially attributable to non-recurring H1N1 flu related volumes that the Company realized in the prior fiscal year as a result of the H1N1 pandemic, as well as due to continued customer in-sourcing for certain products. The Sterile Technologies segment was modestly ahead of the prior fiscal year due to strong demand within one of our European injectable facilities.

Gross Margin

Gross margin increased \$52.2 million, or 11%, compared to the same period a year ago. The weaker U.S. dollar favorably impacted gross margin by less than 1%, or \$1.6 million. Excluding the impact of foreign exchange, gross margin increased by \$50.6 million, or 11%, primarily due to favorable product mix related to the revenue increases within the Oral Technologies segment, as well as the increased demand for biologic and clinical services within the Development and Clinical Services segment. Improved productivity and fixed manufacturing cost management within our segments also contributed to the margin expansion.

Selling, General and Administrative Expense

Selling, general and administrative expense increased by 5%, or \$13.8 million, compared to the 2010 fiscal year and was not materially impacted by foreign exchange translation. The increase from the prior fiscal year is primarily related to an increase in research and development spending within our segments and investments in expanding our sales and marketing function across our global network.

Impairment charges and (gain)/loss on sale of assets

In fiscal year 2011 we recorded an impairment charge related to property, plant and equipment of approximately \$3.6 million, net of any gains on sale of equipment, in conjunction with the Company's routine review of its long-lived asset portfolio. During fiscal year 2011, no goodwill or intangible asset impairment charges were recorded.

During fiscal year 2010, the Company concluded that goodwill impairment indicators existed in the Sterile Technologies and Packaging Services reporting units and recorded a non-cash goodwill impairment charge of \$158.3 million and \$24.4 million, respectively. Also in fiscal year 2010, the Company completed its review of the impairment of other definite-lived intangible assets under ASC 350 and recorded non-cash impairment charges of \$7.7 million and \$15.8 million within the Packaging Services and Sterile Technologies reporting units, respectively. Lastly, in fiscal year 2010, the Company completed the required review of long-lived assets under ASC 360 within these same segments and recorded \$21.4 million and \$3.1 million of impairment charges within the Packaging Services and Sterile Technologies segments, respectively, related to property, plant and equipment.

Impairment charges are recorded within the Consolidated Statements of Operations as impairment charges and gain/ (loss) on sale of assets.

Restructuring and Other

Restructuring and other charges of \$14.7 million for fiscal year 2011 decreased \$9.9 million compared to the prior fiscal year. The charges for fiscal year ended June 30, 2011 included asset impairment and real estate charges related to facility consolidations announced in prior periods, employee related charges resulting from organizational changes and workforce reductions to adjust the capacity of our workforce within our business units. During fiscal year 2010, restructuring and special charges of \$24.6 million were primarily related to asset impairments of facilities expected to be consolidated and additional costs associated with real estate exited in a prior period.

Interest Expense, net

Interest expense, net of \$165.5 million for the fiscal year ended June 30, 2011 increased \$4.5 million, primarily driven by the higher average foreign exchange rates compared to the fiscal period ended June 30, 2010 and the full year impact interest expense associated with our senior toggle notes as compared to a partial year impact in the prior year.

Other (Income)/Expense, net

Other expense, net increased by \$32.7 million for the fiscal year ended June 30, 2011 compared to the same period of the prior fiscal year. This fluctuation primarily resulted from recording non-cash unrealized foreign currency transaction losses of \$13.2 million during the fiscal year 2011 compared with \$28.4 million of non-cash unrealized foreign currency transaction gains in the comparable prior year period. In addition, Euro hedge losses recorded in the prior year period totaled \$3.3 million as compared to \$0.2 million gain during the fiscal period ended June 30, 2011 due to the designation of the financial instrument for hedge accounting purposes effective October 1, 2010. These amounts were offset by a decrease in realized foreign currency losses of approximately \$5.5 million associated with inter-company loan activity.

Income Tax Expense/(Benefit)

The income tax provision/(benefit) rate relative to earnings/(loss) before income taxes, minority interest and discontinued operations was 156.3% and 8.78% in fiscal 2011 and 2010, respectively. Generally, fluctuations in the effective tax rate are primarily due to changes in our geographic pretax income resulting from our business mix and changes in the tax impact of permanent differences (including goodwill impairment), restructuring, other special items and other discrete tax items, which may have unique tax implications depending on the nature of the item. Our effective tax rate reflects benefits derived from operations outside the

United States, which are generally taxed at lower rates than the U.S. statutory rate of 35%. Our fiscal 2011 provision for income taxes was \$24.1 million, relative to losses before income taxes of (\$15.4) million, and resulted in an effective tax rate of 156.3%. Our fiscal 2010 provision for income taxes was \$21.6 million and relative to losses before income taxes of (\$246.1) million resulted in an effective tax rate of 8.78%.

Segment Review

The Company's results on a segment basis for the fiscal year ended June 30, 2011 compared to the fiscal year ended June 30, 2010 are as follows:

(in millions)	Fiscal Year	Fiscal Year	Increase/(Decrease)	
	Ended 2011	Ended 2010	\$	%
Oral Technologies				
Net revenue	\$ 1,114.4	\$ 1,067.9	46.5	4%
Segment EBITDA	299.5	265.8	33.7	13%
Sterile Technologies				
Net revenue	219.8	218.9	0.9	*
Segment EBITDA	31.0	26.8	4.2	16%
Packaging Services				
Net revenue	157.2	203.4	(46.2)	-23%
Segment EBITDA	5.0	11.9	(6.9)	-58%
Development and Clinical Services				
Net revenue	175.3	160.0	15.3	10%
Segment EBITDA	34.0	27.2	6.8	25%
Inter-segment revenue elimination	(26.4)	(24.0)	2.4	10%
Unallocated costs ⁽¹⁾	(103.8)	(295.7)	(191.9)	-65%
Combined Total				
Net revenue	1,640.3	1,626.2	14.1	1%
EBITDA from continuing operations	\$ 265.7	\$ 36.0	229.7	*

* Percentage not meaningful

(1) Unallocated costs includes special items, equity-based compensation, impairment charges, certain other corporate directed costs, and other costs that are not allocated to the segments as follows:

(in millions)	Fiscal Year	Fiscal Year
	Ended 2011	Ended 2010
Impairment charges and gain/(loss) on sale of assets	\$ (3.6)	\$ (234.8)
Equity compensation	(3.9)	(2.6)
Restructuring and other special items	(27.0)	(36.3)
Property and casualty losses	(11.6)	—
Sponsor advisory fee	(10.6)	(10.0)
Noncontrolling interest, net	(3.9)	(2.6)
Other income/(expense), net	(27.3)	5.4
Non-allocated corporate costs, net	(15.9)	(14.8)
Total unallocated costs	\$ (103.8)	\$ (295.7)

Provided below is a reconciliation of earnings/ (loss) from continuing operations to EBITDA:

<u>(in millions)</u>	<u>Fiscal Year Ended 2011</u>	<u>Fiscal Year, Ended 2010</u>
Earnings/(loss) from continuing operations	\$ (39.5)	\$ (267.7)
Depreciation and amortization	119.5	123.7
Interest expense, net	165.5	161.0
Income tax expense (benefit)	24.1	21.6
Noncontrolling interest	(3.9)	(2.6)
EBITDA from continuing operations	<u>\$ 265.7</u>	<u>\$ 36.0</u>

Oral Technologies segment

Net revenues increased by 4%, or \$46.5 million, compared to the same period a year ago. The weaker U.S. dollar positively impacted the segment's revenue by 1%, or \$10.2 million. Excluding the impact of foreign exchange rates, net revenues increased by 3%, or \$36.3 million. This increase was primarily driven by sales increases within the segment's controlled release, prescription and consumer health softgel offerings, partially offset by declines for demand of our customer's products which utilize our Zydis technology platform.

Segment EBITDA increased by 13%, or \$33.7 million. Oral Technologies' EBITDA was favorably impacted by foreign exchange rate movements by 1%, or \$2.6 million. Excluding the impact of foreign exchange rates, the increase was \$31.1 million, or 12%, which was primarily related to the previously mentioned sales volume increases as well as favorable product mix and improved productivity and fixed manufacturing cost management.

Sterile Technologies segment

Net revenues were relatively flat compared to the prior fiscal year. The stronger U.S. dollar negatively impacted Sterile Technologies' revenue by approximately 1%, or \$2.8 million. Excluding the impact of foreign exchange rates, net revenues increased 1%, or \$3.6 million, which was primarily driven by an increased demand for non-flu pre-filled syringes products within one of our European injectable facilities.

Segment EBITDA increased by 16%, or \$4.2 million. The stronger U.S. dollar negatively impacted Sterile Technologies' EBITDA growth by approximately 2%, or \$0.6 million. Excluding the impact of foreign exchange rates, the \$4.8 million, or 18%, increase was primarily due to increased demand for non-flu pre-filled syringe products within one of the Company's European injectable facilities, as discussed above, as well as favorable product mix and manufacturing efficiency improvements within the Company's blow-fill-seal operation.

Packaging Services segment

Net revenues decreased by 23%, or \$46.2 million. Foreign exchange rates had an immaterial impact on the segment's results. The decline in net revenues was primarily related to lower demand within the Company's North American packaging facilities, partially attributable to non-recurring H1N1 flu related volumes that the Company realized in the prior fiscal year as a result of the H1N1 pandemic, as well as due to continued customer in-sourcing. In addition, the fire in our UK-based packaging operation that took place in the third quarter of fiscal 2011 also contributed to the year-over-year revenue decline but did not have a material impact on the overall profitability of the segment.

Segment EBITDA decreased 58%, or \$6.9 million, primarily due to the revenue declines discussed above, which were partially related to the non-recurring H1N1 flu volumes realized in the prior fiscal year. These volume related declines were partially offset by fixed manufacturing cost savings enacted to align the facilities with current volumes. The Packaging Services segment's EBITDA was immaterially impacted by foreign exchange rates.

Development and Clinical Services segment

Net revenues increased by 10%, or \$15.3 million. Foreign exchange rates had an immaterial impact on the segment's results. The increase was primarily related to strong demand for biologic and clinical services within North America and Europe. The company's analytical science services business was modestly ahead of the prior fiscal year.

Segment EBITDA increased by 25%, or \$6.8 million, primarily due to the previously mentioned stronger demand within the company's clinical services and biologics offerings, as well as the implementation of fixed manufacturing cost saving efficiencies across many of the segment's facilities. The segment's EBITDA was immaterially impacted by foreign exchange rates.

Fiscal Year Ended June 30, 2010 compared to Fiscal Year Ended June 30, 2009

Results for the fiscal year ended June 30, 2010 compared to the fiscal year ended June 30, 2009 are as follows:

(in millions)	Fiscal Year	Fiscal Year	Increase/Decrease	
	Ended 2010	Ended 2009	Change \$	Change %
Net revenue	\$ 1,626.2	\$ 1,561.6	\$ 64.6	4%
Cost of products sold	1,159.9	1,166.6	(6.7)	-1%
Gross margin	466.3	395.0	71.3	18%
Selling, general and administrative expenses	297.4	269.8	27.6	10%
Impairment charges and (gain)/loss on sale of assets	234.8	175.8	59.0	34%
Restructuring and other	24.6	16.4	8.2	50%
Operating earnings, income/(loss)	(90.5)	(67.0)	(23.5)	-35%
Interest expense, net	161.0	181.7	(20.7)	-11%
Other (income)/expense, net	(5.4)	(14.4)	9.0	63%
Earnings/(loss) from continuing operations before income taxes	(246.1)	(243.3)	(11.8)	-5%
Income tax expense/(benefit)	21.6	17.2	4.4	26%
Earnings/(loss) from continuing operations	(267.7)	(251.5)	(16.2)	-6%
Earnings/loss from discontinued operations	(19.3)	(57.2)	37.9	66%
Net earnings/(loss)	(287.0)	(308.7)	21.7	7%
Net earnings/(loss) attributable to noncontrolling interest	2.6	(0.6)	3.2	*
Net earnings/(loss) attributable to Catalent	\$ (289.6)	\$ (308.1)	\$ 18.5	6%

* Percentage not meaningful

Net Revenue

Net revenue increased \$64.6 million, or 4%, compared to the same period a year ago. The weaker U.S. dollar favorably impacted the Company's revenue by 1%, or \$14.7 million. Excluding the impact of foreign exchange, net revenue increased by \$49.8 million, or 3%, during the fiscal year ended June 30, 2010, primarily due to an increase in demand within the Company's Oral Technologies, Sterile Technologies and Development and Clinical Services segments. Within Oral Technologies, the increase was primarily driven by sales increases within the Company's controlled release, prescription softgel and Zydis offerings. Within Sterile Technologies, the increase was primarily driven by an increased demand for seasonal flu vaccines and the non-recurring H1N1 flu related volumes realized in fiscal 2010, as well as increase in non-flu pre-filled syringe volumes within the Company's European facilities. Development and Clinical Services increased due to an increased demand for clinical services within the Company's European facilities.

Gross Margin

Gross margin increased \$71.3 million, or 18%, compared to the same period a year ago. The weaker U.S. dollar favorably impacted the Company's gross margin by 1%, or \$1.9 million. The increase in gross margin was primarily due to the revenue increases within the Company's Oral Technologies and Development and Clinical Services segments as discussed above, as well as manufacturing indirect cost savings across all reporting segments.

Selling, General and Administrative Expense

Selling, general and administrative expenses increased by approximately 10%, or \$27.6 million, compared to the comparable period of fiscal 2009. The weaker U.S. dollar increased the Company's selling, general and administrative expenses by 1%, or \$1.4 million, compared to the prior fiscal year. Excluding the impact of foreign exchange, selling, general and administrative expenses increased \$26.2 million, as compared to the same period a year ago, primarily due to an increase in R&D spending within the Company's segments and incentive-based variable employee related costs.

Impairment Charges and (Gain)/Loss on Sale of Assets

During fiscal year 2010, we completed goodwill impairment assessments in accordance with *ASC 350 Intangibles – Goodwill and Other* (ASC 350). These analyses were comprised of estimating the fair values of each of the Company's reporting units by using weighted average present value of future cash flows and other market factors and then comparing those fair values to their related carrying amounts. These evaluations resulted in non-cash goodwill impairment charges of \$182.7 million as a result of the implied fair value being less than the carrying value of its goodwill. In conjunction with the goodwill impairments identified, the Company completed a review for impairment of other definite-lived intangible assets for recoverability and recorded a non-cash charge of \$23.5 million relating to impairment of customer relationship intangible assets. Also, in fiscal year 2010, the Company completed the required review of long-lived assets under ASC 360 Property, Plant and Equipment (ASC 360). The Company tested for recoverability and performed an evaluation of long-lived assets for impairment, which resulted in a \$24.5 million non-cash impairment charge. In addition, we recorded a loss on the sale of assets amounting to \$4.1 million.

In fiscal year 2009, the Company completed goodwill impairment assessments under ASC 350. These analyses were comprised of estimating the fair values of each of the Company's reporting units by using the expected present value of future cash flows and other market factors and then comparing those fair values to their related carrying amounts. These evaluations resulted in non-cash charges to goodwill impairment of \$92.1 million as a result of the implied fair value being less than the carrying value of its goodwill. In conjunction with the goodwill impairments identified, the Company completed reviews of the impairment of other definite-lived intangible assets for recoverability and recorded a non-cash charge of \$40.9 million relating to customer relationship intangible assets. Also in fiscal year 2009, the Company completed the required review of long-lived assets under ASC 360 to test for recoverability and recorded a non-cash charge of \$40.9 million. In addition, during fiscal year 2009 we recorded a loss on the sale of assets amounting to \$1.9 million.

Impairment charges are recorded within the Consolidated Statements of Operations as impairment charges and gain/ (loss) on sale of assets.

Restructuring and Other Special Items

Restructuring and other special items charges of \$24.6 million for the fiscal year ended June 30, 2010 increased \$8.2 million as compared to the same period from a year ago. The fiscal 2010 charges were primarily related to asset impairments of facilities expected to be consolidated and additional costs associated with real estate exited in a prior period.

Interest Expense, net

Interest expense, net decreased by \$20.7 million for the fiscal year ended June 30, 2010 compared to the same period ended June 30, 2009, primarily due to a lower interest rate on the un-hedged portion of the Company's floating-rate term loans.

Other (Income)/Expense, net

Other (income)/expense, net decreased by \$9.0 million for the fiscal year 2010 compared to the same prior fiscal year. This fluctuation resulted from recording of non-cash realized foreign currency transaction losses of \$20.3 million primarily related to inter-company loan settlements and non-cash, non-designated hedges losses of \$3.3 million during fiscal year ended June 30, 2010 compared with \$3.2 million of realized losses primarily on inter-company foreign currency transactions and \$10.9 million losses on non-designated hedges related to Euribor and Yen swaps during fiscal year 2009.

Income Tax Expense/(Benefit)

The income tax provision/ (benefit) rate relative to earnings/ (loss) before income taxes, minority interest and discontinued operations was 8.78% and 6.54% in fiscal 2010 and 2009, respectively. Generally, fluctuations in the effective tax rate are primarily due to changes in our geographic pretax income resulting from our business mix and changes in the tax impact of permanent differences (including goodwill impairment), restructuring, other special items and other discrete tax items, which may have unique tax implications depending on the nature of the item. Our effective tax rate reflects benefits derived from operations outside the United States, which are generally taxed at lower rates than the U.S. statutory rate of 35%. Our fiscal 2010 provision for income taxes was \$21.6 million and relative to losses before income taxes of \$(246.1) million, resulted in an effective tax rate of 8.78%. Our fiscal 2009 provision for income taxes was \$16.8 million and relative to losses before income taxes of \$(234.3) million resulted in an effective tax rate of 7.17%.

Segment Review

Our results on a segment basis for the fiscal year ended June 30, 2010 compared to the fiscal year ended June 30, 2009.

(in millions)	Fiscal Year Ended 2010	Fiscal Year Ended 2009	Increase/(Decrease)	
			\$	%
Oral Technologies				
Net revenue	\$ 1,067.9	\$ 1,005.7	\$ 62.2	6%
Segment EBITDA	265.8	225.0	40.8	18%
Sterile Technologies				
Net revenue	218.9	213.7	5.2	2%
Segment EBITDA	26.8	25.3	1.5	6%
Packaging Services				
Net revenue	203.4	217.6	(14.2)	-7%
Segment EBITDA	11.9	0.4	11.5	*
Development and Clinical Services				
Net revenue	160.0	155.4	4.6	3%
Segment EBITDA	27.2	13.7	13.5	99%
Inter-segment revenue elimination				
Unallocated costs ⁽¹⁾	(24.0)	(30.8)	-6.8	-22%
Combined Total	(295.7)	(183.5)	(112.2)	-61%
Net revenue	1,626.2	1,561.6	64.6	4%
EBITDA from continuing operations	\$ 36.0	\$ 80.9	\$ (44.9)	-56%

* Percentage not meaningful

(1) Unallocated costs includes special items, equity-based compensation, impairment charges, certain other Corporate directed costs, and other costs that are not allocated to the segments as follows:

(in millions)	Fiscal Year Ended 2010	Fiscal Year Ended 2009
Impairment charges and (gain)/loss on sale of assets	\$ (234.8)	\$ (175.8)
Equity compensation	(2.6)	0.3
Restructuring and other special items	(36.3)	(21.1)
Sponsor advisory fee	(10.0)	(10.0)
Noncontrolling interest, net	(2.6)	0.6
Other expense, net	5.4	14.4
Non-allocated corporate costs, net	(14.8)	8.1
Total unallocated costs	\$ (295.7)	\$ (183.5)

Provided below is a reconciliation of earnings/(loss) from continuing operations to EBITDA:

(in millions)	Fiscal Year Ended 2010	Fiscal Year Ended 2009
Earnings/(loss) from continuing operations	\$ (267.7)	\$ (251.5)
Depreciation and amortization	123.7	132.9
Interest expense, net	161.0	181.7
Income tax expense (benefit)	21.6	17.2
Noncontrolling interest	(2.6)	0.6
EBITDA from continuing operations	\$ 36.0	\$ 80.9

Oral Technologies segment

Net revenues increased by 6%, or \$62.2 million, compared to the same period a year ago. The weaker U.S. dollar positively impacted the segment's revenue by 1%, or \$13.2 million. Excluding the impact of foreign exchange rates, net revenues increased by 5%, or \$49.0 million. This increase was primarily driven by sales increases within the Company's controlled release, prescription softgel and Zydis offerings.

Segment EBITDA increased by 18%, or \$40.8 million. Oral Technologies' EBITDA was immaterially impacted by foreign exchange. Excluding the impact of foreign exchange rates, the increase was \$39.9 million, which was primarily related to the previously mentioned sales volume increases and improved capacity utilization for Zydis and other operations.

Sterile Technologies segment

Net revenues increased by 2%, or \$5.2 million. The weaker U.S. dollar positively impacted Sterile Technologies' revenue growth by approximately 1%, or \$2.9 million. Excluding the impact of foreign exchange rates, net revenues increased 1%, or \$2.3 million, which was primarily driven by an increased demand for seasonal and H1N1 flu vaccines, as well as an increase in non-flu pre-filled syringe volumes within the Company's European facilities.

Segment EBITDA increased by 6%, or \$1.5 million. The weaker U.S. dollar positively impacted Sterile Technologies' EBITDA growth by approximately 4%, or \$0.9 million. Excluding the impact of foreign exchange rates, the \$0.6 million, or 2%, increase was primarily due to an increased demand for seasonal and H1N1 flu vaccines, as well as increase in non-flu pre-filled syringe volumes within the Company's European facilities, as discussed above, partially offset by manufacturing inefficiencies within the Company's blow-fill-seal operation.

Packaging Services segment

Net revenues decreased by 7%, or \$14.2 million. Foreign exchange rates had an immaterial impact on the segment's results. Excluding the impact of foreign exchange rates, net revenues declined \$13.5 million primarily related to lower demand within the Company's North American packaging facilities, driven by a reduction in customer volumes resulting from lower end market demand.

Segment EBITDA increased by \$11.5 million, primarily due to significant manufacturing indirect cost savings implemented to align the cost structure with current volumes, partially offset by lower market demand within several of the Company's packaging facilities. The Packaging Services segment's EBITDA was immaterially impacted by foreign exchange rates.

Development and Clinical Services segment

Net revenues increased by 3%, or \$4.6 million, primarily due to an increase in demand for clinical services at the Company's European facilities. The demand for analytical science services at several of the Company's domestic facilities also contributed to the growth in net revenues. The segment's net revenue was immaterially impacted by foreign exchange rates.

Segment EBITDA increased by 99%, or \$13.5 million, primarily due to the previously mentioned stronger demand within the Company's European clinical services facilities and domestic analytical science services facilities, as well as the implementation of manufacturing indirect and selling, general and administrative cost saving efficiencies across most of the Company's Development and Clinical Services facilities. The segment's EBITDA was immaterially impacted by foreign exchange rates.

Liquidity and Capital Resources

Sources and Use of Cash

The Company's principal source of liquidity has been cash flow generated from operations. The principal uses of cash are to fund planned operating and capital expenditures, interest payments on debt and any mandatory or discretionary principal payments on debt issuances. As of June 30, 2011, the Company's financing needs were supported by a \$350.0 million revolving credit agreement, which was reduced by \$15.4 million of outstanding letters of credit. The revolving credit agreement matures in two tranches on each of April 10, 2013 and April 10, 2016, respectively. The April 10, 2016 maturity date is subject to certain conditions regarding the refinancing or repayment of the Company's term loans, the senior toggle notes, the senior subordinated notes and

certain other unsecured debt. As of June 30, 2011, we had no outstanding borrowings under the Company's revolving credit agreement.

On June 1, 2011, the Company and certain lenders amended the Credit Agreement in order to extend the maturity for certain Revolving Credit Loans and Revolving Credit Commitments. In particular, the Company converted \$200.25 million of Revolving Credit Commitments and Revolving Credit Loans into new Revolving Tranche-2 Commitments and Revolving Tranche -2 Loans. The revolving facility is \$350 million until April 2013 and \$200.25 million from April 2013 through maturity.

The Company had the option every six months until April 15, 2011, at its election, to use the payment-in-kind ("PIK") feature of its \$565 million 9 1/2% /10 1/4 % Senior PIK-Election Notes due 2015 (the "Senior Toggle Notes") in lieu of making cash interest payments. While the Company had sufficient liquidity to meet its anticipated ongoing needs without use of this PIK feature, the Company elected to do so for the October 15, 2009 and April 15, 2010 interest payment dates as an efficient and cost-effective method to further enhance liquidity in light of the substantial dislocation in the financial markets at that time. During the PIK election period, the Senior Toggle Notes were subject to the PIK interest rate of 10 1/4%.

In connection with this election, on April 12, 2010, we delivered notice to The Bank of New York Mellon (formerly known as The Bank of New York), in its capacity as trustee under the indenture for the Company's outstanding Senior Toggle Notes, that, with respect to the interest due on such notes on the October 15, 2010 interest payment date, the Company would make such interest payment entirely in cash at the cash interest rate of 9.5%. As a result, the entirely cash interest election became the default election and the Company did not elect to change the cash interest election for the final interest election period ending April 15, 2011. Therefore, all remaining interest payments on the Senior Toggle Notes are to be paid entirely in cash in accordance with the terms of the indenture. We continue to believe that the Company's cash from operations and available borrowings under the revolving credit facility will be adequate to meet the Company's future liquidity needs for at least the next twelve months.

Cash Flows

Fiscal Year Ended June 30, 2011 Compared to the Fiscal Year Ended June 30, 2010

The following table summarizes our statement of cash flows from continuing operations for the fiscal year ended June 30, 2011 compared with the fiscal year ended June 30, 2010.

<u>(in millions)</u>	<u>Fiscal Year Ended 2011</u>	<u>Fiscal Year Ended 2010</u>	<u>Change</u>
Net cash provided by / (used in)			
Operating activities	\$ 114.7	\$ 237.4	\$(122.7)
Investing activities	(85.0)	(72.0)	(13.0)
Financing activities	(26.1)	(56.7)	30.6

Operating activities

For the fiscal period ended June 30, 2011, cash provided by operating activities was \$114.7 million compared to cash provided by operating activities of \$237.4 million for the fiscal year ended June 30, 2010. The reduction was primarily driven by our election to cease using the PIK feature of the Senior Toggle Notes in fiscal 2011 and to pay cash interest for the interest period ending on October 15, 2010. In addition, cash flow computations are impacted by changes in our interest rate swaps, foreign exchange rates impacting our liability accounts and the impact of our income tax provision on our accrued income tax payable balance.

Investing activities

For the fiscal period ended June 30, 2011, cash used in investing activities was \$85.0 million, an increase of \$13.0 million compared to the year ending June 30, 2010. The fluctuation was the result of higher fiscal year 2011 capital expenditures of \$89.2 million as compared to the same prior fiscal year period, offset by an increase in the cash proceeds from the sale of assets.

Financing activities

For the fiscal period ended June 30, 2011, cash used in financing activities was \$26.1 million compared to cash used in financing activities of \$56.7 million in the same period a year ago. The year-over-year fluctuation was primarily attributable to the repayments of \$36.0 million of borrowings from our revolving credit facility in the prior year period, with no such payment being made in the current year period.

Cash Flows

Fiscal Year Ended June 30, 2010 Compared to the Fiscal Year Ended June 30, 2009

The following table summarizes our statement of cash flows from continuing operations for the fiscal year ended June 30, 2010 compared with the fiscal year ended June 30, 2009.

<u>(in millions)</u>	<u>Fiscal Year Ended 2010</u>	<u>Fiscal Year Ended 2009</u>	<u>Change</u>
Net cash provided by / (used in)			
Operating activities	\$ 237.4	\$ 65.2	\$172.2
Investing activities	(72.0)	(76.2)	4.2
Financing activities	(56.7)	7.2	(63.9)

Operating activities

For the fiscal period ended June 30, 2010, cash provided by operating activities from continuing operations was \$237.4 million compared to cash provided by operating activities of \$65.2 million for the fiscal period ended June 30, 2009. Cash provided by operating activities for the fiscal year ended June 30, 2010 was largely due to the usage of the PIK feature of the Senior Toggle Notes, improved working capital, higher operating margins and lower cash interest payments on debt and other obligations for the fiscal year ended June 30, 2010 as compared with the fiscal year ended June 30, 2009.

Investing activities

For the fiscal period ended June 30, 2010, cash used in investing activities from continuing operations was \$72.0 million, a decrease of \$4.2 million compared to the fiscal period ending June 30, 2009, primarily driven by lower capital expenditures.

Financing activities

For the fiscal period ended June 30, 2010, cash used in financing activities from continuing operations was \$56.7 million compared to cash provided by financing activities of \$7.2 million in the same period a year ago. Cash used in the fiscal 2010 period was mainly attributable to repayments of \$36.0 million of borrowings from the revolving credit facility and \$19.6 million in net repayments of other short and long-term obligations. Cash provided by financing activities in the fiscal 2009 period was mainly due to net borrowings of \$36.0 million from the revolving credit facility, offset by net repayment of \$24.2 million in long-term obligations.

Debt and Financing Arrangements

At June 30, 2011, the Company had four outstanding interest rate swaps, which expire on April 10, 2013 and May 15, 2013, as derivative instruments to manage the risk associated with the Company's floating rate debt. The unrealized losses on our interest rate swaps that are designated as effective cash flow hedges for accounting purposes were \$36.9 million, net of tax and are recorded within Accumulated Other Comprehensive Loss on our balance sheet at June 30, 2011. The unrealized gains on our interest rate swaps, which are effective economic hedges but not designated as effective for financial reporting purposes were \$0.2 million and are recorded in other expense, net in our Consolidated Statements of Operations for the fiscal year ended June 30, 2011.

The Company uses interest rate swaps to manage the economic effect of variable rate interest obligations associated with our floating rate term loans so that the interest payable on the term loans effectively becomes fixed at a certain rate, thereby reducing the impact of future interest rate changes on our future interest expense. As of June 30, 2011, we had four interest rate swap agreements that have the economic effect of modifying the variable interest obligations associated with our floating rate term loans. These agreements include two U.S dollar-denominated, one Euro-denominated and one Yen-denominated interest rate swap agreements.

The current Japanese Yen interest rate swap was designed as an effective economic hedge but not designated as effective for financial reporting purposes and is included in the Consolidated Statements of Operations as Other (Income)/Expense. Conversely, unrealized gains/losses on the U.S. Dollar and Euro interest rate swaps are designated as effective hedges and are included in Accumulated Other Comprehensive Income/(Loss) and the corresponding payables are included in other current and non-current liabilities in our Consolidated Balance Sheet.

As of June 30, 2011, the Company was in compliance with all restrictive covenants related to its long-term obligations.

Senior Secured Credit Facilities

On April 10, 2007, in connection with the Acquisition, we entered into a \$1.8 billion senior secured credit facility consisting of: (i) an approximately \$1.4 billion term loan facility and (ii) a \$350 million revolving credit facility. We are required to repay the term loans in quarterly installments equal to 1% per annum of the original funded principal amount for the first six years and nine months, with the remaining amount payable on April 10, 2014. These repayments commenced on September 28, 2007.

On June 1, 2011, the Company and certain lenders amended the Credit Agreement in order to extend the maturity for certain Revolving Credit Loans and Revolving Credit Commitments. In particular, the Company converted \$200.25 million of Revolving Credit Commitments and Revolving Credit Loans into new Revolving Tranche-2 Commitments and Revolving Tranche -2 Loans. In addition, the Company extended the final maturity date of the converted facility to the ninth anniversary or April 10, 2016, subject to certain conditions regarding the refinancing or repayment of the Company's term loans, the senior toggle notes, the senior subordinated notes and certain other unsecured debt.

The revolving credit facility includes borrowing capacity available for letters of credit and for short-term borrowings. Borrowings under the term loan facility and the revolving credit facility bear interest, at our option, at a rate equal to an applicable margin over either (a) a base rate determined by reference to the higher of (1) the rate of interest per annum published by *The Wall Street Journal* from time to time, as the "prime lending rate" and (2) the federal funds rate plus 1/2 of 1% or (b) a LIBOR rate determined by reference to the costs of funds for deposits in the currency of such borrowing for the interest period relevant to such borrowing adjusted for certain additional costs. The applicable margins are variable subject to changes in the Company's total leverage ratio. The weighted-average interest rates during fiscal 2011 were approximately 3.08% and 2.51% for the Euro-denominated and US-dollar denominated term loans, respectively. In addition, the revolving credit facility weighted-average interest rate was approximately 2.5%.

In addition to paying interest on outstanding principal under our senior secured credit facilities, we are required to pay a commitment fee to the lenders under the revolving credit facility with respect to the unutilized commitments thereunder. The initial commitment fee is 0.5% per annum. The commitment fee may be reduced subject to our attaining certain leverage ratios. We are also required to pay customary letter of credit fees. As of June 30, 2011 the Company had no outstanding borrowings under the revolving credit facility.

The senior secured credit facilities are subject to amortization and prepayment requirements and contain certain covenants, events of default and other customary provisions.

Senior Notes

On April 10, 2007, in connection with the Acquisition, we issued \$565.0 million of 9.5%/ 10.25 % senior PIK-election fixed rate notes due 2015 ("Senior Toggle Notes"). The Senior Toggle Notes are unsecured senior obligations of the Company. Interest on the Senior Toggle Notes is payable semi-annually in arrears on each April 15 and October 15, which commenced on October 15, 2007. The PIK election feature expired with the interest period ended April 15, 2011. Therefore all remaining interest payments on the Senior Toggle Notes are to be paid entirely in cash at the cash interest rate of 9.5%. On and after April 15, 2011, we may redeem the Senior Toggle Notes at par plus specified declining premiums set forth in the indenture plus any accrued and unpaid interest to the date of redemption.

Senior Subordinated Notes

On April 10, 2007, in connection with the Acquisition, we issued €225.0 million 9 3/4 % Euro-denominated (\$300.3 million dollar equivalent at the exchange rate effective on the issue date) Senior Subordinated Notes due 2017 (the "Senior Subordinated Notes"). The Senior Subordinated Notes are unsecured senior subordinated obligations of the Company and are subordinated in right of payment to all existing and future senior indebtedness of the Company (including the senior credit facilities and the Senior Toggle Notes). Interest on the Senior Subordinated Notes is payable semi-annually in cash in arrears on each April 15 and October 15, such payments commencing on October 15, 2007.

At any time prior to April 15, 2012, we may redeem all or a part of the Senior Subordinated Notes at a redemption price equal to the principal amount plus a "make-whole" premium plus any accrued and unpaid interest to the date of redemption. On and after April 15, 2012, we may redeem the Senior Subordinated Notes at par plus specified declining premiums set forth in the senior subordinated indenture plus any accrued and unpaid interest to the date of redemption.

Guarantees and Security

All obligations under the senior secured credit agreement, the Senior Toggle Notes and the Senior Subordinated Notes (together, the "notes") are unconditionally guaranteed by each of the Company's existing U.S. wholly-owned subsidiaries, other than the Company's Puerto Rico subsidiaries, subject to certain exceptions.

All obligations under the senior secured credit facilities, and the guarantees of those obligations, are secured by substantially all of the following assets of the Company and each guarantor, subject to certain exceptions:

- a pledge of 100% of the capital stock of the Company and 100% of the equity interests directly held by the Company and each guarantor in any wholly-owned material subsidiary of the Company or any guarantor (which pledge, in the case of any non-U.S. subsidiary, will not include more than 65% of the voting stock of such non-U.S. subsidiary); and
- a security interest in, and mortgages on, substantially all tangible and intangible assets of the Company and of each guarantor, subject to certain limited exceptions.

Debt Covenants

The senior secured credit agreement and the indentures governing the Senior Toggle Notes and the Senior Subordinated Notes contain a number of covenants that, among other things, restrict, subject to certain exceptions, the Company's (and the Company's restricted subsidiaries') ability to incur additional indebtedness or issue certain preferred shares; create liens on assets; engage in mergers and consolidations; sell assets; pay dividends and distributions or repurchase capital stock; repay subordinated indebtedness; engage in certain transactions with affiliates; make investments, loans or advances; make certain acquisitions; in the case of the Company's senior credit agreement, enter into sale and leaseback transactions, amend material agreements governing the Company's subordinated indebtedness (including the Senior Subordinated Notes) and change the Company's lines of business.

The senior credit facility and indentures governing the Senior Toggle Notes and the Senior Subordinated Notes also contain change of control provisions and certain customary affirmative covenants and events of default. As of June 30, 2011, the Company was in compliance with all covenants related to its long-term obligations. The Company's long-term debt obligations do not contain any financial maintenance covenants.

Subject to certain exceptions, the senior credit agreement and the indentures governing the notes will permit the Company and its restricted subsidiaries to incur additional indebtedness, including secured indebtedness. None of the Company's non-U.S. subsidiaries or Puerto Rico subsidiaries is a guarantor of the loans or notes.

As market conditions warrant and subject to the Company's contractual restrictions and liquidity position, the Company, the Company's affiliates and/or the Company's major equity holders, including Blackstone and its affiliates, may from time to time repurchase the Company's outstanding debt securities, including the Senior Toggle Notes and the Senior Subordinated Notes and/or the Company's outstanding bank loans in privately negotiated or open market transactions, by tender or otherwise. Any such repurchases may be funded by incurring new debt, including additional borrowings under the Company's existing credit facility. Any new debt may also be secured debt. We may also use available cash on the Company's balance sheet. The amounts involved in any such transactions, individually or in the aggregate, may be material. Further, since some of the Company's debt may trade at a discount to the face amount, any such purchases may result in the Company's acquiring and retiring a substantial amount of any particular series, with the attendant reduction in the trading liquidity of any such series.

Under the indentures governing the notes, the Company's ability to engage in certain activities such as incurring certain additional indebtedness, making certain investments and paying certain dividends is tied to ratios based on Adjusted EBITDA (which is defined as "EBITDA" in the indentures).

Adjusted EBITDA is based on the definitions in the Company's indentures, is not defined under U.S. GAAP, and is subject to important limitations. We have included the calculations of Adjusted EBITDA for the period presented below as Adjusted EBITDA is the covenant compliance measure used in certain covenants under the indentures governing the notes, particularly those governing debt incurrence and restricted payments. Because not all companies use identical calculations, the Company's presentation of Adjusted EBITDA may not be comparable to other similarly titled measures of other companies.

Historical and Adjusted EBITDA

In calculating Adjusted EBITDA, we add back certain non-cash, non-recurring and other items that are included in the definitions of EBITDA and consolidated net income as required in the indentures governing the notes. Adjusted EBITDA, among other things:

- does not include non-cash stock-based employee compensation expense and certain other non-cash charges;
- does not include cash and non-cash restructuring, severance and relocation costs incurred to realize future cost savings and enhance our operations;
- adds back noncontrolling interest expense, which represents minority investors' ownership of certain of our consolidated subsidiaries and is, therefore, not available to us; and
- includes estimated cost savings which have not yet been fully reflected in our results.

Our Adjusted EBITDA for the fiscal year ended June 30, 2011 based on the definitions in our indentures is calculated as follows:

<u>(in millions)</u>	<u>Last Twelve Months Ended June 30, 2011</u>
Loss from continuing operations	\$ (39.5)
Interest expense, net	165.5
Income tax benefit	24.1
Depreciation and amortization	119.5
Noncontrolling interest	(3.9)
EBITDA from continuing operations	265.7
Equity compensation ⁽¹⁾	3.9
Impairment charges and (gain)/loss on sale of assets ⁽²⁾	3.5
Restructuring and other special items ⁽³⁾	27.0
Property and casualty losses ⁽⁴⁾	11.6
Unrealized foreign exchange loss/(gain) (included in other expense (income), net) ⁽⁵⁾	25.5
Other adjustments	3.1
Advisory monitoring fee ⁽⁶⁾	10.6
Adjusted EBITDA	<u>\$ 350.9</u>

- (1) Reflects non-cash stock-based compensation expense under the provisions of ASC 718 *Compensation – Stock Compensation*.
- (2) Reflects non-cash asset impairment charges and losses from the sale of assets not included in restructuring and other special items discussed below.
- (3) Restructuring and other special charges of \$27.0 million were primarily attributable to restructuring activities which focus on various aspects of operations, including consolidating certain operations, rationalizing headcount and aligning operations in a more strategic and cost-efficient structure to optimize our business.
- (4) Primarily reflects property and casualty losses resulting from fire damage to a U.K. packaging services operation. Costs are primarily related to inventory losses and other transition costs resulting from the fire. See Note 14 to the financial statements.
- (5) Reflects \$13.2 million of unrealized foreign currency translation recorded on inter-company loans denominated in a currency different from the functional currency of either the borrower or the lender. These unrealized losses were offset by the exclusion of realized foreign currency exchange rate losses from the non-cash and cash settlement of inter-company loans of \$12.4 million. Inter-company loans are between Catalent entities and do not reflect the ongoing results of the companies trade operations.
- (6) Represents amount of sponsor advisory fee. See Related Party Transactions (Note 10) of the audited Consolidated Financial Statements.

Interest Risk Management

A portion of the debt used to finance the Company's operations is exposed to interest rate fluctuations. We may use various hedging strategies and derivative financial instruments to create an appropriate mix of fixed and floating rate assets and liabilities. The primary interest rate exposure as of June 30, 2011 is to interest rate fluctuations in the United States and Europe, especially USD LIBOR and EURIBOR interest rates. We currently use interest rate swaps as the derivative instruments in these hedging strategies. The derivatives used to manage the risk associated with the Company's floating USD LIBOR and EURIBOR rate debt were designated as effective cash flow hedges. The derivative used to manage the risk associated with the Company's floating TIBOR (Tokyo inter-bank Domestic Yen Offered rate) rate debt is an effective economic hedge but is not designated as an effective cash flow hedge for financial reporting purposes.

Currency Risk Management

Periodically, we may utilize forward currency exchange contracts to manage the Company's exposures to the variability of cash flows primarily related to the foreign exchange rate changes of future foreign currency transaction costs. In addition, we may utilize foreign currency forward contracts to protect the value of existing foreign currency assets and liabilities. Currently, we do not utilize foreign currency exchange contracts. We expect to continue to evaluate hedging opportunities for foreign currency in the future.

Contractual Obligations

The following table summarizes our future contractual obligations as of June 30, 2011:

<u>(in millions)</u>	<u>2012</u>	<u>2013 -2014</u>	<u>2015 - 2016</u>	<u>Thereafter</u>	<u>Total</u>
Long-term debt obligations ⁽¹⁾	\$184.4	\$1,661.8	\$738.5	\$ 338.5	\$2,923.2
Capital lease obligations ⁽²⁾	2.1	3.3	2.8	17.8	26.0
Operating leases ⁽³⁾	14.9	18.4	5.4	0.9	39.6
Purchase obligations ⁽⁴⁾	38.2	1.2	—	—	39.4
Other long-term liabilities	43.7	6.3	6.5	37.1	93.6
Total financial obligations	<u>\$283.3</u>	<u>\$1,691.0</u>	<u>\$753.2</u>	<u>\$ 394.3</u>	<u>\$3,121.8</u>

- (1) Represents maturities of our long-term debt obligations excluding capital lease obligations. Amounts include interest expense based on projected interest rates through the end of the term loans.
- (2) Represents maturities of our capital lease obligations included within long-term debt on our balance sheet.
- (3) Represents minimum rental payments and the related estimated future interest payments for operating leases having initial or remaining non-cancelable lease terms.
- (4) Purchase obligations includes agreements to purchase goods or services that are enforceable and legally binding which specify all significant terms, including the following: fixed or minimum quantities to be purchased; fixed, minimum or variable price provisions; and approximate timing of the transaction. Purchase obligations disclosed above may include estimates of the time period in which cash outflows will occur. Purchase orders entered into in the normal course of business and authorizations to purchase that involve no firm commitment from either party are excluded from the above table. In addition, contracts that can be unilaterally cancelled with no termination fee or with proper notice are excluded from our total purchase obligations except for the amount of the termination fee or the minimum amount of goods that must be purchased during the requisite notice period.

Off-Balance Sheet Arrangements

With the exception of operating leases and our participation in multiemployer plan, we do not have any off-balance sheet arrangements as of June 30, 2011. Reference is made to Note 10 of the consolidated financial statements for additional information.

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

We are exposed to cash flow and earnings fluctuations as a result of certain market risks. These market risks primarily relate to changes in interest rates associated with our long-term debt obligations and foreign exchange rate changes. We utilize derivative financial instruments, such as interest rate swaps, in order to mitigate risk associated with our variable rate debt.

Interest Rate Risk

The Company uses interest rate swaps to manage the economic effect of variable rate interest obligations associated with our floating rate term loans and so that the interest payable on the term loans effectively becomes fixed at a certain rate, thereby reducing the impact of future interest rate changes on our future interest expense. As of June 30, 2011, we had four interest rate swap agreements that have the economic effect of modifying the variable interest obligations associated with our floating rate term loans due in April and May 2013. These agreements include two U.S dollar-denominated, one Euro-denominated and one Yen-denominated interest rate swap agreements.

As of June 30, 2011, the Company had three outstanding interest rate derivatives, three of which were effective June 30, 2011 with a combined notional value of \$760.0 million and €240.0 million. These instruments are designated for financial accounting purposes as cash flow hedges of interest rate risk. Amounts reported in Accumulated Other Comprehensive Income related to derivatives will be reclassified to interest expense as interest payments are made on the Company's variable-rate debt. In addition, the Company has a Japanese Yen interest rate swap which is economically effective but is not designated as an effective hedge for financial reporting and is included in the Consolidated Statements of Operations as Other (Income)/Expense. After taking into consideration our ratio of fixed-to-floating rate debt, a 100 basis point increase in such rates would increase our annual interest expense by approximately \$2.8 million.

Foreign Currency Exchange Risk

By nature of our global operations, we are exposed to cash flow and earnings fluctuations resulting from foreign exchange rate variation. These exposures are transactional and translational in nature. Since we manufacture and sell our products throughout the world, our foreign currency risk is diversified. Principal drivers of this diversified foreign exchange exposure include the European Euro, British pound, Argentinean peso, Brazilian real, Japanese Yen and Australian dollar. Our transactional exposure arises from the purchase and sale of goods and services in currencies other than the functional currency of our operational units. We also have exposure related to the translation of financial statements of our foreign divisions into U.S. dollars, the functional currency of the parent. The financial statements of our operations outside the U.S. are measured using the local currency as the functional currency. Adjustments to translate the assets and liabilities of these foreign operations in U.S. dollars are accumulated as a component of other comprehensive income utilizing period-end exchange rates. Foreign currency transaction gains and losses calculated by utilizing weighted average exchange rates for the period are included in the statements of operations in "other expense, net". Such foreign currency transaction gains and losses include inter-company loans denominated in non-U.S. dollars currencies.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

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Report of Independent Registered Public Accounting Firm

The Board of Directors and Shareholder
Catalent Pharma Solutions, Inc.

We have audited the accompanying consolidated balance sheets of Catalent Pharma Solutions, Inc. and subsidiaries (the Company) as of June 30, 2011 and 2010, and the related consolidated statements of operations, changes in shareholder's equity, and cash flows for each of the three years in the period ended June 30, 2011. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. We were not engaged to perform an audit of the Company's internal control over financial reporting. Our audits included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Catalent Pharma Solutions, Inc. and subsidiaries at June 30, 2011 and 2010 and the consolidated results of their operations and their cash flows for each of the three years in the period ended June 30, 2011, in conformity with U.S. generally accepted accounting principles.

/s/ Ernst & Young LLP

MetroPark, New Jersey
September 16, 2011

Catalent Pharma Solutions, Inc. and Subsidiaries
Consolidated Statements of Operations
(in millions)

	Year Ended June 30, 2011	Year Ended June 30, 2010	Year Ended June 30, 2009
Net revenue	\$ 1,640.3	\$ 1,626.2	\$ 1,561.6
Cost of products sold	1,121.8	1,159.9	1,166.6
Gross margin	518.5	466.3	395.0
Selling, general and administrative expenses	311.2	297.4	269.8
Impairment charges and (gain)/loss on sale of assets	3.6	234.8	175.8
Restructuring and other	14.7	24.6	16.4
Property and casualty losses, net	11.6	—	—
Operating earnings, income/(loss)	177.4	(90.5)	(67.0)
Interest expense, net	165.5	161.0	181.7
Other (income)/expense, net	27.3	(5.4)	(14.4)
Earnings/(loss) from continuing operations before income taxes	(15.4)	(246.1)	(234.3)
Income tax expense/(benefit)	24.1	21.6	17.2
Earnings/(loss) from continuing operations	(39.5)	(267.7)	(251.5)
Earnings/(loss) from discontinuing operations, net of tax expense/(benefit) \$0.5 million, \$(0.1) million and \$3.8 million, respectively	(10.6)	(19.3)	(57.2)
Net earnings/(loss)	(50.1)	(287.0)	(308.7)
Net earnings/(loss) attributable to noncontrolling interest, net of tax \$(1.0) million, \$0.4 million and \$0.1 million, respectively	3.9	2.6	(0.6)
Net earnings/(loss) attributable to Catalent	<u>\$ (54.0)</u>	<u>\$ (289.6)</u>	<u>\$ (308.1)</u>

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

Catalent Pharma Solutions, Inc. and Subsidiaries
Consolidated Balance Sheets
(in millions, except shares)

	June 30, 2011	June 30, 2010
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 205.1	\$ 164.0
Trade receivables, net	274.8	236.7
Inventories, net	139.7	136.5
Prepaid expenses and other	104.0	92.7
Assets held for sale	—	52.6
Total current assets	723.6	682.5
Property and equipment, net	759.5	719.4
Other assets:		
Goodwill	906.0	848.9
Other intangibles, net	290.6	296.6
Deferred income taxes	114.8	138.3
Other	36.7	41.7
Total assets	<u>\$ 2,831.2</u>	<u>\$ 2,727.4</u>
LIABILITIES AND SHAREHOLDER'S EQUITY		
Current liabilities:		
Current portion of long-term obligations and other short-term borrowings	\$ 28.7	\$ 30.2
Accounts payable	129.1	120.3
Other accrued liabilities	227.2	216.9
Liabilities held for sale	—	14.6
Total current liabilities	385.0	382.0
Long-term obligations, less current portion	2,318.6	2,239.8
Pension liability	78.5	100.6
Deferred income taxes	192.7	198.7
Other liabilities	66.3	69.8
Commitment and contingencies (see Note 14)		
Shareholder's equity:		
Common stock \$0.01 par value; 1,000 shared authorized, 100 shares issued	—	—
Additional paid in capital	1,082.0	1,074.2
Accumulated deficit	(1,341.7)	(1,287.7)
Accumulated other comprehensive (loss) income	46.0	(48.5)
Total Catalent shareholder's (deficit)/equity	(213.7)	(262.0)
Noncontrolling interest	3.8	(1.5)
Total (deficit)/equity	(209.9)	(263.5)
Total liabilities and shareholder's equity	<u>\$ 2,831.2</u>	<u>\$ 2,727.4</u>

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

Catalent Pharma Solutions, Inc. and Subsidiaries
Consolidated Statements of Changes in Shareholder's Equity
(in millions)

	<u>Common Stock</u>	<u>Additional Paid In</u>	<u>Accumulated Deficit</u>	<u>Accumulated Other Comprehensive (Loss)/Income</u>	<u>Noncontrolling Interest</u>	<u>Total Shareholder's (Deficit)/ Equity</u>
Balance at June 30, 2008	\$ —	\$1,072.6	\$ (690.0)	\$ 201.0	\$ 8.5	\$ 592.1
Equity redemption		(1.3)				(1.3)
Comprehensive loss:						
Net loss			(308.1)		(0.6)	(308.7)
Distribution related to noncontrolling interest					(3.3)	(3.3)
Foreign currency translation adjustments				(164.8)	0.1	(164.7)
Net change in minimum pension liability, net of \$6.0 million tax				(24.8)	(1.6)	(26.4)
Change in unrealized loss on derivatives, net of \$3.9 million tax				(6.9)		(6.9)
Total comprehensive loss						(510.0)
Equity compensation		(0.3)				(0.3)
Balance at June 30, 2009	\$ —	\$1,071.0	\$ (998.1)	\$ 4.5	3.1	\$ 80.5
Equity contribution		0.6				0.6
Comprehensive loss:						
Net income (loss)			(289.6)		2.6	(287.0)
Distribution related to noncontrolling interest					(1.7)	(1.7)
Foreign currency translation adjustments				(21.5)		(21.5)
Net change in minimum pension liability, net of \$1.8 million tax				(1.3)	(5.5)	(6.8)
Deferred compensation, net of tax				(0.3)		(0.3)
Change in unrealized loss on derivatives, net of \$0 million tax				(29.9)		(29.9)
Total comprehensive loss						(347.2)
Equity compensation		2.6				2.6
Balance at June 30, 2010	\$ —	\$1,074.2	\$ (1,287.7)	\$ (48.5)	\$ (1.5)	\$ (263.5)
Equity contribution		3.9				3.9
Comprehensive loss:						
Net income (loss)			(54.0)		3.9	(50.1)
Distribution related to noncontrolling interest					(2.6)	(2.6)
Foreign currency translation adjustments				62.4	(0.4)	62.0
Net change in minimum pension liability, net of \$6.8 million tax				18.7	4.4	23.1
Deferred compensation, net of tax				0.9		0.9
Change in unrealized loss on derivatives, net of \$0 million tax				12.5		12.5
Total comprehensive income						45.8
Equity compensation		3.9				3.9
Balance at June 30, 2011	\$ —	\$1,082.0	\$ (1,341.7)	\$ 46.0	\$ 3.8	\$ (209.9)

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

Catalent Pharma Solutions, Inc. and Subsidiaries
Consolidated Statements of Cash Flows
(in millions)

	For the Year Ended <u>June 30, 2011</u>	For the Year Ended <u>June 30, 2010</u>	For the Year Ended <u>June 30, 2009</u>
CASH FLOWS FROM OPERATING ACTIVITIES:			
Net (loss)/earnings	\$ (50.1)	\$ (287.0)	\$ (308.7)
Loss from discontinued operations	(10.6)	(19.3)	(57.2)
(Loss)/earnings from continuing operations	(39.5)	(267.7)	(251.5)
Adjustments to reconcile (loss)/earnings from continued operations to net cash from operations:			
Depreciation and amortization	119.5	123.7	132.9
Unrealized foreign currency transaction (gains)/losses, net	13.2	(28.3)	(29.6)
Amortization of debt financing costs	10.0	9.6	9.6
Deferral of interest through utilization of PIK	—	59.4	—
Asset impairments and (gain)/loss on sale of assets	3.6	234.8	175.8
Equity compensation	3.9	2.6	(0.3)
Provision (benefit) for deferred income taxes	6.5	(10.2)	(3.2)
Provision for bad debts and inventory	8.2	17.1	14.2
Change in operating assets and liabilities:			
Decrease/(increase) in trade receivables	(17.5)	7.1	34.1
Decrease/(increase) in inventories	1.4	18.7	(10.6)
Increase/(decrease) in accounts payable	(1.9)	9.3	0.8
Other accrued liabilities and operating items, net	7.3	61.3	(7.0)
Net cash provided by /(used in) operating activities from continuing operations	114.7	237.4	65.2
Net cash provided by/(used in) operating activities from discontinued operations	(15.0)	(3.6)	11.0
Net cash provided by/(used in) operating activities	99.7	233.8	76.2
CASH FLOWS FROM INVESTING ACTIVITIES:			
Proceeds from sale of property and equipment	4.2	1.3	2.0
Acquisition of property and equipment and other productive assets	(92.7)	(73.3)	(78.2)
Net cash provided by/(used in) investing activities from continuing operations	(88.5)	(72.0)	(76.2)
Net cash provided by/(used in) investing activities from discontinued operations	38.1	5.3	(8.1)
Net cash provided by/(used in) investing activities	(50.4)	(66.7)	(84.3)
CASH FLOWS FROM FINANCING ACTIVITIES:			
Net change in short-term borrowings	(3.3)	1.1	(1.4)
Repayments of revolver credit facility	—	(36.0)	(68.0)
Borrowings from revolver credit facility	—	—	104.0
Repayments of long-term obligations	(24.1)	(20.7)	(22.8)
Distribution to noncontrolling interest holder	(2.6)	(1.7)	(3.3)
Equity contribution (redemption)	3.9	0.6	(1.3)
Net cash (used in)/ provided by financing activities from continuing operations	(26.1)	(56.7)	7.2
Net cash (used in)/provided by financing activities from discontinued operations	—	—	—
Net cash (used in)/provided by financing activities	(26.1)	(56.7)	7.2
Effect of foreign currency on cash	17.9	(10.3)	(7.6)
NET INCREASE/(DECREASE) IN CASH AND EQUIVALENTS	41.1	100.1	(8.5)
CASH AND EQUIVALENTS AT BEGINNING OF PERIOD	164.0	63.9	72.4
CASH AND EQUIVALENTS AT END OF PERIOD	\$ 205.1	\$ 164.0	\$ 63.9
SUPPLEMENTARY CASH FLOW INFORMATION:			
Interest paid	\$ 157.6	\$ 98.6	\$ 169.4
Taxes paid	\$ 20.6	\$ 20.9	\$ 18.6

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

Catalent Pharma Solutions, Inc. and Subsidiaries
Notes to Consolidated Financial Statements
(in millions, except shares)

1. BASIS OF PRESENTATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Business

Catalent Pharma Solutions, Inc. (“Catalent”, the “Company”) is a direct wholly-owned subsidiary of PTS Intermediate Holdings LLC (“Intermediate Holdings”). Intermediate Holdings is a direct wholly-owned subsidiary of PTS Holdings Corp. (“Parent”) and Parent is 100% owned by Phoenix Charter LLC (“Phoenix”) and certain members of the Company’s senior management. Phoenix is wholly-owned by BHP PTS Holdings L.L.C., an entity controlled by affiliates of The Blackstone Group (“Blackstone”), a global private investment and advisory firm.

The Company is one of the leading providers of development solutions and advanced drug delivery technologies for the global pharmaceutical, biotechnology and consumer health industry. Our advanced delivery technologies, the broadest and most diverse range of formulation, dose form, manufacturing expertise and intellectual property available to the industry, enable our customers to bring more products and better treatments to market. We report our financial results in a manner prescribed by U.S. GAAP and in four operating segments: Development and Clinical Services, Oral Technologies, Sterile Technologies and Packaging Services. The Oral Technologies segment includes the softgel and modified release offerings; the Sterile Technologies segment includes the injectables and blow-fill-seal offerings; the Packaging Services segment includes the commercial packaging offerings; and Development and Clinical Services includes the analytical, respiratory and biotechnology offerings as well as clinical supply and regulatory consulting services.

- ***Development and Clinical Services.*** We provide manufacturing, packaging, storage and inventory management for drugs and biologics in clinical trials. We offer customers flexible solutions for clinical supplies production, and provide distribution and inventory management support for both simple and complex clinical trials. This includes dose form manufacturing or over-encapsulation where needed, supplying placebos, comparator drug procurement, clinical packages and kits for physicians and patients, inventory management, investigator kit ordering and fulfillment, and return supply reconciliation and reporting. We support global trials through our facilities and distribution network. We also offer analytical chemical and cell-based testing and scientific services, respiratory products formulation and manufacturing, regulatory consulting, and proprietary biologics expression technology and development. We have five manufacturing facilities, including three in North America and two in Europe.
- ***Oral Technologies.*** We provide advanced oral delivery technologies, including formulation, development and manufacturing services for most of the major oral dose forms on the market today. Our advanced oral drug delivery technologies are used in many well-known customer products and include proprietary delivery technologies for drugs and consumer health products. We also provide formulation, development and manufacturing for conventional oral dose forms, including controlled release formulations, as well as immediate release tablets and capsules. Certain facilities also provide on-site primary packaging services. There are twelve Oral Technologies facilities in nine countries, including three in North America, five in Europe, two in South America and two in the Asia-Pacific region.
- ***Sterile Technologies.*** Sterile drugs may be injected, inhaled, or applied to the eye, ear, or other areas, and we offer both proprietary and traditional dose forms necessary for these separate routes of administration. For injectable drugs, we provide formulation and development for injectables. We also fill drugs or biologics into pre-filled syringes, bags and other sterile delivery formats. For respiratory, ophthalmic and other routes of administration, our blow-fill-seal technology provides integrated dose form creation and filling of sterile liquids in a single process, which offers cost and quality benefits for our customers. The complexity of aseptic manufacturing, high start-up capital requirements, long lead time and stringent regulatory requirements serve as significant barriers to market entry. We have three Sterile Technologies manufacturing facilities, including one in North America and two in Europe.
- ***Packaging Services.*** We provide extensive packaging services for pharmaceuticals, biologics, consumer health and veterinary products, both on a standalone basis and as part of integrated supply-chain solutions that span both manufacturing and packaging. Our Packaging Services segment offers packaging into blisters, bottles, pouches and unit doses, specialty vial or syringe labeling and kitting for injectables, and adherence-enhancing packaging. We operate through a network of three facilities including two in North America and one in Europe.

Basis of Presentation

These financial statements include our parent company and all subsidiaries, including those operating outside the United States (U.S) and are prepared in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP). All significant transactions among our businesses have been eliminated.

Reclassifications

We made certain reclassifications to conform the prior periods' consolidated financial statements and notes to the current period presentation including reclassification of the financial results of a site in Schorndorf, Germany from the Packaging Services segment unit to the Oral Technologies segment and certain income tax reclassifications within the guarantor/non guarantor financial statements. In addition, during the fiscal year we classified the printed component operations of the Packaging Services segment unit as a held for sale operation to be discontinued. Accordingly, all prior period financial information has been reclassified within the financial statements to discontinued operations captions on the statements of operations and cash flow. See Note 2 for further discussion.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles in the United States requires management to make estimates and assumptions that affect amounts reported in the financial statements and accompanying notes. Such estimates include, but are not limited to, allowance for doubtful accounts, inventory and long-lived asset valuation, goodwill and other intangible asset impairment, equity-based compensation, income taxes, derivative financial instruments, self-insurance accruals, loss contingencies and restructuring charge reserves. Actual amounts may differ from these estimated amounts.

Translation and Transaction of Foreign Currencies

The financial statements of the Company's operations outside the U.S. are generally measured using the local currency as the functional currency. Adjustments to translate the assets and liabilities of these foreign operations into U.S. dollars are accumulated as a component of other comprehensive income utilizing period-end exchange rates. In addition, the currency fluctuation associated with the Company's Euro-denominated debt is included as a component of other comprehensive income. Foreign currency transaction gains and losses calculated by utilizing weighted average exchange rates for the period are included in the statements of operations in "other expense, net". Such foreign currency transaction gains and losses include inter-company loans that are not permanently reinvested.

Revenue Recognition

In accordance with Accounting Standard Codification ("ASC") 605 *Revenue Recognition*, the Company recognizes revenue when persuasive evidence of an arrangement exists, product delivery has occurred or the services have been rendered, the price is fixed or determinable and collectability is reasonably assured. Revenue is recognized net of sales returns and allowances.

Manufacturing and packaging revenue is recognized either upon shipment or delivery of the product, in accordance with the terms of the contract, which specify when transfer of title occurs. Some of the Company's manufacturing contracts with its customers have annual minimum purchase requirements. At the end of the contract year, revenue is recognized for the remaining purchase obligation in accordance with the contract terms.

Non-product revenue includes service fees, royalty fees, annual exclusivity fees, option fees to extend exclusivity agreements and milestone payments for attaining certain regulatory approvals and are recognized at fair value. Exclusivity payments are paid by customers in return for the Company's commitment to manufacture certain products for those customers only. The revenue related to these agreements is recognized over the term of the exclusivity agreement or the term of the option agreement unless a particular milestone is designated, in which case revenue is recognized when service obligations or performance have been completed.

Arrangements containing multiple revenue generating activities are accounted for in accordance with applicable accounting guidance included within the framework of U.S. GAAP. If the deliverable meets the criteria of a separate unit of accounting, the arrangement revenue is allocated to each element based upon its relative fair value. Generally, in cases where we have multiple contracts with the same customer we treat such contracts as separate arrangements.

Cash and Cash Equivalents

All liquid investments purchased with an original maturity of three months or less are considered to be cash and equivalents. The carrying value of these cash equivalents approximates fair value.

Receivables and Allowance for Doubtful Accounts

Trade receivables are primarily comprised of amounts owed to the Company through its operating activities and are presented net of an allowance for doubtful accounts. The Company monitors past due accounts on an ongoing basis and establishes appropriate reserves to cover probable losses. An account is considered past due on the first day after its due date. We make judgments as to our ability to collect outstanding receivables and provide allowances when it is assessed that all or a portion of the receivable will not be collected. The Company determines its allowance by considering a number of factors, including the length of time accounts receivable are past due, the Company's previous loss history, the specific customer's ability to pay its obligation to the Company, and the condition of the general economy and the customer's industry. The Company writes off accounts receivable when they become uncollectible.

Concentrations of Credit Risk and Major Customers

Concentration of credit risk, with respect to accounts receivable, is limited due to the large number of customers and their dispersion across different geographic areas. The customers are primarily concentrated in the pharmaceutical and healthcare industry. The Company normally does not require collateral or any other security to support credit sales. The Company performs ongoing credit evaluations of its customers' financial conditions and maintains reserves for credit losses. Such losses historically have been within the Company's expectations. During fiscal year 2011, the Company provided products and services to two customers who accounted for 10.4% and 10.8%, respectively of the Company's net revenue. No single customer exceeded 10% of accounts receivable as of June 30, 2011.

Inventories

Inventory is stated at the lower of cost or market, using the first-in, first-out ("FIFO") method. The Company provides reserves for excess, obsolete or slow-moving inventory based on changes in customer demand, technology developments or other economic factors. Inventory consists of costs associated with raw material, labor and overhead.

Goodwill

The Company accounts for purchased goodwill and intangible assets with indefinite lives in accordance with Codification Statement *ASC 350 Intangibles - Goodwill and Other* (ASC 350). Under ASC 350, goodwill and intangible assets with indefinite lives are no longer amortized, but instead are tested for impairment at least annually. Intangible assets with finite lives, primarily including customer relationships and patents and trademarks, continue to be amortized over their useful lives. The Company determines the fair value of its reporting units utilizing estimated future discounted cash flows and incorporates assumptions that it believes marketplace participants would utilize and comparative market information. Goodwill and other indefinite-lived intangible assets are tested for impairment and written down to fair value, in accordance with ASC 350. The Company's impairment analysis is partially based on a discounted cash flow analysis and incorporates assumptions that it believes marketplace participants would utilize. The discount rate used for impairment testing is based on the risk-free rate plus an adjustment for market and company-specific risk factors. The use of alternative estimates or adjusting the discount rate used could affect the estimated fair value of the assets and potentially result in more or less impairment. Any identified impairment would result in an adjustment to the Company's results of operations. The Company has elected to perform its annual impairment analysis during its fourth fiscal quarter.

Property and Equipment and Other Definite Lived Intangible Assets

Property and equipment are stated at cost. Depreciation expense is computed using the straight-line method over the estimated useful lives of the assets, including capital lease assets that are amortized over the shorter of their useful lives or the terms of the respective leases. The Company generally uses the following range of useful lives for its property and equipment categories: buildings and improvements—5 to 50 years; machinery and equipment—3 to 20 years; and furniture and fixtures—3 to 10 years. Depreciation expense was \$ 90.3 million, \$93.1 million and \$95.1 million for the fiscal years ended June 30, 2011, June 30, 2010 and June 30, 2009, respectively. The Company charges repairs and maintenance costs to expense as incurred. The amount of capitalized interest was immaterial for all periods presented.

The Company evaluates the recoverability of its other long-lived assets, including amortizing intangible assets, if circumstances indicate impairment may have occurred pursuant to Codification Standard *ASC 360 Property, Plant and Equipment* (ASC 360). This analysis is performed by comparing the respective carrying values of the assets to the current and expected future cash flows, on an undiscounted basis, to be generated from such assets. If such analysis indicates that the carrying value of these assets is not recoverable, the carrying value of such assets is reduced to fair value through a charge to the Consolidated Statements of Operations. Fair value is determined based on assumptions the Company believes marketplace participants would utilize and comparable marketplace information in similar arms length transactions.

Assets Held for Sale and Discontinued Operations

We classify long-lived assets or a component entity as assets held for sale when the criteria have been met, in accordance with ASC 360, *Property, Plant, and Equipment* (“ASC 360”). Further, we classify component entities as operations which have been discontinued when the criteria of ASC 205-20, *Discontinued Operations* (“ASC 205”) are met and the operations and cash flows have been or will be eliminated from the ongoing operations and we have no significant continuing involvement in the operations of the component after the disposal transaction. During fiscal year 2011, we completed the sale of our printed component operations and concluded the operations of which qualify as component entity which is permitted to be categorized as a discontinued operation. See Note 2 to these financial statements for additional information.

Derivative Instruments, Hedging Activities and Fair Value

Derivatives Instruments

The Company is exposed to certain risks arising from both its business operations and economic conditions. The Company principally manages its exposures to a wide variety of business and operational risks through management of its core business activities. The Company manages economic risks, including interest rate, liquidity, and credit risk primarily by managing the amount, sources and duration of its debt funding and the use of derivative financial instruments. Specifically, the Company enters into derivative financial instruments to manage exposures that arise from business activities that result in the receipt or payment of future known and uncertain cash amounts, the value of which are determined by interest rates. The Company’s derivative financial instruments are used to manage differences in the amount, timing, and duration of the Company’s known or expected cash receipts and its known or expected cash payments principally related to the Company’s borrowings. The Company does not net any of its derivative positions under master netting arrangements.

Hedging Activities

The Company’s objectives in using interest rate derivatives are to add stability to interest expense and to manage its exposure to interest rate movements. To accomplish this objective, the Company primarily uses interest rate swaps as part of its interest rate risk management strategy. Interest rate swaps designated as cash flow hedges involve the receipt of variable-rate amounts from a counterparty in exchange for the Company making fixed-rate payments over the life of the agreements without exchange of the underlying notional amount.

The effective portion of changes in the fair value of derivatives designated and that qualify as cash flow hedges for financial reporting purposes is recorded in Accumulated Other Comprehensive Income on the balance sheet and is subsequently reclassified into earnings in the period that the hedged forecasted transaction affects earnings. During fiscal years 2011, 2010 and 2009, such derivatives were used to hedge the variable cash flows associated with existing variable-rate debt. The ineffective portion of the change in fair value of the derivatives is recognized directly in earnings.

Fair Value

The Company is required to measure certain assets and liabilities at fair value, either upon initial measurement or for subsequent accounting or reporting. We use fair value extensively in the initial measurement of net assets acquired in a business combination and when accounting for and reporting on certain financial instruments. We estimate fair value using an exit price approach, which requires, among other things, that we determine the price that would be received to sell an asset or paid to transfer a liability in an orderly market. The determination of an exit price is considered from the perspective of market participants, considering the highest and best use of assets and, for liabilities, assuming the risk of non-performance will be the same before and after the transfer. A single estimate of fair value results from a complex series of judgments about future events and uncertainties and relies heavily on estimates and assumptions. When estimating fair value, depending on the nature and complexity of the assets or liability, we may use one or all of the following approaches:

- Market approach, which is based on market prices and other information from market transactions involving identical or comparable assets or liabilities.
- Cost approach, which is based on the cost to acquire or construct comparable assets less an allowance for functional and/or economic obsolescence.
- Income approach, which is based on the present value of the future stream of net cash flows.

These fair value methodologies depend on the following types of inputs:

- Quoted prices for identical assets or liabilities in active markets (called Level 1 inputs).
- Quoted prices for similar assets or liabilities in active markets or quoted prices for identical or similar assets or liabilities in markets that are directly or indirectly observable (called Level 2 inputs).
- Unobservable inputs that reflect estimates and assumptions (called level 3 inputs).

Self Insurance

The Company is partially self-insured for certain employee health benefits and partially self-insured for product liability and workers compensation claims. Accruals for losses are provided based upon claims experience and actuarial assumptions, including provisions for incurred but not reported losses.

Equity-Based Compensation

The Company accounts for its stock-based compensation awards in accordance with Accounting Standard Codification *ASC 718 Compensation – Stock compensation* (ASC 718). ASC 718 requires companies to recognize compensation expense using a fair-value based method for costs related to share-based payments including stock options and employee stock purchase plans. The expense is measured based on the grant date fair value of the awards that are expected to vest, and the expense is recorded over the applicable requisite service period. In the absence of an observable market price for a share-based award, the fair value is based upon a valuation methodology that takes into consideration various factors, including the exercise price of the award, the expected term of the award, the current price of the underlying shares, the expected volatility of the underlying share price based on peer companies, the expected dividends on the underlying shares and the risk-free interest rate.

Shipping and Handling

Shipping and handling costs are included in cost of products sold in the Consolidated Statements of Operations. Shipping and handling revenue received was immaterial for all periods presented and is presented within net revenues.

Accumulated Other Comprehensive Income/(Loss)

Accumulated other comprehensive income/(loss), which is reported in the accompanying Consolidated Statements of Changes in Shareholder's Equity, consists of net earnings/(loss), foreign currency translation, deferred compensation, dividend distribution, minimum pension liability and unrealized gains and losses from derivatives.

Research and Development Costs

The Company expenses research and development costs as incurred. Costs incurred in connection with the development of new offerings and manufacturing process improvements are recorded within Selling General & Administrative Expenses. Such research and development costs included in selling, general and administrative expenses amounted to \$26.5 million, \$21.8 million and \$12.5 million, for fiscal years ended June 30, 2011, June 30, 2010 and June 30, 2009, respectively. Costs incurred in connection with research and development services we provide to customers and services performed in support of the commercial manufacturing process for customers are recorded within Cost of Sales. Such research and development costs included in cost of sales amounted to \$31.8 millions, \$31.6 million and \$32.6 million, for fiscal years ended June 30, 2011, June 30, 2010 and June 30, 2009, respectively.

Income Taxes

In accordance with the standard codification of *ASC 740 Income Taxes* (ASC 740) the Company accounts for income taxes using the asset and liability method. The asset and liability method requires recognition of deferred tax assets and liabilities for expected future tax consequences of temporary differences that currently exist between tax bases and financial reporting bases of the Company's assets and liabilities. Deferred tax assets and liabilities are measured using enacted tax rates in the respective jurisdictions in which the Company operates. In assessing the ability to realize deferred tax assets, the Company considers whether it is more likely than not that some portion or all of the deferred tax assets will not be realized.

Recent Financial Accounting Standards

In October 2009, the Financial Accounting Standards Board (FASB) issued Accounting Standard Update No. 2009-13 "Multiple Deliverable Revenue Arrangements", an amendment to the accounting standards related to the accounting for revenue derived from arrangements with multiple deliverables including how the arrangement consideration is allocated among delivered and undelivered items under the arrangement. Among the amendments, this standard eliminates the use of the residual method for allocating arrangement consideration and requires an entity to allocate the overall consideration to each deliverable based on an estimated selling price of each individual deliverable in the arrangement in the absence of having vendor-specific objective evidence or other third party evidence of fair value of the undelivered items. This standard also provides further guidance on how to determine a separate unit of accounting in a multiple-deliverable revenue arrangement and expands the disclosure requirements about the judgments made in

applying the estimated selling price method and how those judgments affect the timing or amount of revenue recognition. This standard, which was effective for the Company on July 1, 2010, did not have material impact on the Company's consolidated financial statements when adopted.

In April 2010, the FASB issued Accounting Standard Update 2010-17, "Revenue Recognition – Milestone Method", a standard that provides guidance on defining a milestone and determining when it may be appropriate to apply the milestone method of revenue recognition for certain research and development transactions. Under this new standard, a company can recognize as revenue consideration that is contingent upon achievement of a milestone in the period in which it is achieved, if the milestone meets all criteria to be considered substantive. This standard is effective on a prospective basis for periods beginning after July 1, 2010. The adoption of this update did not have a material effect on our consolidated financial statements.

Effective June 30, 2010, we adopted the amendments to ASC 715 *Compensation – Retirement Benefits*, which requires the Company to disclose separately the fair value of each major category of plan assets, including the level within the fair value hierarchy in which the fair value measurements in their entirety fall. The adoption of this standard did not have a material impact on the Company's consolidated financial statements.

2. DISCONTINUED OPERATIONS AND DIVESTITURES

Discontinued Operations

During the fiscal year 2011, the Company concluded that its printed components facilities qualified as a component entity, the operations of which were then classified as held for sale and discontinued. In April 2011, the Company completed the sale of its printed component operations in a cash transaction for an amount which approximated fair value. Accordingly, all current and prior period financial information has been reclassified within the financial statements to discontinued operations captions within the Consolidated Statements of Operations and Cash Flows. The printed components entity was previously reported in the Company's Packaging Services segment.

In addition, on November 13, 2009, the Company completed its sale of the North Raleigh, North Carolina sterile injectables facility to a third party for an amount which approximated fair value. Also, on March 30, 2009, the Company sold its Osny, France facility to Bravaria Industriekapital AG, a German industrial holding company. The operating results and cash flows from these operations are included within discontinued operations captions within the statements of operations and cash flow in prior periods.

The operating results of these components are included in the Consolidated Statement of Operations for the fiscal years ended June 30, 2011, June 30, 2010 and June 30, 2009 within discontinued operations.

Summarized consolidated statements of operations data for these discontinued operations are as follows:

<u>(in millions)</u>	<u>Fiscal Year Ended June 30, 2011</u>	<u>Fiscal Year Ended June 30, 2010</u>	<u>Fiscal Year Ended June 30, 2009</u>
Net revenues	<u>\$ 77.1</u>	<u>\$ 109.3</u>	<u>\$ 129.7</u>
Loss before income taxes	(10.1)	(19.4)	(53.4)
Income tax expense/(benefit)	0.5	(0.1)	3.8
Loss from discontinued operations, net of tax	<u>\$ (10.6)</u>	<u>\$ (19.3)</u>	<u>\$ (57.2)</u>

Summarized balance sheet data for these discontinued operations is as follows:

(in millions)	June 30, 2011	June 30, 2010
Assets held for sale		
Working capital and other assets	\$ —	\$ 22.3
Property and equipment, net	—	30.3
Total assets held for sale	<u>\$ —</u>	<u>\$ 52.6</u>
Liabilities held for sale		
Current liabilities	\$ —	\$ 14.6
Other liabilities	—	—
Total liabilities held for sale	<u>\$ —</u>	<u>\$ 14.6</u>

3. GOODWILL

The following table summarizes the changes in the carrying amount of goodwill in total and by reporting segment:

(in millions)	Oral Technologies	Sterile Technologies	Packaging Services	Development and Clinical Services	Total
Balance at June 30, 2009	\$ 867.1	\$ 158.3	\$ 24.0	\$ 25.3	\$1,074.7
Foreign currency translation adjustments	(41.1)	—	0.4	(2.4)	(43.1)
Impairments	—	(158.3)	(24.4)	—	(182.7)
Balance at June 30, 2010	826.0	—	—	22.9	848.9
Foreign currency translation adjustments	54.8	—	—	2.3	57.1
Balance at June 30, 2011	<u>\$ 880.8</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 25.2</u>	<u>\$ 906.0</u>

In connection with ASC 350, the Company is required to assess goodwill and other indefinite-lived intangible assets for impairment annually or more frequently if circumstances indicate impairment may have occurred. The Company assesses goodwill for possible impairment by comparing the carrying value of its reporting units to their fair values. The Company determines the fair value of its reporting units utilizing estimated future discounted cash flows and incorporates assumptions that it believes marketplace participants would utilize. In addition, the Company uses comparative market information and other factors to corroborate the discounted cash flow results.

No goodwill impairment charges were required during fiscal year 2011. During fiscal year 2010, the Company concluded that goodwill impairment indicators existed in the Sterile Technologies reporting unit and recorded a non-cash goodwill impairment charge of \$158.3 million. In addition, in connection with the Company's re-organization which occurred in fiscal year 2010, certain components were moved out of the Packaging reporting unit and into the Development and Clinical Services unit. This re-organization resulted in allocating a relative fair value of the goodwill associated with the Packaging reporting unit and resulting in a non-cash charge of \$24.4 million.

Impairment charges are recorded within the Consolidated Statement of Operations as Impairment charges and (gain)/loss on sale of assets.

4. DEFINITE LIVED LONG-LIVED ASSETS

Other intangible assets with definite lives are being amortized using the straight-line method over periods that range from twelve to twenty years. The details of other intangible assets subject to amortization by class as of June 30, 2011 and June 30, 2010, are as follows:

<u>(in millions)</u>	<u>Weighted Average Life</u>	<u>Gross Intangible</u>	<u>Accumulated Amortization</u>	<u>Net Intangible</u>
June 30, 2011				
Amortized intangibles:				
Core technology	20.0 years	\$ 153.1	\$ (32.3)	\$ 120.8
Customer relationships	12.0 years	47.5	(30.4)	17.1
Product relationships	12.0 years	236.5	(83.8)	152.7
Total amortized intangibles		<u>\$ 437.1</u>	<u>\$ (146.5)</u>	<u>\$ 290.6</u>
June 30, 2010				
Amortized intangibles:				
Core technology	20.0 years	\$ 139.0	\$ (22.7)	\$ 116.3
Customer relationships	12.0 years	45.2	(27.7)	17.5
Product relationships	12.0 years	223.4	(60.6)	162.8
Total amortized intangibles		<u>\$ 407.6</u>	<u>\$ (111.0)</u>	<u>\$ 296.6</u>

Amortization expense for the fiscal years ended June 30, 2011 and June 30, 2010 was approximately \$29.2 million and \$30.5 million, respectively. Future amortization expense is estimated as follows:

<u>(in millions)</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
Amortization expense	\$29.9	\$29.9	\$29.9	\$29.9	\$29.9

No intangible asset impairment charges were required during fiscal year 2011. In conjunction with the goodwill impairment identified in the first quarter of fiscal 2010, the Company completed its review of other definite-lived intangible assets for impairment under ASC 350 within the Packaging Services and Sterile Technologies segments and recorded a non-cash asset impairment charge of \$7.7 million and \$15.8 million, respectively, on the Consolidated Statement of Operations relating to intangible assets.

In addition, in the prior fiscal year 2010, the Company completed the required review of long-lived assets under ASC 360. These reviews of Property, Plant & Equipment resulted in a \$21.4 million and \$3.1 million impairment charge within the Packaging Services and Sterile Technology segment, respectively.

Impairment charges were recorded within the Consolidated Statements of Operations as Impairment charges and (gain)/loss on sale of assets.

5. RESTRUCTURING AND OTHER COSTS

The Company implemented plans to restructure certain operations, both domestically and internationally. The restructuring plans focused on various aspects of operations, including closing and consolidating certain manufacturing operations, rationalizing headcount and aligning operations in a strategic and more cost-efficient structure. In addition, we may incur restructuring charges in cases where a material change in the scope of operation with our business occurs.

The following table summarizes the significant costs recorded within restructuring costs:

<u>(in millions)</u>	<u>Fiscal Year Ended June 30, 2011</u>	<u>Fiscal Year Ended June 30, 2010</u>	<u>Fiscal Year Ended June 30, 2009</u>
Restructuring costs:			
Employee-related reorganization ⁽¹⁾	\$ 6.7	\$ 7.6	\$ 7.6
Asset impairments	2.7	8.0	—
Facility exit and other costs ⁽²⁾	5.3	8.5	4.8
Total restructuring costs	\$ 14.7	\$ 24.1	\$ 12.4

- (1) Employee-related costs consist primarily of severance accrued upon either communication of terms to employees. Outplacement services provided to employees who have been involuntarily terminated and duplicate payroll costs during transition periods are also included within this classification.
- (2) Facility exit and other costs consist of accelerated depreciation, equipment relocation costs and costs associated with the planned facility expansion and closures to streamline our operations.

6. LONG-TERM OBLIGATIONS AND OTHER SHORT-TERM BORROWINGS

Long-term obligations and other short-term borrowings consist of the following at June 30, 2011 and June 30, 2010:

<u>(in millions)</u>	<u>Maturity</u>	<u>June 2011</u>	<u>June 2010</u>
Senior Secured Credit Facilities			
Term loan facility Dollar-denominated	April 2014	\$1,017.6	\$1,028.2
Term loan facility Euro-denominated	April 2014	364.1	316.6
9 1/2 % Senior Toggle Notes	April 2015	624.4	624.4
9 3/4 % Senior Subordinated Euro-denominated Notes	April 2017	308.4	265.4
Revolving Credit Agreement	April 2013-2016	—	—
Other Obligations	2011-2026	32.8	35.4
Total		2,347.3	2,270.0
Less: current portion and other short-term borrowings		28.7	30.2
Long-term obligations, less current portion short-term borrowings		<u>2,318.6</u>	<u>\$2,239.8</u>

The Company had the option every six months until April 15, 2011, at its election, to use the payment-in-kind (“PIK”) feature of its \$565 million 9 1/2%/10 1/4 % Senior PIK-Election Notes due 2015 (the “Senior Toggle Notes”) in lieu of making cash interest payments. While the Company had sufficient liquidity to meet its anticipated ongoing needs without use of this PIK feature, the Company elected to do so for the October 15, 2009 and April 15, 2010 interest payment dates as an efficient and cost-effective method to further enhance liquidity in light of the substantial dislocation in the financial markets. During the PIK election period, the Senior Toggle Notes and PIK interest amount were subject to an interest rate of 10.25%. For the interest period ending on October 15, 2010, the Company elected to make such interest payment entirely in cash. The PIK election feature expired with the interest period ended April 15, 2011. Therefore all remaining interest payments on the Senior Toggle Notes are to be paid entirely in cash at the cash interest rate of 9.5%

The Company also uses interest rate swaps to manage the economic effect of variable interest obligations associated with floating term loans so that the interest payable effectively becomes fixed at a certain rate, thereby reducing the interest rate changes on interest expense. As of June 30, 2011, the Company had four interest rate swap agreements that have the economic effect of modifying the variable interest obligations associated with its floating rate term loans through April 2014. These agreements include two U.S dollar-denominated, one Euro-denominated and one Yen-denominated interest rate swap agreements.

Senior Secured Credit Facilities

On April 10, 2007, the Company entered into a \$1.8 billion senior secured credit facility consisting of: (i) an approximately \$1.4 billion term loan facility and (ii) a \$350 million revolving credit facility. The Company is required to repay the term loans in quarterly installments equal to 1% per annum of the original funded principal amount for the first six years and nine months, with the remaining amount payable on April 10, 2014. These repayments commenced on September 28, 2007.

On June 1, 2011, the Company and certain lenders amended the Credit Agreement in order to extend the maturity for certain Revolving Credit Loans and Revolving Credit Commitments. In particular, the Company converted \$200.25 million of Revolving Credit Commitments and Revolving Credit Loans into Revolving Tranche-2 Commitments and Revolving Tranche -2 Loans. In addition, the Company extended the final maturity date of the converted facility to the ninth anniversary or April 10, 2016, subject to certain conditions regarding the refinancing or repayment of the Company's term loans, the Senior Toggle Notes, the Senior Subordinated Notes and certain other unsecured debt.

The revolving credit facility includes borrowing capacity available for letters of credit and for short-term borrowings. Borrowings under the term loan facility and the revolving credit facility bear interest, at the Company's option, at a rate equal to an applicable margin over either (i) a base rate determined by reference to the higher of (1) the rate of interest per annum published by the Wall Street Journal from time to time, as the "prime lending rate" and (2) the federal funds rate plus one-half of 1% or (ii) LIBOR rate determined by reference to the costs of funds for deposits in the currency of such borrowing for the interest period relevant to such borrowing adjusted for certain additional costs. The applicable margins are variable subject to changes in the Company's total leverage ratio. The weighted-average interest rates during fiscal year 2011 were approximately 3.08 % and 2.51% for the Euro-denominated and US-dollar denominated term loans, respectively. In addition, the revolving credit facility weighted-average interest rate was approximately 2.5% for the amount borrowed throughout the fiscal year 2011.

In addition to paying interest on outstanding principal under the Company's senior secured credit facilities, the Company is required to pay a commitment fee to the lenders under the revolving credit facility in respect to the unutilized commitments hereunder. The initial commitment fee is 0.50% per annum. The commitment fee may be reduced subject to the Company attaining certain leverage ratios. The Company is also required to pay customary letter of credit fees. As of June 30, 2011, there was \$15.4 million in outstanding letters of credit. The commitment fee charged to interest expense during the fiscal year ended June 30, 2011 was approximately \$1.7 million.

The senior secured credit facilities are subject to amortization and prepayment requirements and contain certain covenants, events of default and other customary provisions.

Senior Notes

On April 10, 2007, the Company issued the Senior Toggle Notes. The Senior Toggle Notes are unsecured senior obligations of the Company. Interest on the Senior Toggle Notes is payable semi-annually in arrears on each April 15 and October 15, commencing on October 15, 2007. For any interest period prior to April 15, 2011, the Company had the option to elect to pay interest on the Senior Toggle Notes (i) entirely in cash ("Cash Interest"), (ii) entirely by increasing the principal amount of the outstanding Senior Toggle Notes by issuing PIK Notes ("PIK Interest") or (iii) 50% as Cash Interest and 50% as PIK Interest. Cash Interest on the Senior Toggle Notes accrues at the rate of 9.5% per annum. PIK Interest on the Senior Toggle Notes accrued at the Cash Interest rate per annum plus 0.75% per annum. The interest rate at June 30, 2011 was 9.5%. The PIK election period has expired, therefore all remaining interest payments on the Senior Toggle Notes are to be paid entirely in cash in accordance with the terms of the indenture.

Senior Subordinated Notes

On April 10, 2007, the Company issued € 225.0 million 9.75% Euro-denominated Senior Subordinated Notes due 2017 (the "Senior Subordinated Notes"). The Senior Subordinated Notes are unsecured senior subordinated obligations of the Company and are subordinated in right of payment to all existing and future senior indebtedness of the Company (including the senior credit facilities and the Senior Toggle Notes). Interest on the Senior Subordinated Notes is payable semi-annually in cash only in arrears on each April 15 and October 15, such payments commencing on October 15, 2007.

Long-Term and Other Obligations

Other obligations consist primarily of loans for equipment, buildings and a capital lease for a building.

Maturities of long-term obligations, including capital leases of \$9.5 million, and other short-term borrowings for future fiscal years are:

<u>(in millions)</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>Thereafter</u>	<u>Total</u>
Maturities of long-term and other obligations	\$32.0	\$25.8	\$1,354.1	\$619.9	\$0.2	\$ 315.3	\$2,347.3

Debt Issuance Costs

Debt issuance costs are capitalized within prepaid expenses and other assets on the balance sheet and amortized over the life of the related obligation through charges to interest expense in the Consolidated Statements of Operations. The unamortized total of debt issuance costs were approximately \$40.0 million and \$41.8 million as of June 30, 2011 and June 30, 2010, respectively. Amortization of debt issuance costs totaled \$10.0 million and \$9.6 million for the fiscal years ended June 30, 2011 and June 30, 2010, respectively.

Guarantees and Security

All obligations under the senior secured credit agreement, the Senior Toggle Notes and the Senior Subordinated Notes (together, the “notes”) are unconditionally guaranteed by each of the Company’s existing U.S. wholly-owned subsidiaries, other than the Company’s Puerto Rico subsidiaries, subject to certain exceptions.

All obligations under the Senior Secured Credit Facilities, and the guarantees of those obligations, are secured by substantially all of the following assets of the Company and each guarantor, subject to certain exceptions:

- a pledge of 100% of the capital stock of the Company and 100% of the equity interests directly held by the Company and each guarantor in any wholly-owned material subsidiary of the Company or any guarantor (which pledge, in the case of any non-U.S. subsidiary of a U.S. subsidiary, will not include more than 65% of the voting stock of such non-U.S. subsidiary); and
- a security interest in, and mortgages on, substantially all tangible and intangible assets of the Company and of each guarantor, subject to certain limited exceptions.

Debt Covenants

The senior secured credit agreement and the indentures governing the Senior Toggle Notes and the Senior Subordinated Notes contain a number of covenants that, among other things, restrict, subject to certain exceptions, the Company’s (and the Company’s restricted subsidiaries’) ability to incur additional indebtedness or issue certain preferred shares; create liens on assets; engage in mergers and consolidations; sell assets; pay dividends and distributions or repurchase capital stock; repay subordinated indebtedness; engage in certain transactions with affiliates; make investments, loans or advances; make certain acquisitions; in the case of the Company’s senior credit agreement, enter into sale and leaseback transactions, amend material agreements governing the Company’s subordinated indebtedness (including the Senior Subordinated Notes) and change the Company’s lines of business.

The senior credit facility and indentures governing the Senior Toggle Notes and the Senior Subordinated Notes also contain change of control provisions and certain customary affirmative covenants and events of default. As of June 30, 2011, the Company was in compliance with all covenants related to its long-term obligations. The Company’s long-term debt obligations do not contain any financial maintenance covenants.

Subject to certain exceptions, the senior credit agreement and the indentures governing the notes will permit the Company and its restricted subsidiaries to incur additional indebtedness, including secured indebtedness. None of the Company’s non-U.S. subsidiaries or Puerto Rico subsidiaries is a guarantor of the loans or notes.

As market conditions warrant and subject to the Company’s contractual restrictions and liquidity position, the Company, its affiliates and/or the Company’s major equity holders, including Blackstone and its affiliates, may from time to time repurchase the Company’s outstanding debt securities, including the Senior Toggle Notes and the Senior Subordinated Notes and/or the Company’s outstanding bank loans in privately negotiated or open market transactions, by tender or otherwise. Any such repurchases may be funded by incurring new debt, including additional borrowings under the Company’s existing credit facility. Any new debt may also be secured debt. The Company may also use available cash on the balance sheet. The amounts involved in any such transactions, individually or in the aggregate, may be material. Further, since some of the Company’s debt may trade at a discount to the face amount, any such purchases may result in the Company’s acquiring and retiring a substantial amount of any particular series, with the attendant reduction in the trading liquidity of any such series.

Under the indentures governing the notes, the Company's ability to engage in certain activities such as incurring certain additional indebtedness, making certain investments and paying certain dividends is tied to ratios based on Adjusted EBITDA (which is defined as "EBITDA" in the indentures).

Adjusted EBITDA is based on the definitions in the Company's indentures, is not defined under U.S. GAAP, and is subject to important limitations.

7. DERIVATIVE INSTRUMENTS AND HEDGING ACTIVITIES

Risk Management Objective of Using Derivatives

The Company is exposed to certain risks arising from both its business operations and economic conditions. The Company principally manages its exposures to a wide variety of business and operational risks through management of its core business activities. The Company manages economic risks, including interest rate, liquidity, and credit risk primarily by managing the amount, sources and duration of its debt funding and the use of derivative financial instruments. Specifically, the Company enters into derivative financial instruments to manage exposures that arise from business activities that result in the receipt or payment of future known and uncertain cash amounts, the value of which are determined by interest rates. The Company's derivative financial instruments are used to manage differences in the amount, timing, and duration of the Company's known or expected cash receipts and its known or expected cash payments principally related to the Company's borrowings.

The Company is exposed to fluctuations in the EUR-USD exchange rate on its investments in foreign operations in Europe. While the Company does not actively hedge against changes in foreign currency, we have mitigated the exposure of our investments in our European operations by denominating a portion of our debt in Euros. At June 30, 2011, the Company had Euro denominated debt outstanding of \$ 672.5 million that qualifies as a hedge of a net investment in foreign operations. For non-derivatives designated and qualifying as net investment hedges, the effective portion of the translation gains or losses are reported in Accumulated Other Comprehensive Income/(Loss) as part of the cumulative translation adjustment. During fiscal year 2011, the Company recorded \$94.1 million as a loss within cumulative translation adjustment. The net accumulated gain of this net investment as of June 30, 2011 included within Other Comprehensive Income was approximately \$14.5 million. Amounts are reclassified out of Accumulated Other Comprehensive Income into earnings when the hedged net investment is either sold or substantially liquidated.

Credit Risk Related to Contingent Features

The Company has agreements with each of its derivative counterparties that contain a provision where the Company could be declared in default on its derivative obligations if repayment of the underlying indebtedness is accelerated by the lender due to the Company's default on the indebtedness.

As of June 30, 2011, the terminal value of derivatives in a net liability position, which includes accrued interest but excludes any adjustment for nonperformance risk, related to these agreements was \$42.9 million. As of June 30, 2011, the Company has minimum collateral posting thresholds with certain of its derivative counterparties and has posted collateral of \$9.0 million. If the Company had breached any of these provisions at June 30, 2011, it could have been required to settle its obligations under the agreements at their termination value of \$42.9 million.

Counterparty Credit Risk Management

The Company's derivative financial statements present certain market and counterparty risks; however, concentration of counterparty credit risk is mitigated as the Company deals with a variety of major banks worldwide. The Company would not be materially impacted if any of the counterparties to its derivative financial instruments outstanding at June 30, 2011 failed to perform according to the terms of its agreement. At this time, the Company does not require collateral or any other security to support derivative instruments subject to credit risk by its counterparties.

Cash Flow Hedges of Interest Rate Risk

The Company's objectives in using interest rate derivatives are to add stability to interest expense and to manage its exposure to interest rate movements. To accomplish this objective, the Company primarily uses interest rate swaps as part of its interest rate risk management strategy. Interest rate swaps designated as cash flow hedges involve the receipt of variable-rate amounts from a counterparty in exchange for the Company making fixed-rate payments over the life of the agreements without exchange of the underlying notional amount. During the fiscal year ended June 30, 2011, such derivatives were used to hedge the variable cash flows associated with existing variable-rate debt.

The effective portion of changes in the fair value of derivatives designated and that qualify as cash flow hedges for financial reporting purposes is recorded in Accumulated Other Comprehensive Income on the balance sheet and is subsequently reclassified into earnings in the period that the hedged forecasted transaction affects earnings. The ineffective portion of the change in fair value of the derivatives is recognized directly in earnings.

As of June 30, 2011, the Company had three outstanding interest rate derivatives, three of which were effective for financial accounting as of June 30, 2010. Two instruments had a combined notional value of \$760.0 million and one had a notional amount of €240.0 million. These instruments are designated for financial accounting purposes as cash flow hedges of interest rate risk. Amounts reported in Accumulated Other Comprehensive Income related to derivatives will be reclassified to interest expense as interest payments are made on the Company's variable-rate debt. During the next twelve months, the Company estimates that an additional \$23.5 million will be reclassified as an increase to interest expense.

Non-designated Hedges of Interest Rate Risk

Derivatives not designated as hedges for financial accounting purposes are not speculative and are used to manage the Company's economic exposure to interest rate movements but, as of June 30, 2011, do not meet the hedge accounting requirements for financial reporting purposes of *ASC 815 Derivatives and Hedging*. Changes in the fair value of derivatives not designated as a hedge for financial accounting purposes are recorded directly into earnings as other expense, net. As of June 30, 2011, the Company had a ¥1.4 billion notional value outstanding derivative maturing on May 15, 2013 that was not designated for financial accounting purposes as a hedge in a qualifying hedging relationship.

The table below presents the fair value of the Company's derivative financial instruments as well as their classification on the Consolidated Balance Sheet as of June 30, 2011 and June 30, 2010.

<u>(in millions)</u>	Fair Values of Derivative Instruments			
	Liability Derivatives As of June 30, 2011		Liability Derivatives As of June 30, 2010	
	Balance Sheet Location	Fair Value	Balance Sheet Location	Fair Value
Derivatives designated as hedging instruments under ASC 815:				
Interest Rate Swaps	Other accrued liabilities and other liabilities	\$ 41.9	Other accrued liabilities and other liabilities	\$ 54.8
Total derivatives designated as hedging instruments under ASC 815:		\$ 41.9		\$ 54.8
Derivatives not designated as hedging instruments under ASC 815:				
Interest Rate Swaps	Other accrued liabilities and other liabilities	\$ 0.3	Other accrued liabilities and other liabilities	\$ 0.4
Total derivatives not designated as hedging instruments under ASC 815:		\$ 0.3		\$ 0.4

The tables below present the effect of the Company's derivative financial instruments on the Consolidated Statement of Operations for the fiscal years ended June 30, 2011, June 30, 2010 and June 30, 2009.

The Effect of Derivative Instruments on the Consolidated Statement of Operations for the
Fiscal Years Ended June 30, 2011, June 30, 2010 and June 30, 2009.

(in millions)

Derivatives in ASC 815 Cash Flow Hedging Relationships	Amount of Gain or (Loss) Recognized in OCI on Derivative (Effective Portion)	Location of Gain or (Loss) Reclassified from Accumulated OCI into Income (Effective Portion)	Amount of Gain or (Loss) Reclassified from Accumulated OCI into Income (Effective Portion)	Location of Gain or (Loss) Recognized in Income on Derivative (Ineffective Portion and Amount Excluded from Effectiveness Testing)	Amount of Gain or (Loss) Recognized in Income on Derivative (Ineffective Portion and Amount Excluded from Effectiveness Testing)
Fiscal Year 2011:		Interest income/		Interest income/	
Interest Rate Swaps	\$ (14.4)	(expense), net	\$ (26.9)	(expense), net	\$ (0.1)
Fiscal Year 2010:		Interest income/		Interest income/	
Interest Rate Swaps	\$ (52.9)	(expense), net	\$ (21.9)	(expense), net	\$ (0.6)
Fiscal Year 2009:		Interest income/		Interest income/	
Interest Rate Swaps	\$ (16.2)	(expense), net	\$ (14.3)	(expense), net	\$ (0.6)

Derivatives Not Designated as Hedging Instruments Under ASC 815	Location of Gain or (Loss) Recognized in Income on Derivative	Amount of Gain or (Loss) Recognized in Income on Derivative
Fiscal Year 2011:	Other income /	
Interest Rate Swaps	(expense), net	\$ 0.2
Fiscal Year 2010:	Other income /	
Interest Rate Swaps	(expense), net	\$ (3.3)
Fiscal Year 2009:	Other income /	
Interest Rate Swaps	(expense), net	\$ (10.9)

8. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS

ASC 820 *Fair Value Measurements and Disclosures* (“ASC 820”), which defines fair value, establishes a framework for measuring fair value, and expands disclosures about fair value measurements. ASC 820 defines fair value as the exit price that would be received to sell an asset or paid to transfer a liability. Fair value is a market-based measurement that should be determined using assumptions that market participants would use in pricing an asset or liability. Valuation techniques used to measure fair value should maximize the use of observable inputs and minimize the use of unobservable inputs. To measure fair value, the Company uses the following fair value hierarchy based on three levels of inputs, of which the first two are considered observable and the last unobservable:

Level 1 – Quoted prices in active markets for identical assets or liabilities.

Level 2 – Inputs other than Level 1 that are observable for the asset or liability, either directly or indirectly, such as quoted prices for similar assets and liabilities in active markets; quoted prices for identical or similar assets or liabilities in markets that are not active; or other inputs that are observable or can be corroborated by observable market data by correlation or other means.

Level 3 – Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities. Value is determined using pricing models, discounted cash flow methodologies, or similar

techniques and also includes instruments for which the determination of fair value requires significant judgment or estimation.

Fair value under ASC 820 is principally applied to financial assets and liabilities which, for Catalent, include both investments in money market funds and derivative instruments—interest rate swaps. The Company has not applied all the provisions of ASC 820 in financial statements to the nonfinancial assets and nonfinancial liabilities. There were no changes from the previously reported classification of financial assets and liabilities. The following table provides a summary of financial assets and liabilities that are measured at fair value on a recurring basis as of June 30, 2011, aggregated by the level in the fair value hierarchy within which those measurements fall:

(in millions)	Total	Fair Value Measurements using:		
		Level 1	Level 2	Level 3
Assets				
Cash Equivalents- Money Market Funds	\$ 5.4	\$ 5.4	\$ —	\$ —
Liabilities				
Interest rate swaps	\$ 42.2	\$ —	\$ 42.2	\$ —
Liabilities				
Long-term debt and other	\$2,306.7	\$ —	\$2,306.7	\$ —

The following table provides a summary of financial assets and liabilities that are measured at fair value on a recurring basis as of June 30, 2010, aggregated by the level in the fair value hierarchy within which those measurements fall:

(in millions)	Total	Fair Value Measurements using:		
		Level 1	Level 2	Level 3
Assets				
Cash Equivalents- Money Market Funds	\$ 25.1	\$25.1	\$ —	\$ —
Liabilities				
Interest rate swaps	\$ 55.2	\$ —	\$ 55.2	\$ —
Liabilities				
Long-term debt and other	\$2,070.0	\$ —	\$2,070.0	\$ —

Cash and Cash Equivalents

The fair value of cash and cash equivalents is estimated on the quoted market price of the investments. The carrying amounts of the Company's cash equivalents approximate their fair value due to the short-term maturity of these instruments.

Derivative Instruments – Interest Rate Swaps

Currently, the Company uses interest rate swaps to manage interest rate risk on its variable rate long-term debt obligations. The fair value of interest rate swaps are determined using the market standard methodology of netting the discounted future fixed cash receipts (or payments) and the discounted expected variable cash payments (or receipts). The variable cash payments (or receipts) are based on the expectation of future interest rates (forward curves) and derived from observed market interest rate curves. In addition, to comply with the provision of ASC 820, credit valuation adjustments, which consider the impact of any credit enhancements on the contracts, are incorporated in the fair values to account for potential nonperformance risk. See Derivative Instruments and Hedging Activities (Note 7) to the unaudited Consolidated Financial Statements for further discussion.

Long-Term Obligations

The estimated fair value of long-term debt is based on the quoted market prices for the same or similar issues or on the current rates offered for debt of the same remaining maturities and considers collateral, if any.

The carrying amounts and the estimated fair values of financial instruments as of June 30, 2011 and June 30, 2010, are as follows:

(in millions)	June 30, 2011		June 30, 2010	
	Carrying Value	Estimated Fair Value	Carrying Value	Estimated Fair Value
Long-term debt and other	\$2,347.3	\$ 2,306.7	\$2,270.0	\$ 2,070.0
LIBOR interest rate swap	34.3	34.3	39.7	39.7
EURIBOR interest rate swap	7.6	7.6	15.1	15.1
TIBOR interest rate swap	0.3	0.3	0.4	0.4

The estimated fair values are based on quoted market prices for the same or similar instruments and/or the current interest rates offered for debt of the same remaining maturities or estimated discounted cash flows.

9. INCOME TAXES

Earnings/(loss) from continuing operations before income taxes and discontinued operations are as follows for the fiscal years ended 2011, 2010 and 2009:

(in millions)	Fiscal Year Ended June 30, 2011	Fiscal Year Ended June 30, 2010	Fiscal Year Ended June 30, 2009
U.S. Operations	(\$95.6)	(\$565.2)	(\$187.1)
Non-U.S. Operation	\$ 80.2	\$ 319.1	(\$47.2)
	(\$15.4)	(\$246.1)	(\$234.3)

The provision /(benefit) for income taxes consists of the following for the fiscal years ended 2011, 2010 and 2009:

(in millions)	Fiscal Year Ended June 30, 2011	Fiscal Year Ended June 30, 2010	Fiscal Year Ended June 30, 2009
Current:			
Federal	\$ (0.9)	\$ 2.8	\$ 0.4
State and local	(0.5)	0.4	1.3
Non-U.S.	19.0	33.5	17.8
Total	\$ 17.6	\$ 36.7	\$ 19.5
Deferred:			
Federal	\$ 5.5	\$ 5.5	\$ 6.5
State and local	1.2	1.2	2.1
Non-U.S.	(0.2)	(21.8)	(11.3)
Total	6.5	(15.1)	(2.7)
Total provision/(benefit)	\$ 24.1	\$ 21.6	\$ 16.8

A reconciliation of the provision/(benefit) based on the federal statutory income tax rate to the Company's effective income tax rate is as follows for the fiscal years ended 2011, 2010 and 2009:

(in millions)	Fiscal Year Ended June 30, 2011	Fiscal Year Ended June 30, 2010	Fiscal Year Ended June 30, 2009
Provision at U.S. Federal Statutory tax rate	\$ (5.4)	\$ (91.2)	\$ (101.2)
State and local income taxes, net of federal benefit	(18.4)	(24.5)	(38.7)
Foreign tax rate differential	(11.8)	(12.6)	(1.9)
Goodwill impairment	—	69.2	31.8
Permanent items	2.8	56.3	12.5
Unrecognized Tax Positions	2.5	(1.3)	21.1
Tax valuation allowance	48.7	26.4	91.0
Foreign tax credit	(0.2)	—	—
Income Tax	6.5	—	—
Other	(0.6)	(0.7)	2.2
	<u>\$ 24.1</u>	<u>\$ 21.6</u>	<u>\$ 16.8</u>

As of June 30, 2011, the Company had \$437.3 million of undistributed earnings from non-U.S. subsidiaries that are intended to be permanently reinvested in non-U.S. operations. As these earnings are considered permanently reinvested, no U.S. tax provision has been accrued related to the repatriation of these earnings. It is not feasible to estimate the amount of U.S. tax that might be payable on the eventual remittance of such earnings.

Deferred income taxes arise from temporary differences between financial reporting and tax reporting bases of assets and liabilities, and operating loss and tax credit carry forwards for tax purposes. The components of the deferred income tax assets and liabilities are as follows at June 30, 2011 and 2010:

(in millions)	2011	2010
Deferred income tax assets:		
Accrued liabilities	\$ 37.8	\$ 35.6
Equity compensation	7.0	5.2
Loss and tax credit carry forwards	278.9	229.0
Foreign Currency	23.2	27.5
Pension	14.3	20.9
Property-related	15.2	33.9
Intangibles	3.0	2.5
Other	6.7	5.0
OCI	14.3	49.8
Total deferred income tax assets	<u>400.4</u>	<u>409.4</u>
Valuation Allowance	<u>(265.6)</u>	<u>(253.6)</u>
Net deferred income tax assets	<u>134.8</u>	<u>155.8</u>
Deferred income tax liabilities:		
Accrued Liabilities	(2.1)	—
Equity Compensation	—	—
Foreign Currency	(0.5)	—
Property-related	(17.1)	(56.8)
Goodwill and other intangibles	(155.0)	(138.1)
Other	(0.8)	(3.9)
OCI	(17.9)	—
Total deferred income tax liabilities	<u>(193.4)</u>	<u>(198.9)</u>
Net deferred income tax liabilities	<u>\$ (58.6)</u>	<u>\$ (43.1)</u>

Deferred tax assets and liabilities in the preceding table are in the following captions in the balance sheet at June 30, 2011 and 2010:

<u>(in millions)</u>	<u>2011</u>	<u>2010</u>
Current deferred tax asset	\$ 20.0	\$ 17.5
Non-current deferred tax asset	114.8	138.3
Current deferred tax liability	(0.7)	(0.2)
Non-current deferred tax liability	<u>(192.7)</u>	<u>(198.7)</u>
Net deferred tax liability	<u>\$ (58.7)</u>	<u>\$ (43.1)</u>

At June 30, 2011, the Company has federal net operating loss carryforwards of \$382.6 million, \$7.7 million of which are subject to Internal Revenue Code Section 382 limitations. The federal loss carryforwards expire through 2031. At June 30, 2011, the Company has state tax loss carryforwards of \$931.1 million. Approximately \$216 million of these losses are state tax losses generated in periods prior to the period ending June 30, 2007. Substantially all state carryforwards have at least a three year carryforward period. In accordance with ASC 718, \$37.8 million of federal and state losses were generated in prior tax years as a result of tax deductions for equity. Such deductions are not being recognized for financial statement purposes because a cash tax benefit was not realized by the Company. As a result, these deductions are not reflected in the federal and state net operating loss carryforward amounts indicated above. At June 30, 2011, the Company has international tax loss carryforwards of \$93.8M million. Substantially all of these carryforwards are available for at least three years or have an indefinite carryforward period.

The Company has established a full valuation allowance against its net federal and state deferred tax assets as management does not believe it is more likely than not that these assets will be realized. At June 30, 2011, the Company has recorded a full valuation allowance of \$139.2 million and \$107.3 million against its net federal and state deferred tax assets, respectively. At June 30, 2011, the Company has recorded a valuation allowance of \$19.1 million against certain of its foreign net deferred tax assets. Management evaluates all available evidence; both positive and negative using a more likely than not standard, in determining if adjustments to the valuation allowance are necessary. This assessment considers, among other matters, the nature, frequency and severity of recent losses, forecasts of future profitability, the duration of statutory carryforward periods, previous experience with tax attributes expiring unused and tax planning alternatives. In making such judgments, significant weight is given to evidence that can be objectively verified. The ability to realize deferred tax assets depends on the ability to generate sufficient taxable income in the carryback or carryforward periods provided for in the tax law for each applicable tax jurisdiction.

The net increase in valuation allowance was \$12.0 million during fiscal year ended 2011. The net increase is due to changes in foreign-related valuation allowances, reductions in deferred tax liabilities and changes in select deferred tax asset accounts such as accrued liabilities, net operating losses and OCI. This amount included an increase of \$1.7 million in federal and state valuation allowance. During the current fiscal year the Company generated federal and state taxable income due to U.S. income inclusions resulting from the distribution of notes and cash receivables from foreign subsidiaries. This income is not considered to be from normal operating activities.

As part of the Purchase Agreement, the Company has been indemnified by Cardinal for tax liabilities that may arise in the future that relate to tax periods prior to April 10, 2007 (the "Formation Date"). The indemnification agreement includes, among other taxes, any and all Federal, state and international income based taxes as well as any interest and penalties that may be related thereto.

The amount of income taxes the Company may pay is subject to ongoing audits by federal, state and foreign tax authorities, which may result in proposed assessments. The Company's estimate for the potential outcome for any uncertain tax issue is highly judgmental. The Company assesses its income tax positions and record benefits for all years subject to examination based upon management's evaluation of the facts, circumstances and information available at the reporting date. For those tax positions for which it is more likely than not that a tax benefit will be sustained, the Company records the amount that has a greater than 50% likelihood of being realized upon settlement with a taxing authority that has full knowledge of all relevant information. Interest and penalties are accrued, where applicable. If we do not believe that it is more likely than not that a tax benefit will be sustained, no tax benefit is recognized.

ASC 740 includes guidance on the accounting for uncertainty in income taxes recognized in the financial statements. This standard also provides that a tax benefit from an uncertain tax position may be recognized when it is more likely than not that the position will be sustained upon examination, including resolutions of any related appeals or litigation processes, based on the technical merits. As of June 30, 2011, the Company had a total of \$33.9 million of unrecognized tax benefits. A reconciliation of our unrecognized tax benefit, excluding accrued interest for June 30, 2011 is as follows:

(in millions)

Balance at June 30, 2010	\$ 36.4
Additions based on tax positions related to the current year	8.3
Additions for tax positions of prior years	6.0
Reductions for tax positions of prior years	(13.3)
Reclassification of non-income tax reserves to other reserves	—
Settlements	(3.5)
Balance at June 30, 2011	\$ 33.9

Of this amount, \$6.1 million represents the amount of unrecognized tax benefits that, if recognized, would favorably impact the effective income tax rate. An additional \$20.2 million represents the amount of unrecognized tax benefits that, if recognized, would not impact the effective income tax rate due to a full valuation allowance. The remaining \$7.6 million represents unrecognized tax benefits subject to indemnification by Cardinal. It is reasonably possible that the amount of the liability for unrecognized tax benefits could change by a significant amount during the next 12 month period. Finalizing examinations with the relevant taxing authorities can include formal administrative and legal proceedings and, as a result, it is difficult to estimate the timing and range of possible changes related to our unrecognized tax benefits. However, the federal examination for fiscal years ended June 30, 2007 and June 30, 2008 is expected to close within the next 12 months, and based on current discussions with the IRS examiner, the Company expects to realize an adjustment that will result in a reduction of its federal net operating loss in the amount of \$7.9M.

In the normal course of business, the Company is subject to examination by taxing authorities throughout the world, including major jurisdictions such as Germany, United Kingdom, France, the United States, and various states. The Company is no longer subject to examinations by the relevant tax authorities for years prior to fiscal 2001.

The Company recognizes interest and penalties related to uncertain tax positions in income tax expense. As of June 30, 2011, the Company has approximately \$5.1 million of accrued interest related to uncertain tax positions, a decrease of \$3.3 million from the prior year. The portion of such interest and penalties subject to indemnification by Cardinal is \$4.4 million, a decrease of \$2.6 million from the prior year.

10. EMPLOYEE RETIREMENT BENEFIT PLANS

The Company sponsors various retirement and pension plans, including defined benefit retirement plans and defined contribution retirement plans. Substantially all of the Company's domestic non-union employees are eligible to be enrolled in employer-sponsored retirement savings plans, which include features under Section 401(k) of the Internal Revenue Code of 1986, as amended, and provide for company matching contributions. The Company's contributions to the plans are determined by its Board of Directors subject to certain minimum requirements as specified in the plans. The Company uses a measurement date of June 30 for all its retirement and postretirement benefit plans.

In addition, employees of a commercial packaging site and a clinical services site are members of a multiemployer pension plan. For fiscal years 2011, 2010 and 2009, the Company, on behalf of its employees, contributed to the plan approximately \$0.6 million, \$0.7 million and \$0.8 million, respectively, for retirement pension benefits associated with past and current employees. As of June 30, 2011 it is reasonably possible that we may withdraw from the plan, which is currently under funded. Our annual contributions may increase over the remainder of the contract period due its current funding shortfall or due to a future decision to withdraw from the plan.

The total expense for employee defined contribution retirement plans for the fiscal years ended June 30, 2011 and June 30, 2010 was \$2.2 million and \$1.4 million, respectively. The increase was attributable to the Company's reinstatement of its profit sharing plan and matching contribution that was previously suspended and resumed in January 1, 2010.

The following table provides a reconciliation of the change in projected benefit obligation and fair value of plan assets for the defined benefit retirement and postretirement plans:

At June 30, (in millions)	Retirement Benefits		Other Post-Retirement Benefits	
	2011	2010	2011	2010
Accumulated Benefit Obligation	\$249.1	\$243.4	\$ 5.2	\$ 5.7
Change in Benefit Obligation				
Benefit obligation at beginning of year	\$251.0	\$241.5	\$ 5.7	\$ 5.2
Company service cost	2.7	2.3	—	—
Interest cost	12.6	13.4	0.2	0.2
Employee contributions	0.1	0.1	—	—
Plan amendments	—	0.2	—	—
Curtailments	—	—	—	—
Settlements	—	—	—	—
Special termination benefits	—	—	—	—
Divestitures	—	—	—	—
Business combinations	—	—	—	—
Benefits paid	(8.6)	(8.0)	(0.3)	(0.4)
Actual expenses	(0.1)	(0.1)	—	—
Actuarial (gain) loss	(20.5)	21.4	(0.4)	0.6
Exchange rate gain (loss)	19.8	(19.8)	—	0.1
Benefit obligation at end of year	\$257.0	\$251.0	\$ 5.2	\$ 5.7
Change in Plan Assets				
Fair value of plan assets at beginning of year	\$154.7	\$140.7	\$ —	\$ —
Actual return on plan assets	16.8	23.2	—	—
Company contributions	9.5	8.6	0.3	0.4
Employee contributions	0.1	0.1	—	—
Settlements	—	—	—	—
Special company contributions to fund termination benefits	—	—	—	—
Divestitures	—	—	—	—
Business combinations	—	—	—	—
Benefits paid	(8.6)	(8.0)	(0.3)	(0.4)
Actual expenses	(0.1)	(0.1)	—	—
Exchange rate gain (loss)	10.5	(9.8)	—	—
Fair value of plan assets at end of year	\$182.9	\$154.7	\$ —	\$ —
Funded Status				
Funded status at end of year	\$ (74.1)	\$ (96.3)	\$ (5.2)	\$ (5.7)
Employer contributions between measurement date and reporting date	—	—	—	—
Net pension asset (liability)	\$ (74.1)	\$ (96.3)	\$ (5.2)	\$ (5.7)

The following table provides a reconciliation of the net amount recognized in the Consolidated Balance Sheets:

At June 30, (in millions)	Retirement Benefits		Other Post-Retirement Benefits	
	2011	2010	2011	2010
Amounts Recognized in Statement of Financial Position				
Noncurrent assets	\$ 0.6	\$ —	\$ —	\$ —
Current liabilities	(0.9)	(0.9)	(0.5)	(0.5)
Noncurrent liabilities	(73.8)	(95.4)	(4.7)	(5.2)
Total asset/(liability)	\$ (74.1)	\$ (96.3)	\$ (5.2)	\$ (5.7)
Amounts Recognized in Accumulated Other Comprehensive Income				
Transition (asset)/obligation	\$ —	\$ —	\$ —	\$ —
Prior service cost	0.2	0.2	—	—
Net (gain)/loss	5.1	32.4	(0.5)	(0.1)
Total accumulated other comprehensive income at the end of the year	\$ 5.3	\$ 32.6	\$ (0.5)	\$ (0.1)
Additional Information for Plan with ABO in Excess of Plan Assets				
Projected benefit obligation	\$239.5	\$236.3	\$ 5.2	\$ 5.7
Accumulated benefit obligation	\$233.8	\$230.9	\$ 5.2	\$ 5.7
Fair value of plan assets	\$164.7	\$140.5	\$ —	\$ —
Additional Information for Plan with PBO in Excess of Plan Assets				
Projected benefit obligation	\$239.5	\$246.6	\$ 5.2	\$ 5.7
Accumulated benefit obligation	\$233.8	\$239.2	\$ 5.2	\$ 5.7
Fair value of plan assets	\$164.7	\$150.3	\$ —	\$ —
Components of Net Periodic Benefit Cost				
Service Cost	\$ 2.7	\$ 2.3	\$ —	\$ —
Interest Cost	12.6	13.4	0.2	0.3
Expected return on plan assets	(9.3)	(8.5)	—	—
Amortization of unrecognized:				
Transition (asset)/obligation	—	—	—	—
Prior service cost	—	—	—	—
Net (gain)/loss	0.9	1.6	—	—
Ongoing periodic cost	6.9	8.8	0.2	0.3
Settlement/Curtailment Expense/(Income)	—	—	—	—
Net periodic benefit cost	\$ 6.9	\$ 8.8	\$ 0.2	\$ 0.3

At June 30, (in millions)	Retirement Benefits		Other Post- Retirement Benefits	
	2011	2010	2011	2010
Other Changes in Plan Assets and Benefit Obligations Recognized in Other Comprehensive Income				
Net (gain)/loss arising during the year	\$ (28.0)	\$ 6.8	\$ (0.5)	\$ 0.6
Prior service cost (credit) during the year	—	0.2	—	—
Transition asset/(obligation) recognized during the year	—	—	—	—
Prior service cost recognized during the year	—	—	—	—
Net gain/(loss) recognized during the year	(0.9)	(1.6)	—	—
Exchange rate gain/(loss) recognized during the year	1.6	(2.7)	—	—
Total recognized in other comprehensive income	\$ (27.3)	\$ 2.7	\$ (0.5)	\$ 0.6
Total Recognized in Net Periodic Benefit Cost and Other Comprehensive Income				
Total recognized in net periodic benefit cost and other comprehensive income	\$ (20.4)	\$ 11.5	\$ (0.2)	\$ 0.9
Estimated Amounts to be Amortized from Accumulated Other Comprehensive Income into Net Periodic Benefit Cost in Financial Year 2012				
Amortization of:				
Transition (asset)/obligation	—	—	—	—
Prior service cost/(credit)	—	—	—	—
Net (gain)/loss	0.1	0.8	—	—
Financial Assumptions Used to Determine Benefit Obligations at the Balance Sheet Date				
Discount rate (%)	5.21%	4.81%	4.49%	4.33%
Rate of compensation increases (%)	2.51%	2.53%	N/A	N/A
Financial Assumptions Used to Determine Net Periodic Benefit Cost for Financial Year				
Discount rate (%)	4.81%	5.77%	4.33%	5.43%
Rate of compensation increases (%)	2.53%	2.54%	N/A	N/A
Expected long-term rate of return (%)	6.07%	6.23%	N/A	N/A
Expected Future Contributions				
Financial Year				
2012	\$ 8.5		\$ 0.5	

At June 30, (in millions)	Retirement Benefits		Other Post-Retirement Benefits	
	2011	2010	2011	2010
Expected Future Benefit Payments				
Financial Year				
2012	\$ 8.6		\$ 0.5	
2013	9.8		0.5	
2014	11.4		0.5	
2015	10.1		0.5	
2016	11.9		0.4	
2017-2021	69.2		2.0	
Actual Asset Allocation (%)				
Equities	33.3%	32.2%	—	—
Government Bonds	19.6%	17.1%	—	—
Corporate Bonds	22.5%	25.6%	—	—
Property	3.4%	3.2%	—	—
Insurance Contracts	10.8%	8.3%	—	—
Other	10.4%	13.6%	—	—
Total	100.0%	100.0%	—	—
Actual Asset Allocation (Amount)				
Equities	\$ 60.7	\$ 49.8	—	—
Government Bonds	35.9	26.4	—	—
Corporate Bonds	41.1	39.6	—	—
Property	6.3	5.0	—	—
Insurance Contracts	19.7	12.9	—	—
Other	19.2	21.0	—	—
Total	\$182.9	\$154.7	—	—
Target Asset Allocation (%)				
Equities	32.9%	34.5%	—	—
Government Bonds	21.3%	17.3%	—	—
Corporate Bonds	23.7%	26.6%	—	—
Property	3.7%	3.3%	—	—
Insurance Contracts	8.3%	8.2%	—	—
Other	10.1%	10.1%	—	—
Total	100.0%	100.0%	—	—

The Company employs a building block approach in determining the long-term rate of return for plan assets. Historical markets are studied and long-term historical relationships between equities and fixed income are preserved consistent with the widely-accepted capital market principle that assets with higher volatility generate a greater return over the long run. Current market factors such as inflation and interest rates are evaluated before long-term capital market assumptions are determined. The long-term portfolio return is established via a building block approach with proper consideration of diversification and rebalancing. Peer data and historical returns are reviewed to check for reasonability and appropriateness.

Plan assets are recognized and measured at fair value in accordance with the accounting standards regarding fair value measurements. The following are valuation techniques used to determine the fair value of each major category of assets.

- Short-term Investments, Equity securities, Fixed Income Securities, and Real Estate are valued using quoted market prices or other valuation methods, and thus are classified within Level 1 or Level 2.
- Insurance Contracts and Other include investments with some observable and unobservable prices that are adjusted by cash contributions and distributions, and thus are classified within Level 2 or Level 3.

The following table provides a summary of plan assets that are measured in fair value as of June 30, 2011, aggregated by the level in the fair value hierarchy within which those measurements fall:

	<u>Total Assets</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Equity Securities	\$ 60.7	\$ 5.5	\$ 55.2	\$ —
Debt Securities	77.0	23.9	53.1	—
Real Estate	6.3	—	6.3	—
Other	38.9	—	16.6	22.3
Total	\$ 182.9	\$29.4	\$131.2	\$22.3

The following table provides a summary of plan assets that are measured in fair value as of June 30, 2010, aggregated by the level in the fair value hierarchy within which those measurements fall:

	<u>Total Assets</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Equity Securities	\$ 49.8	\$ 5.0	\$ 44.8	\$ —
Debt Securities	66.0	21.6	44.4	—
Real Estate	5.0	—	5.0	—
Other	33.9	—	14.8	19.1
Total	\$ 154.7	\$26.6	\$109.0	\$19.1

The following table provides a reconciliation of the beginning and ending balances of level 3 assets as well as the changes during the period attributable to assets held and those purchases, sales, settlements, contributions and benefits that were paid:

Total (Level 3)

Asset Category Allocations – June 30, 2011

<u>Total (Level 3) All figures in US Dollars (in millions)</u>	<u>Fair Value Measurement Using Significant Unobservable Inputs Total (Level 3)</u>	<u>Fair Value Measurement Using Significant Unobservable Inputs Insurance Contracts</u>	<u>Fair Value Measurement Using Significant Unobservable Inputs Other</u>
Beginning Balance at June 30, 2010	\$ 19.0	\$ 4.2	\$ 14.8
Actual return on plan assets:			
Relating to assets still held at the reporting date	3.7	0.4	3.3
Relating to assets sold during the period	—	—	—
Purchases, sales, settlements, contributions and benefits paid	(0.4)	(0.2)	(0.2)
Transfers in and/or out of Level 3	—	—	—
Ending Balance at June 30, 2011	\$ 22.3	\$ 4.4	\$ 17.9

The investment policy reflects the long-term nature of the plans' funding obligations. The assets are invested to provide the opportunity for both income and growth of principal. This objective is pursued as a long-term goal designed to provide required benefits for participants without undue risk. It is expected that this objective can be achieved through a well-diversified asset portfolio. All equity investments are made within the guidelines of quality, marketability and diversification mandated by the Employee Retirement Income Security Act ("ERISA") (for plans subject to ERISA) and other relevant statutes. Investment managers are directed to maintain equity portfolios at a risk level approximately equivalent to that of the specific benchmark established for that portfolio. Assets invested in fixed income securities and pooled fixed income portfolios are managed actively to pursue opportunities presented by changes in interest rates, credit ratings or maturity premiums.

At June 30, (actual dollar amounts)	Other Post-Retirement Benefits	
	2011	2010
Assumed Healthcare Cost Trend Rates at the Balance Sheet Date		
Healthcare cost trend rate – initial (%)		
Pre 65	7.77%	8.35%
Post 65	8.15%	9.06%
Healthcare cost trend rate – ultimate (%)		
Pre 65	5.15%	5.35%
Post 65	5.15%	5.35%
Year in which ultimate rates are reached		
Pre 65	2017	2015
Post 65	2018	2017
Effect of 1% Change in Healthcare Cost Trend Rate		
Healthcare cost trend rate up 1%		
on APBO at balance sheet date	\$ 309,410	\$ 356,724
on total service and interest cost	14,243	16,869
Effect of 1% Change in Healthcare Cost Trend Rate		
Healthcare cost trend rate down 1%		
on APBO at balance sheet date	\$(273,544)	\$(315,731)
on total service and interest cost	(12,588)	(14,933)

11. RELATED PARTY TRANSACTIONS

Advisor Transaction and Management Fees

The Company entered into a transaction and advisory fee agreement with Blackstone and certain other Investors in BHP PTS Holdings L.L.C. (the “Investors”), the investment entity controlled by affiliates of Blackstone that was formed in connection with the Investor’s investment in Phoenix. The Company pays an annual sponsor advisory fee to Blackstone and the Investors for certain monitoring, advisory and consulting services to the Company. During the fiscal year ended June 30, 2011 and June 30, 2010, respectively, this management fee was approximately \$10.6 million and \$10.0 million. This fee was recorded as expense within selling, general and administrative expenses in the Consolidated Statements of Operations.

Other Related-Party Transactions

Certain facilities purchase gelatin and an Oral Technologies German subsidiary leases plant facilities, purchases other services and receives loans from time-to-time from a German company that is also the minority owner of an Oral Technologies German subsidiary. Gelatin purchases amounted to \$27.6 million, \$26.4 million and \$25.7 million for fiscal years ended June 30, 2011, June 30, 2010 and June 30, 2009, respectively. Rental payments amounted to \$5.4 million, \$5.1 million and \$6.8 million and purchase services amounted to \$6.1 million, \$6.2 million and \$5.8 million in the same period, respectively.

Klöckner Pentaplast, an affiliate with Blackstone, supplies the Company with raw materials, packaging materials and other supplies used in our operations. Purchases from Klöckner Pentaplast were approximately \$2.0 million and \$4.0 million for the fiscal year ended June 30, 2011 and June 30, 2010, respectively. We believe that these transactions were entered into in the ordinary course of our business and were conducted on an arm’s length basis.

The Company has a three year participation agreement with Core Trust Purchasing Group (“CPG”), which designates CPG as a supplier of an outsource service for indirect materials. The Company does not pay any fees to participate in this group arrangement, and can terminate participation at any time prior to the expiration of the agreement without penalty. The vendors separately pay fees to

CPG for access to CPG's consortium of customers. Blackstone entered into an agreement with CPG whereby Blackstone receives a portion of the gross fees vendors pay to CPG based on the volume of purchases made between the Company and other participants. Purchases from CPG were approximately \$6.2 million and \$6.3 million for the fiscal year ended June 30, 2011 and 2010, respectively.

The Company participates in an employer health program agreement with Equity Healthcare LLC ("Equity Healthcare"). Equity Healthcare negotiates with providers of standard administrative services for health benefit plans and other related services for cost discounts and quality of service monitoring capability by Equity Healthcare. Because of the combined purchasing power of its client participants, Equity Healthcare is able to negotiate pricing terms for providers that are believed to be more favorable than the companies could obtain for themselves on an individual basis. In consideration for these services, the Company pays Equity Healthcare a fee of \$2.00 per participating employee per month. As of June 30, 2011, we had approximately 2,300 employees enrolled in our health benefit plans in the United States. Equity Healthcare is an affiliate of Blackstone.

In addition, the Company does business with a number of other companies affiliated with Blackstone; we believe that all such arrangements have been entered into in the ordinary course of our business and have been conducted on an arm's length basis.

12. EQUITY

Description of Capital Stock

The Company is authorized to issue 1,000 shares of capital stock, all of which are Common Stock, with a par value of \$0.01 per share. In accordance with the Certificate of Incorporation of the Company, each share of Common Stock shall have one vote, and the Common Stock shall vote together as a single class. As of June 30, 2011, 100% of the outstanding shares of the capital stock of the Company have been issued to, and are held by, PTS Intermediate Holdings, LLC. In accordance with the By-Laws of the Company, the Board of Directors may declare dividends upon the stock of the Company as and when the Board deems appropriate.

Comprehensive Earnings/(Loss) and Accumulated Other Comprehensive Earnings/(Loss)

Comprehensive earnings/(loss) for the fiscal years ended June 30, 2011, June 30, 2010 and June 30, 2009 consist of:

<i>(in millions)</i>	Fiscal Year Ended June 30, 2011	Fiscal Year Ended June 30, 2010	Fiscal Year Ended June 30, 2009
Net earnings/(loss) before allocation to noncontrolling interest	\$ (54.0)	\$ (289.6)	\$ (308.1)
Other comprehensive earnings/(losses):			
Foreign currency translation adjustments	62.4	(21.5)	(164.8)
Net change in minimum pension liability	18.7	(1.3)	(24.8)
Deferred compensation	0.9	(0.3)	—
Change in unrealized gain/(loss) on derivatives	12.5	(29.9)	(6.9)
Comprehensive earnings/(loss)	<u>94.5</u>	<u>(53.0)</u>	<u>(196.5)</u>
Total comprehensive earnings/(loss) before allocation to noncontrolling interest	40.5	(342.6)	(504.6)
Comprehensive earnings/(loss) attributable to noncontrolling interest	5.3	(4.6)	(5.4)
Comprehensive gain/(loss) attributable to Catalent	<u>\$ 45.8</u>	<u>\$ (347.2)</u>	<u>\$ (510.0)</u>

Accumulated other comprehensive earnings/(loss) for the fiscal years June 30, 2011, June 30, 2010 and June 30, 2009 consists of:

<i>(in millions)</i>	Foreign Currency Translation Adjustments	Unrealized Gains/(Losses) on Derivatives	Deferred Compensation	Pension Liability Adjustments	Other Comprehensive Earnings/(Loss)
Balance at June 30, 2008	\$ 214.2	\$ (12.5)	\$ —	\$ (0.7)	\$ 201.0
Activity, net of tax	(164.8)	(6.9)	—	(24.8)	(196.5)
Balance at June 30, 2009	49.4	(19.4)	—	(25.5)	4.5
Activity, net of tax	(21.5)	(29.9)	(0.3)	(1.3)	(53.0)
Balance at June 30, 2010	27.9	(49.3)	(0.3)	(26.8)	(48.5)
Activity, net of tax	62.4	12.5	0.9	18.7	94.5
Balance at June 30, 2011	<u>\$ 90.3</u>	<u>\$ (36.8)</u>	<u>\$ 0.6</u>	<u>\$ (8.1)</u>	<u>\$ 46.0</u>

13. EQUITY-BASED COMPENSATION

Company Plan

The Company's stock-based compensation generally includes stock options and restricted stock units (RSUs). Shares issued relating to the Company's stock-based plans is generally issued for the purpose of retaining key employees and directors of its subsidiaries. On September 8, 2010, the 2007 PTS Holding Corp Stock Incentive Plan (the 2007 Plan) was amended to increase the total number of shares that may be issued under the 2007 Plan from 76,000 shares to 81,407 shares, of which 3,882 shares are set aside for the granting of RSUs subject to adjustments in certain events, including equity restructuring. As of June 30, 2011, approximately 12,381 authorized shares are available for future awards under the Company's stock-based compensation plans. The Company has adopted a form of non-statutory stock option agreement (the "Form Option Agreement") for awards under the 2007 Plan. Under the Form Agreement, certain stock option awards will vest over a five-year period of time contingent solely upon the participants' continued employment with the Company. Other stock option awards will vest over a specified performance period from the grant date upon achievement of pre-determined operating performance targets over time, while others are marked-based awards and vest upon The Blackstone Group's realization of certain internal rates of return goals and the occurrence of a liquidity event subject to certain other performance criteria. The Form Option Agreement includes certain forfeitures provisions upon a participant's separation from service with the Company.

Stock Compensation Expense

Stock compensation expense recognized in the consolidated statements of income was \$ 3.9 million, \$2.6 million and \$(0.3) million in fiscal years 2011, 2010 and 2009, respectively. All stock compensation expense is classified in selling, general and administrative expenses. Stock compensation expense is based on awards expected to vest, and therefore has been reduced by estimated forfeitures. Forfeitures are required to be estimated at the time of grant and revised in subsequent periods, if necessary, if actual forfeitures differ from those estimates. As of June 30, 2011, \$ 6.6 million of unrecognized compensation cost related to stock options is expected to be recognized as expense over a weighted-average period of approximately 2.4 years.

On October 23, 2009, through its Board of Directors, the Company established a modification program by which eligible stock options could, at the election of the option holder, be exchanged for new options in connection with the Stock Option Exchange ("SOE") program. The terms of the new options remained essentially the same as the existing options, except with regard to the exercise price which reflected the current market price at the grant date and certain revised vesting terms. There were 26 employees who participated in the SOE program which contributed \$1.4 million incremental compensation cost associated with the modification program for the fiscal year ended 2010. The option exchange was accounted for in accordance with *ASC 718 Compensation – Stock Compensation*.

Methodology and Assumptions

Stock options are granted with an exercise price at least equal to 100% of the market value on the date of grant. In the 2007 Plan, stock options granted generally cliff-vest 100% five years from the grant date. Stock options granted typically have a contractual term of 10 years. The grant-date fair value, adjusted for estimated forfeitures, is recognized as expense on a ratable basis over the substantive vesting period. The fair value of stock options is determined using the Black-Scholes-Merton option pricing model for service and performance based awards, and an adaptation of the Black-Scholes-Merton option valuation model, which takes into consideration the internal rate of return thresholds, for market based awards. This model adaptation is essentially equivalent to the use of path dependent-lattice model.

The weighted average of assumptions used in estimating the fair value of stock options granted during each year, along with the weighted-average grant-date fair values, were as follows.

	Year Ended June 30,		
	2011	2010	2009
Expected volatility	29% - 30%	30% - 32%	30% - 33%
Expected life (in years)	6.5 - 7.5	6.5 - 7.5	6.5 - 7.5
Risk-free interest rates	2.7% - 3.2%	3.2% - 3.5%	3.0% - 3.7%
Dividend yield	None	None	None

The Company's expected volatility assumption is based on the historical volatility of closing share price of a comparable peer group and other factors. The expected life assumption is primarily based on the "simplified method" which is the mid-point between the vesting date and the end of the contractual term. The risk-free interest rate for the expected life of the option is based on the U.S. Treasury yield curve in effect at the time of grant. The weighted-average grant-date fair value of stock options in 2011, 2010 and 2009 was \$240.77 per share, \$136.11 per share and \$168.11 per share, respectively

The following table summarizes stock option activity and shares outstanding for the years ended June 30, 2011, June 30, 2010 and June 30, 2009. The exercise price and aggregate intrinsic value are presented on an actual dollar value basis.

	Weighted Average Exercise Price	Time			Performance			Market		
		Number of shares	WA Contractual Term	Aggregate Intrinsic Value	Number of shares	WA Contractual Term	Aggregate Intrinsic Value	Number of shares	WA Contractual Term	Aggregate Intrinsic Value
Outstanding as of June 30, 2009	\$ 911.57	26,047	—	\$ —	17,155	—	\$ —	24,648	—	\$ —
Granted	\$ 750.00	34,277	—	—	11,605	—	—	27,873	—	—
Exercised	\$ —	—	—	—	—	—	—	—	—	—
Forfeited	\$ 893.54	(7,205)	—	—	(2,522)	—	—	(2,801)	—	—
Expired / Cancelled	\$ 904.08	(17,079)	—	—	(14,822)	—	—	(22,312)	—	—
Outstanding as of June 30, 2010	\$ 760.83	36,040	9.1	\$3,143,730	11,416	9.4	\$1,027,530	27,408	9.4	\$2,466,540
Granted	\$ 850.00	5,587	10.0	—	1,266	10.0	—	2,509	10.0	—
Exercised	\$ —	—	—	—	—	—	—	—	—	—
Forfeited	\$ 750.00	(4,886)	—	—	(2,130)	—	—	(9,060)	—	—
Expired / Cancelled	\$ 902.19	(1,964)	—	—	(160)	—	—	—	—	—
Outstanding as of June 30, 2011	\$ 772.00	34,777	8.3	\$9,206,150	10,392	8.5	\$2,922,760	20,857	8.5	\$5,828,590
Expected to vest as of June 30, 2011	\$ 772.39	32,914	8.3	\$8,543,660	9,723	8.5	\$2,701,170	17,542	8.5	\$4,859,930
Vested and exercisable as of June 30, 2011	\$ 791.10	9,056	7.5	\$2,175,990	1,898	8.4	\$ 550,420	—	—	\$ —

Restricted Stock Units

The Company may grant restricted stock units (RSUs) to employees for recognition and retention purposes. RSUs principally vest in one-fifth increments over a five-year period. The grant-date fair value, adjusted for estimated forfeitures, is recognized as expense on a ratable basis over the substantive vesting period. The fair value of RSUs is determined based on the number of shares granted and the fair value of the Company's common stock on the date of grant.

The following table summarizes non-vested RSU activity for the year ended June 30, 2011.

(share units)	RSUs units	Weighted-average grant-date fair value
Unvested RSUs at June 30, 2009	2,000	\$ 750.00
Granted	1,000	\$ 750.00
Vested	(400)	\$ 750.00
Forfeited	—	—
Unvested RSUs at June 30, 2010	2,600	\$ 750.00
Granted	—	—
Vested	(600)	\$ 750.00
Forfeited	—	—
Unvested RSUs at June 30, 2011	2,000	\$ 750.00

As of June 30, 2011, \$0.57 million of unrecognized compensation cost related to RSUs is expected to be recognized as expense over a weighted-average period of approximately 2.1 years. The weighted-average grant-date fair value of RSUs in 2011, 2010 and 2009 was \$0.0 million, \$0.75 million and \$1.5 million, respectively. The fair value of RSUs and restricted stock vested in 2011, 2010 and 2009 was \$0.5 million, \$0.3 million and \$0.0 million, respectively.

14. COMMITMENTS AND CONTINGENT LIABILITIES

The future minimum rental payments for operating leases having initial or remaining non-cancelable lease terms in excess of one year at June 30, 2011 are:

<u>(in millions)</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>Thereafter</u>	<u>Total</u>
Minimum rental payments	\$14.9	\$12.1	\$6.3	\$3.3	\$2.1	\$ 0.9	\$39.6

Rental expense relating to operating leases was approximately \$16.3 million, \$18.8 million and \$14.3 million for the fiscal years ended June 30, 2011, June 30, 2010 and June 30, 2009, respectively. Sublease rental income was not material for any period presented herein. We are also party to a capital lease obligation which extends through 2027 for a building leased by a US based Development & Clinical Services site.

Other Matters

On March 24, 2011, a Packaging Services manufacturing operation located in Corby, United Kingdom was damaged by a fire. All employees and contractors on site were safely evacuated with no injuries reported. The Company recorded expense for inventory that was damaged and additional costs associated with transition activities in the income statement line item Property and casualty losses within continuing operations. For the year ended June 30, 2011, the Company recorded \$11.3 million of expense, net of insurance recoveries, to operating expense. The Company has comprehensive insurance coverage which covers business interruption and property damage. For the year ended June 30, 2011, the Company recognized business interruption insurance proceeds related to lost profits of \$1.9 million. Future impairment charges, capital expenditures and non-recurring expenses may be required in subsequent periods as more information becomes available and the Company finalizes and executes on its strategic plans in response to the losses. Although the Company expects insurance proceeds to eventually cover a substantial portion of losses related to the fire, generally accepted accounting principles require the Company to record a charge to income with respect to the affected assets. While the Company is working diligently with its insurance providers, no determination has been made as to the total amount of the associated charges or timing of the receipt of insurance proceeds.

The Company, along with several pharmaceutical companies, is named as a defendant in two hundred and sixty-six pending civil lawsuits filed by individuals allegedly injured by their use of the prescription acne medication Amnesteem®, a branded generic form of isotretinoin, and in some instances of isotretinoin products made and/or sold by other firms as well. While it is not possible to determine with any degree of certainty the ultimate outcome of these legal proceedings, including making a determination of liability, the Company believes that it has meritorious defenses with respect to the claims asserted against it and intends to vigorously defend its position.

From time to time the Company may be involved in legal proceedings arising in the ordinary course of business, including, without limitation, inquiries and claims concerning environmental contamination as well as litigation and allegations in connection with acquisitions, product liability, manufacturing or packaging defects, and claims for reimbursement for the cost of lost or damaged active pharmaceutical ingredients, the cost of which could be significant. The Company intends to vigorously defend ourselves against such other litigation and does not currently believe that the outcome of any such other litigation will have a material adverse effect on the Company's financial statements.

15. SEGMENT INFORMATION

The Company conducts its business within the following operating segments: Softgel Technologies, Modified Release Technologies, Sterile Technologies, Packaging Services and Development & Clinical Services. The Softgel and Modified Release Technology operating segments are aggregated into one reportable operating segment – Oral Technologies. The Company evaluates the performance of its segments based on segment earnings before noncontrolling interest, other (income) expense, impairments, restructuring costs, interest expense, income tax (benefit)/expense, and depreciation and amortization (“Segment EBITDA”). EBITDA from continuing operations is consolidated earnings from continuing operations before interest expense, income tax (benefit)/expense, depreciation and amortization and is adjusted for the income or loss attributable to non controlling interest. The Company's presentation of Segment EBITDA and EBITDA from continuing operations may not be comparable to similarly-titled measures used by other companies.

The following tables include net revenue and EBITDA during the fiscal year ended June 30, 2011, June 30, 2010 and June 30, 2009:

(in millions)	Fiscal Year Ended June 30, 2011	Fiscal Year Ended June 30, 2010	Fiscal Year Ended June 30, 2009
Oral Technologies			
Net revenue	\$ 1,114.4	\$ 1,067.9	\$ 1,005.7
Segment EBITDA	299.5	265.8	225.0
Sterile Technologies			
Net revenue	219.8	218.9	213.7
Segment EBITDA	31.0	26.8	25.3
Packaging Services			
Net revenue	157.2	203.4	217.6
Segment EBITDA	5.0	11.9	0.4
Development and Clinical Services			
Net revenue	175.3	160.0	155.4
Segment EBITDA	34.0	27.2	13.7
Inter-segment revenue elimination	(26.4)	(24.0)	(30.8)
Unallocated Costs⁽¹⁾	(103.8)	(295.7)	(183.5)
Combined Total			
Net revenue	1,640.3	1,626.2	1,561.6
EBITDA from continuing operations	\$ 265.7	\$ 36.0	\$ 80.9

⁽¹⁾ Unallocated costs include special items, equity-based compensation, impairment charges, certain other corporate directed costs, and other costs that are not allocated to the segments as follows:

(in millions)	Fiscal Year Ended June 30, 2011	Fiscal Year Ended June 30, 2010	Fiscal Year Ended June 30, 2009
Impairment charges and (gain)/loss on sale of assets	\$ (3.6)	\$ (234.8)	\$ (175.8)
Equity compensation	(3.9)	(2.6)	0.3
Restructuring and other special items	(27.0)	(36.3)	(21.1)
Property and casualty losses	(11.6)	—	—
Sponsor advisory fee	(10.6)	(10.0)	(10.0)
Noncontrolling interest	(3.9)	(2.6)	0.6
Other income (expense), net	(27.3)	5.4	14.4
Non-allocated corporate costs, net	(15.9)	(14.8)	8.1
Total unallocated costs	<u>\$ (103.8)</u>	<u>\$ (295.7)</u>	<u>\$ (183.5)</u>

Provided below is a reconciliation of earnings/(loss) from continuing operations to EBITDA:

(in millions)	Fiscal Year Ended June 30, 2011	Fiscal Year Ended June 30, 2010	Fiscal Year Ended June 30, 2009
Earnings/(loss) from continuing operations	\$ (39.5)	\$ (267.7)	\$ (251.5)
Depreciation and amortization	119.5	123.7	132.9
Interest expense, net	165.5	161.0	181.7
Income tax benefit/(expense)	24.1	21.6	17.2
Noncontrolling interest	(3.9)	(2.6)	0.6
EBITDA from continuing operations	<u>\$ 265.7</u>	<u>\$ 36.0</u>	<u>\$ 80.9</u>

The following table includes total assets for each segment, as well as reconciling items necessary to total the amounts reported in the Consolidated Financial Statements:

Assets

<u>(in millions)</u>	<u>June 30, 2011</u>	<u>June 30, 2010</u>
Oral Technologies	\$2,540.6	\$2,318.3
Sterile Technologies	252.5	216.1
Packaging Services	135.3	133.4
Development and Clinical Services	177.7	146.4
Corporate and eliminations	(274.9)	(139.4)
Assets held for sale	—	52.6
Total assets	<u>\$2,831.2</u>	<u>\$2,727.4</u>

The following tables include depreciation and amortization expense and capital expenditures for the fiscal years ended June 30, 2011, June 30, 2010 and June 30, 2009 for each segment, as well as reconciling items necessary to total the amounts reported in the Consolidated Financial statements:

Depreciation and Amortization Expense

<u>(in millions)</u>	<u>Fiscal Year Ended 2011</u>	<u>Fiscal Year Ended 2010</u>	<u>Fiscal Year Ended 2009</u>
Oral Technologies	\$ 80.5	\$ 79.9	\$ 84.2
Sterile Technologies	16.8	17.9	20.8
Packaging Services	5.8	8.4	10.8
Development and Clinical Services	8.9	8.2	9.9
Corporate	7.5	9.3	7.2
Total depreciation and amortization expense	<u>\$ 119.5</u>	<u>\$ 123.7</u>	<u>\$ 132.9</u>

Capital Expenditures

<u>(in millions)</u>	<u>Fiscal Year Ended 2011</u>	<u>Fiscal Year Ended 2010</u>	<u>Fiscal Year Ended 2009</u>
Oral Technologies	\$ 41.9	\$ 49.5	\$ 44.1
Sterile Technologies	23.1	11.5	16.8
Packaging Services	6.9	3.7	9.0
Development and Clinical Services	13.6	4.6	5.0
Corporate	7.2	4.0	3.3
Total capital expenditures	<u>\$ 92.7</u>	<u>\$ 73.3</u>	<u>\$ 78.2</u>

The following table presents revenue and long-lived assets by geographic area:

(in millions)	Net Revenue			Long-Lived Assets ⁽¹⁾	
	Fiscal Year Ended 2011	Fiscal Year Ended 2010	Fiscal Year Ended 2009	As of June 30, 2011	As of June 30, 2010
United States	\$ 602.7	\$ 609.0	\$ 615.3	\$ 724.7	\$ 730.5
Europe	842.2	832.0	781.4	962.1	881.8
International other	216.4	208.0	187.1	269.3	239.8
Eliminations	(21.0)	(22.8)	(22.2)	—	—
Total	\$ 1,640.3	\$ 1,626.2	\$ 1,561.6	\$ 1,956.1	\$ 1,852.1

⁽¹⁾ Long-lived assets include property and equipment, net of accumulated depreciation; intangible assets, net of accumulated amortization; and goodwill.

16. SUPPLEMENTAL BALANCE SHEET INFORMATION

Supplementary balance sheet information at June 30, 2011 and June 30, 2010 are detailed in the following tables:

Inventories

Work-in-process and finished goods inventories include raw materials, labor and overhead. Total inventories consisted of the following:

(in millions)	June 30, 2011	June 30, 2010
Raw materials and supplies	\$ 75.4	\$ 79.4
Work-in-process	26.1	25.6
Finished goods	49.0	49.5
Total inventory, gross	150.5	154.5
Inventory reserves	(10.8)	(18.0)
Total inventory, net	<u>\$139.7</u>	<u>\$136.5</u>

Prepaid and other assets

Prepaid and other assets consist of the following:

<u>(in millions)</u>	<u>June 30, 2011</u>	<u>June 30, 2010</u>
Prepaid expenses	\$ 17.0	\$ 18.1
Spare parts	11.0	11.8
Deferred taxes	20.0	17.5
Other current assets	56.0	45.3
Total prepaid and other assets	<u>\$ 104.0</u>	<u>\$ 92.7</u>

Property and Equipment

Property and equipment consist of the following:

<u>(in millions)</u>	<u>June 30, 2011</u>	<u>June 30, 2010</u>
Land, buildings and improvements	\$ 451.8	\$ 389.7
Machinery and equipment	558.7	492.0
Furniture and fixtures	11.7	8.5
Construction in progress	53.6	69.0
Property and equipment, at cost	1,075.8	959.2
Accumulated depreciation	(316.3)	(239.8)
Property and equipment, net	<u>\$ 759.5</u>	<u>\$ 719.4</u>

Other Assets – Non current

Other assets consist of the following:

<u>(in millions)</u>	<u>June 30, 2011</u>	<u>June 30, 2010</u>
Deferred debt financing costs	\$ 26.0	\$ 34.3
Other	10.7	7.4
Total other assets	<u>\$ 36.7</u>	<u>\$ 41.7</u>

Other Accrued Liabilities

Other accrued liabilities consist of the following:

<u>(in millions)</u>	<u>June 30, 2011</u>	<u>June 30, 2010</u>
Accrued employee-related expenses	\$ 83.6	\$ 70.1
Restructuring accrual	8.7	14.3
Deferred income taxes	0.7	0.2
Accrued interest	19.5	17.8
Interest rate swaps	23.5	24.0
Deferred revenue and fees	17.1	19.6
Accrued income tax	22.3	28.2
Other accrued liabilities and expenses	51.8	42.7
Total other accrued liabilities	<u>\$ 227.2</u>	<u>\$ 216.9</u>

Allowance for Doubtful Accounts

Trade receivables Allowance for Doubtful Accounts activity as follows:

<u>(in millions)</u>	<u>June 30,</u> <u>2011</u>	<u>June 30,</u> <u>2010</u>	<u>June 30,</u> <u>2009</u>
Trade receivables allowance for doubtful accounts			
Beginning balance	\$ 3.9	\$ 3.3	\$ 5.4
Charged to costs and expenses	0.5	1.6	0.9
Deductions	—	(1.0)	(3.0)
Ending balance	<u>\$ 4.4</u>	<u>\$ 3.9</u>	<u>\$ 3.3</u>

Inventory Reserve

Inventories reserve activity as follows:

<u>(in millions)</u>	<u>June 30,</u> <u>2011</u>	<u>June 30,</u> <u>2010</u>	<u>June 30,</u> <u>2009</u>
Inventory reserve			
Beginning balance	\$ 18.0	\$ 19.0	\$ 16.9
Charged to costs and expenses	7.8	16.4	12.8
Deductions	(15.0)	(17.4)	(10.7)
Ending balance	<u>\$ 10.8</u>	<u>\$ 18.0</u>	<u>\$ 19.0</u>

17. SUBSEQUENT EVENTS

On August 23, 2011, the Company announced that the Company and Aptuit, LLC, a Delaware limited liability company (“Aptuit”), had entered into a Stock Purchase Agreement (the “Stock Purchase Agreement”) dated as of August 19, 2011. Pursuant to the terms and subject to the conditions of the Stock Purchase Agreement, the Company will acquire Aptuit’s Clinical Trial Supplies business (the “CTS Business”) by purchasing all of the outstanding shares of capital stock of Aptuit Holdings, Inc. (“Holdings”), a wholly-owned subsidiary of Aptuit, for cash consideration of \$410 million on a cash and debt free basis.

The purchase price is subject to possible upward or downward adjustment based on certain provisions in the Stock Purchase Agreement relating to working capital and indebtedness. In addition, the purchase price is subject to possible downward adjustment based on certain provisions in the Stock Purchase Agreement relating to earnings before interest, taxes, depreciation and amortization of the CTS Business’s facilities.

The acquisition is conditioned upon the consummation of a restructuring by Aptuit, whereby Aptuit will transfer non-CTS Business assets and liabilities from Holdings and its subsidiaries to Aptuit and its subsidiaries, such that after the restructuring Holdings and its subsidiaries will solely hold and operate the CTS Business. The completion of the Acquisition is also subject to customary conditions, including expiration of the applicable waiting period under the Hart-Scott-Rodino Antitrust Improvements Act of 1976, as amended, certain anti-competition filings in foreign jurisdictions, no injunctions or illegality, and no material adverse effect with respect to the CTS Business having occurred. The acquisition is not subject to any financing condition and is expected to close by the end of calendar year 2011.

In the preparation of its consolidated financial statements, the Company completed an evaluation of the impact of any subsequent events and determined there were no other subsequent events requiring disclosure in or adjustment to these financial statements.

18. GUARANTOR AND NON GUARANTOR FINANCIAL STATEMENTS

All obligations under the senior secured credit agreement, the Senior Toggle Notes and the €225 million 9^{3/4}% Euro-denominated Senior Subordinated Notes due 2017 (the “Senior Subordinated Notes”) are unconditionally guaranteed by each of the Company’s existing U.S. wholly-owned subsidiaries, other than the Company’s Puerto Rico subsidiaries, subject to certain exceptions.

The following condensed financial information presents the Company’s Consolidating Balance Sheet as of June 30, 2011 and as of June 30, 2010 and the Consolidating Statements of Operations for the years ended June 30, 2011 and June 30, 2010 and Cash Flows for the years ended June 30, 2011, June 30, 2010 and June 30, 2009: (a) Catalent Pharma Solutions, Inc. (“Issuer” and/or “Parent”); (b) the guarantor subsidiaries; (c) the non-guarantor subsidiaries and (d) elimination and adjustment entries necessary to combine the Issuer/Parent with the guarantor and non-guarantor subsidiaries on a consolidated basis, respectively.

Catalent Pharma Solutions, Inc. and Subsidiaries
Consolidating Statements of Operations
For the Year Ended June 30, 2011
(In millions)

	<u>Issuer</u>	<u>Guarantor</u>	<u>Non- Guarantor</u>	<u>Eliminations</u>	<u>Consolidated</u>
Net revenue	\$ —	\$ 602.7	\$1,058.3	\$ (20.7)	\$ 1,640.3
Cost of products sold	—	374.6	767.9	(20.7)	1,121.8
Gross margin	—	228.1	290.4	—	518.5
Selling, general and administrative expenses	3.9	190.8	116.5	—	311.2
Impairment charges and (gain)/loss on sale of assets	0.2	3.4	—	—	3.6
Restructuring and other	—	7.0	7.7	—	14.7
Property and casualty losses	—	0.3	11.3	—	11.6
Operating earnings, income/(loss)	(4.1)	26.6	154.9	—	177.4
Interest expense, net	161.0	2.2	2.3	—	165.5
Other (income)/expense, net	(108.4)	(461.1)	72.7	524.1	27.3
Earnings/(loss) from continuing operations before income taxes	(56.7)	485.5	79.9	(524.1)	(15.4)
Income tax (benefit)/expense	(3.2)	3.9	23.4	—	24.1
Earnings/(loss) from continuing operations	(53.5)	481.6	56.5	(524.1)	(39.5)
Loss from discontinued operations	(0.5)	18.5	(28.6)	—	(10.6)
Net earnings/(loss)	(54.0)	500.1	27.9	(524.1)	(50.1)
Less: Net earnings/(loss) attributable to noncontrolling interest	—	—	3.9	—	3.9
Net earnings/(loss) attributable to Catalent	<u>\$ (54.0)</u>	<u>\$ 500.1</u>	<u>\$ 24.0</u>	<u>\$ (524.1)</u>	<u>\$ (54.0)</u>

Catalent Pharma Solutions, Inc. and Subsidiaries
Consolidating Statements of Operations
For the Year Ended June 30, 2010
(In millions)

	Issuer	Guarantor	Non- Guarantor	Eliminations	Consolidated
Net revenue	\$ —	\$ 593.3	\$1,031.6	\$ 1.3	\$ 1,626.2
Cost of products sold	—	383.2	775.4	1.3	1,159.9
Gross margin	—	210.1	256.2	—	466.3
Selling, general and administrative expenses	2.6	183.7	111.1	—	297.4
Impairment charges and (gain)/loss on sale of assets	20.0	200.3	14.5	—	234.8
Restructuring and other	—	11.2	13.4	—	24.6
Operating earnings, income/(loss)	(22.6)	(185.1)	117.2	—	(90.5)
Interest expense, net	157.0	0.4	3.6	—	161.0
Other (income)/expense, net	101.7	(136.3)	(196.5)	225.7	(5.4)
Earnings/(loss) from continuing operations before income taxes	(281.3)	(49.2)	310.1	(225.7)	(246.1)
Income tax (benefit)/expense	8.3	7.4	5.9	—	21.6
Earnings/(loss) from continuing operations	(289.6)	(56.6)	304.2	(225.7)	(267.7)
Loss from discontinued operations	—	(15.5)	(7.5)	3.7	(19.3)
Net earnings/(loss)	(289.6)	(72.1)	296.7	(222.0)	(287.0)
Net earnings/(loss) attributable to noncontrolling interest	—	—	2.6	—	2.6
Net earnings/(loss) attributable to Catalent	<u>\$(289.6)</u>	<u>\$ (72.1)</u>	<u>\$ 294.1</u>	<u>\$ (222.0)</u>	<u>\$ (289.6)</u>

Catalent Pharma Solutions, Inc. and Subsidiaries
Consolidating Statements of Operations
For the Year Ended June 30, 2009
(In millions)

	<u>Issuer</u>	<u>Guarantor</u>	<u>Non- Guarantor</u>	<u>Eliminations</u>	<u>Consolidated</u>
Net revenue	\$ —	\$ 595.3	\$ 960.1	\$ 6.2	\$ 1,561.6
Cost of products sold	—	408.3	752.2	6.1	1,166.6
Gross margin	—	187.0	207.9	0.1	395.0
Selling, general and administrative expenses	(0.3)	162.0	108.1	—	269.8
Impairment charges and (gain)/loss on sale of assets	(4.1)	151.2	28.7	—	175.8
Restructuring and other	—	13.6	2.8	—	16.4
Operating earnings, income/(loss)	4.4	(139.8)	68.3	0.1	(67.0)
Interest expense, net	179.7	0.4	1.6	—	181.7
Other (income)/expense, net	121.4	(31.2)	77.5	(182.1)	(14.4)
Earnings/(loss) from continuing operations before income taxes	(296.7)	(109.0)	(10.8)	182.2	(234.3)
Income tax (benefit)/expense	11.4	(1.1)	6.9	—	17.2
Earnings/(loss) from continuing operations	(308.1)	(107.9)	(17.7)	182.2	(251.5)
Loss from discontinued operations	—	(44.1)	(15.6)	2.5	(57.2)
Net earnings/(loss)	(308.1)	(152.0)	(33.3)	184.7	(308.7)
Net earnings/(loss) attributable to noncontrolling interest	—	—	(0.6)	—	(0.6)
Net earnings/(loss) attributable to Catalent	<u>\$(308.1)</u>	<u>\$ (152.0)</u>	<u>\$ (32.7)</u>	<u>\$ 184.7</u>	<u>\$ (308.1)</u>

Catalent Pharma Solutions, Inc. and Subsidiaries
Consolidating Balance Sheet
June 30, 2011
(In millions)

	Issuer	Guarantor	Non-Guarantor	Eliminations	Consolidated
Assets					
Current Assets					
Cash and equivalents	\$ 3.6	\$ 33.4	\$ 168.1	\$ —	\$ 205.1
Trade receivables, net	—	84.0	190.8	—	274.8
Intercompany receivables	—	712.9	978.9	(1,691.8)	—
Inventories, net	—	32.0	107.7	—	139.7
Prepaid expenses and other	24.4	31.0	48.6	—	104.0
Assets held for sale	—	—	—	—	—
Total current assets	28.0	893.3	1,494.1	(1,691.8)	723.6
Property and equipment, net	—	321.3	438.2	—	759.5
Goodwill, net	—	308.1	597.9	—	906.0
Other intangibles, net	—	95.5	195.1	—	290.6
Investment in subsidiaries	3,323.3	—	—	(3,321.9)	1.4
Inter-company loan receivable	—	—	—	—	—
Deferred income taxes	22.3	68.1	24.4	—	114.8
Other assets	27.5	4.4	4.9	(1.5)	35.3
Total assets	\$ 3,401.1	\$ 1,690.7	\$ 2,754.6	\$ (5,015.2)	\$ 2,831.2
Liabilities and Shareholder's Equity					
Current Liabilities					
Current portion of long-term obligations & other short-term borrowings	\$ 14.4	\$ 1.7	\$ 12.6	\$ —	\$ 28.7
Accounts payable	—	33.4	95.7	—	129.1
Intercompany accounts payable	1,206.7	—	—	(1,206.7)	—
Other accrued liabilities	49.1	78.4	99.7	—	227.2
Liabilities held for sale	—	—	—	—	—
Total current liabilities	1,270.2	113.5	208.0	(1,206.7)	385.0
Long-term obligations, less current portion	2,300.1	8.7	9.8	—	2,318.6
Intercompany long-term debt	69.2	1.7	414.3	(485.2)	—
Pension liability	—	17.0	61.5	—	78.5
Deferred income taxes	27.1	102.9	62.7	—	192.7
Other liabilities	18.5	22.4	25.4	—	66.3
Shareholder's Equity:					
Common stock \$0.01 par value; 1,000 shares authorized, 100 shares issued	—	—	—	—	—
Additional paid in capital	1,082.0	—	—	—	1,082.0
Shareholder's equity	—	1,428.8	1,894.5	(3,323.3)	—
Accumulated deficit	(1,341.7)	—	—	—	(1,341.7)
Accumulated other comprehensive income/(loss)	(24.3)	(4.3)	74.6	—	46.0
Total shareholder's equity	(284.0)	1,424.5	1,969.1	(3,323.3)	(213.7)
Noncontrolling interest	—	—	3.8	—	3.8
Total equity	(284.0)	1,424.5	1,972.9	(3,323.3)	(209.9)
Total liabilities and shareholder's equity	\$ 3,401.1	\$ 1,690.7	\$ 2,754.6	\$ (5,015.2)	\$ 2,831.2

Catalent Pharma Solutions, Inc. and Subsidiaries
Consolidating Balance Sheet
June 30, 2010
(In millions)

	Issuer	Guarantor	Non-Guarantor	Eliminations	Consolidated
Assets					
Current Assets					
Cash and equivalents	\$ 17.7	\$ 31.7	\$ 114.6	\$ —	\$ 164.0
Trade receivables, net	—	70.7	166.0	—	236.7
Intercompany receivables	—	247.8	644.1	(891.9)	—
Inventories, net	—	34.0	102.5	—	136.5
Prepaid expenses and other	22.4	25.1	45.2	—	92.7
Assets held for sale	—	17.7	34.9	—	52.6
Total current assets	40.1	427.0	1,107.3	(891.9)	682.5
Property and equipment, net	—	321.0	398.4	—	719.4
Goodwill, net	—	308.0	540.9	—	848.9
Other intangibles, net	—	102.4	194.2	—	296.6
Investment in subsidiaries	2,799.1	—	—	(2,797.4)	1.7
Deferred income taxes	7.7	97.9	32.7	—	138.3
Other assets	36.0	4.2	1.4	(1.6)	40.0
Total assets	<u>\$ 2,882.9</u>	<u>\$ 1,260.5</u>	<u>\$ 2,274.9</u>	<u>\$ (3,690.9)</u>	<u>\$ 2,727.4</u>
Liabilities and Shareholder's Equity					
Current Liabilities					
Current portion of long-term obligations & other short-term borrowings	\$ 13.9	\$ 6.2	\$ 10.1	\$ —	\$ 30.2
Accounts payable	—	23.8	96.5	—	120.3
Intercompany accounts payable	682.1	—	—	(682.1)	—
Other accrued liabilities	42.9	85.3	88.7	—	216.9
Liabilities held for sale	—	3.0	11.6	—	14.6
Total current liabilities	738.9	118.3	206.9	(682.1)	382.0
Long-term obligations, less current portion	2,220.8	1.4	17.6	—	2,239.8
Intercompany long-term debt	34.3	58.5	116.9	(209.7)	—
Pension liability	—	20.8	79.8	—	100.6
Deferred income taxes	11.3	122.6	64.8	—	198.7
Other liabilities	30.8	16.8	22.2	—	69.8
Shareholder's Equity:					
Common stock \$0.01 par value; 1,000 shares authorized, 100 shares issued	—	—	—	—	—
Additional paid in capital	1,074.2	—	—	—	1,074.2
Shareholder's equity	—	930.8	1,868.3	(2,799.1)	—
Accumulated deficit	(1,287.7)	—	—	—	(1,287.7)
Accumulated other comprehensive income/(loss)	60.3	(8.7)	(100.1)	—	(48.5)
Total shareholder's equity	(153.2)	922.1	1,768.2	(2,799.1)	(262.0)
Noncontrolling interest	—	—	(1.5)	—	(1.5)
Total equity	(153.2)	922.1	1,766.7	(2,799.1)	(263.5)
Total liabilities and shareholder's equity	<u>\$ 2,882.9</u>	<u>\$ 1,260.5</u>	<u>\$ 2,274.9</u>	<u>\$ (3,690.9)</u>	<u>\$ 2,727.4</u>

Catalent Pharma Solutions, Inc. and Subsidiaries
Consolidated Statements of Cash Flows
For the Year Ended June 30, 2011
(in millions)

	Issuer	Guarantor Subsidiaries	Non- Guarantor Subsidiaries	Eliminations	Consolidated
CASH FLOWS FROM OPERATING ACTIVITIES:					
Net earnings/loss	\$ (54.0)	\$ 500.0	\$ 28.0	\$ (524.1)	\$ (50.1)
Loss from discontinued operations	(0.5)	18.5	(28.6)	—	(10.6)
Earnings/(loss) from continuing operations	(53.5)	481.5	56.6	(524.1)	(39.5)
Adjustments to reconcile earnings/(loss) from continued operations to net cash from operations:					
Depreciation and amortization	—	52.0	67.5	—	119.5
Unrealized foreign currency transaction (gains)/ losses, net	(8.5)	(1.9)	23.6	—	13.2
Amortization of debt financing costs	10.0	—	—	—	10.0
Deferral of interest through utilization of PIK	—	—	—	—	—
Asset impairments and (gain)/loss on sale of assets	0.2	3.4	—	—	3.6
Equity compensation	3.9	—	—	—	3.9
Income from subsidiaries	(524.1)	—	—	524.1	—
Provision/(benefit) for deferred income taxes	(0.9)	1.2	6.2	—	6.5
Provisions for bad debts and inventory	—	4.2	4.0	—	8.2
Change in operating assets and liabilities, net of acquisitions:					
Decrease/(Increase) in trade receivables	—	(13.4)	(4.1)	—	(17.5)
Decrease/(Increase) in inventories	—	(2.1)	3.5	—	1.4
Increase/(Decrease) in accounts payable	—	9.6	(11.5)	—	(1.9)
Other accrued liabilities and operating items, net	15.4	8.3	(7.6)	—	7.3
Net cash provided by / (used in) operating activities from continuing operations	(557.5)	542.8	129.4	—	114.7
Net cash provided by/(used in) operating activities from discontinued operations	—	0.7	(15.7)	—	(15.0)
Net cash provided by / (used in) operating activities	(557.5)	543.5	113.7	—	99.7
CASH FLOWS FROM INVESTING ACTIVITIES:					
Proceeds from sale of property and equipment	—	0.3	3.9	—	4.2
Acquisitions of property and equipment and other productive assets	—	(38.2)	(54.5)	—	(92.7)
Net cash provided by/(used in) investing activities from continuing operations	—	(37.9)	(50.6)	—	(88.5)
Net cash provided by/(used in) investing activities from discontinued operations	—	12.0	26.1	—	38.1
Net cash provided by/(used in) investing activities	—	(25.9)	(24.5)	—	(50.4)
CASH FLOWS FROM FINANCING ACTIVITIES:					
Intercompany	464.1	(515.9)	51.8	—	—
Net change in short-term borrowings	(4.5)	—	1.2	—	(3.3)
Repayments of revolver credit facility	—	—	—	—	—
Borrowings from revolver credit facility	—	—	—	—	—
Repayments in long-term obligations	(14.2)	(0.1)	(9.8)	—	(24.1)
Distribution to noncontrolling interest holder	—	—	(2.6)	—	(2.6)
Equity (redemption) contribution	3.9	—	—	—	3.9
Net cash (used in)/ provided by financing activities from continuing operations	449.3	(516.0)	40.6	—	(26.1)
Net cash provided by/(used in) from discontinued operations	—	—	—	—	—
Net cash provided by/(used in) financing activities	449.3	(516.0)	40.6	—	(26.1)
Effect of foreign currency on cash	94.1	—	(76.2)	—	17.9
NET INCREASE/(DECREASE) IN CASH AND EQUIVALENTS					
	(14.1)	1.6	53.6	—	41.1
CASH AND EQUIVALENTS AT BEGINNING OF PERIOD	17.7	31.8	114.5	—	164.0
CASH AND EQUIVALENTS AT END OF PERIOD	\$ 3.6	\$ 33.4	\$ 168.1	\$ —	\$ 205.1

Catalent Pharma Solutions, Inc. and Subsidiaries
Consolidated Statements of Cash Flows
For the Year Ended June 30, 2010
(in millions)

	Issuer	Guarantor Subsidiaries	Non- Guarantor Subsidiaries	Eliminations	Consolidated
CASH FLOWS FROM OPERATING ACTIVITIES:					
Net earnings/loss	\$(289.6)	\$ (72.1)	\$ 296.7	\$ (222.0)	\$ (287.0)
Loss from discontinued operations	—	(15.6)	(3.7)	—	(19.3)
Earnings/(loss) from continuing operations	(289.6)	(56.5)	300.4	(222.0)	(267.7)
Adjustments to reconcile earnings/(loss) from continued operations to net cash from operations:					
Depreciation and amortization	—	57.7	66.0	—	123.7
Unrealized foreign currency transaction (gains)/ losses, net	1.2	0.5	(30.0)	—	(28.3)
Amortization of debt financing costs	9.6	—	—	—	9.6
Deferral of interest through utilization of PIK	59.4	—	—	—	59.4
Asset impairments and (gain)/loss on sale of assets	20.0	200.3	14.5	—	234.8
Equity compensation	2.6	—	—	—	2.6
Income from subsidiaries	(222.0)	—	—	222.0	—
Provision/(benefit) for deferred income taxes	1.1	5.7	(17.0)	—	(10.2)
Provisions for bad debts and inventory	—	4.4	12.7	—	17.1
Change in operating assets and liabilities, net of acquisitions:					
Decrease/(Increase) in trade receivables	—	6.6	0.5	—	7.1
Decrease/(Increase) in inventories	—	10.0	8.7	—	18.7
Increase/(Decrease) in accounts payable	—	(7.6)	16.9	—	9.3
Other accrued liabilities and operating items, net	65.8	(55.7)	51.2	—	61.3
Net cash provided by/(used in) operating activities from continuing operations	(351.9)	165.4	423.9	—	237.4
Net cash provided by/(used in) operating activities from discontinued operations	—	(6.6)	3.0	—	(3.6)
Net cash provided by/(used in) operating activities	(351.9)	158.8	426.9	—	233.8
CASH FLOWS FROM INVESTING ACTIVITIES:					
Proceeds from sale of property and equipment	—	0.6	0.7	—	1.3
Additions to property and equipment	—	(16.1)	(57.2)	—	(73.3)
Net cash provided by/(used in) investing activities from continuing operations	—	(15.5)	(56.5)	—	(72.0)
Net cash provided by/(used in) investing activities from discontinued operations	—	8.5	(3.2)	—	5.3
Net cash provided by/(used in) investing activities	—	(7.0)	(59.7)	—	(66.7)
CASH FLOWS FROM FINANCING ACTIVITIES:					
Intercompany	502.3	(122.7)	(379.6)	—	—
Net change in short-term borrowings	(0.3)	—	1.4	—	1.1
Repayments of revolver credit facility	(36.0)	—	—	—	(36.0)
Borrowings from revolver credit facility	—	—	—	—	—
Repayments in long-term obligations	(14.1)	(1.6)	(5.0)	—	(20.7)
Distribution to noncontrolling interest holder	—	—	(1.7)	—	(1.7)
Equity (redemption) contribution	0.6	—	—	—	0.6
Net cash (used in)/ provided by financing activities from continuing operations	452.5	(124.3)	(384.9)	—	(56.7)
Net cash provided by/(used in) from discontinued operations	—	—	—	—	—
Net cash provided by/(used in) financing activities	452.5	(124.3)	(384.9)	—	(56.7)
Effect of foreign currency on cash	(83.1)	—	72.8	—	(10.3)
NET INCREASE/(DECREASE) IN CASH AND EQUIVALENTS					
	17.5	27.5	55.1	—	100.1
CASH AND EQUIVALENTS AT BEGINNING OF PERIOD	0.2	4.2	59.5	—	63.9
CASH AND EQUIVALENTS AT END OF PERIOD	<u>\$ 17.7</u>	<u>\$ 31.7</u>	<u>\$ 114.6</u>	<u>\$ —</u>	<u>\$ 164.0</u>

Catalent Pharma Solutions, Inc. and Subsidiaries
Consolidated Statements of Cash Flows
For the Year Ended June 30, 2009
(in millions)

	<u>Issuer</u>	<u>Guarantor Subsidiaries</u>	<u>Non- Guarantor Subsidiaries</u>	<u>Eliminations</u>	<u>Consolidated</u>
CASH FLOWS FROM OPERATING ACTIVITIES:					
Net earnings/loss	\$(308.1)	\$ (152.0)	\$ (33.3)	\$ 184.7	\$ (308.7)
Loss from discontinued operations	—	(44.2)	(13.0)	—	(57.2)
Earnings/(loss) from continuing operations	(308.1)	(107.8)	(20.3)	184.7	(251.5)
Adjustments to reconcile earnings/(loss) from continued operations to net cash from operations:					
Depreciation and amortization	—	69.1	63.8	—	132.9
Unrealized foreign currency transaction (gains)/ losses, net	(50.4)	0.6	20.2	—	(29.6)
Amortization of debt financing costs	9.6	—	—	—	9.6
Asset impairments and (gain)/loss on sale of assets	(4.1)	151.2	28.7	—	175.8
Equity compensation	(0.3)	—	—	—	(0.3)
Income from subsidiaries	184.7	—	—	(184.7)	—
Provision/(benefit) for deferred income taxes	11.4	(3.0)	(11.6)	—	(3.2)
Provisions for bad debts and inventory	—	5.3	8.9	—	14.2
Change in operating assets and liabilities, net of acquisitions:					
Decrease/(Increase) in trade receivables	—	37.0	(2.9)	—	34.1
Decrease/(Increase) in inventories	—	(2.5)	(8.1)	—	(10.6)
Increase/(Decrease) in accounts payable	—	(7.5)	8.3	—	0.8
Other accrued liabilities and operating items, net	28.2	(21.5)	(13.7)	—	(7.0)
Net cash provided by / (used in) operating activities from continuing operations	(129.0)	120.9	73.3	—	65.2
Net cash provided by/(used in) operating activities from discontinued operations	—	5.5	5.5	—	11.0
Net cash provided by / (used in) operating activities	(129.0)	126.4	78.8	—	76.2
CASH FLOWS FROM INVESTING ACTIVITIES:					
Proceeds from sale of property and equipment	—	—	2.0	—	2.0
Additions to property and equipment	—	(22.5)	(55.7)	—	(78.2)
Net cash provided by/(used in) investing activities from continuing operations	—	(22.5)	(53.7)	—	(76.2)
Net cash provided by/(used in) investing activities from discontinued operations	—	(4.5)	(3.6)	—	(8.1)
Net cash provided by/(used in) investing activities	—	(27.0)	(57.3)	—	(84.3)
CASH FLOWS FROM FINANCING ACTIVITIES:					
Intercompany	108.8	(105.7)	(3.1)	—	—
Net change in short-term borrowings	(0.3)	—	(1.1)	—	(1.4)
Repayments of revolver credit facility	(68.0)	—	—	—	(68.0)
Borrowings from revolver credit facility	104.0	—	—	—	104.0
Repayments in long-term obligations	(14.2)	(1.5)	(7.1)	—	(22.8)
Distribution to noncontrolling interest holder	—	—	(3.3)	—	(3.3)
Equity (redemption) contribution	(1.3)	—	—	—	(1.3)
Net cash (used in)/ provided by financing activities from continuing operations	129.0	(107.2)	(14.6)	—	7.2
Net cash provided by/(used in) from discontinued operations	—	—	—	—	—
Net cash provided by/(used in) financing activities	129.0	(107.2)	(14.6)	—	7.2
Effect of foreign currency on cash	—	—	(7.6)	—	(7.6)
NET INCREASE/(DECREASE) IN CASH AND EQUIVALENTS	—	(7.8)	(0.7)	—	(8.5)
CASH AND EQUIVALENTS AT BEGINNING OF PERIOD	—	12.2	60.2	—	72.4
CASH AND EQUIVALENTS AT END OF PERIOD	<u>\$ —</u>	<u>\$ 4.4</u>	<u>\$ 59.5</u>	<u>\$ —</u>	<u>\$ 63.9</u>

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

None.

ITEM 9A. CONTROLS AND PROCEDURES

Disclosure Controls and Procedures

We maintain disclosure controls and procedures that are designed to ensure that information required to be disclosed in the Company's reports under the Securities Exchange Act of 1934, as amended ("Exchange Act") is recorded, processed, summarized and reported within the time periods specified in the U.S. Securities and Exchange Commission's ("SEC") rules and forms, and that such information is accumulated and communicated to the Company's management, including the Company's President and Chief Executive Officer, and the Company's Senior Vice President and Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosures. Any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired control objectives. The Company's management, with the participation of the Company's President and Chief Executive Officer, and the Company's Senior Vice President and Chief Financial Officer, has evaluated the effectiveness of the design and operation of the Company's disclosure controls and procedures as of the end of the period covered by this Form 10-K. Based upon that evaluation, the Company's President and Chief Executive Officer and the Company's Senior Vice President and Chief Financial Officer concluded that, as of June 30, 2011 the Company's disclosure controls and procedures were effective to accomplish their objectives at the reasonable assurance level.

Management's Report on Internal Control Over Financial Reporting

Our management is responsible for establishing and maintaining adequate internal control over our financial reporting. Our internal control over financial reporting is designed to provide reasonable assurances regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with U.S. generally accepted accounting principles. Our internal control over financial reporting includes those policies and procedures that:

- pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of our assets;
- provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with U.S. generally accepted accounting principles, and that receipts and expenditures are being made only in accordance with authorizations of our management and directors; and
- provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of our assets that could have a material effect on the financial statements.

Our internal control systems include the controls themselves, actions taken to correct deficiencies as identified, an organizational structure providing for division of responsibilities, careful selection and training of qualified financial personnel and a program of internal audits.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Our management has assessed the effectiveness of our internal control over financial reporting as of June 30, 2011. In making this assessment, management used the framework set forth by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) in *Internal Control-Integrated Framework*.

Based on this assessment, our management concluded that our internal control over financial reporting was effective as of June 30, 2011.

Changes in Internal Control over Financial Reporting

There was no change in the Company's internal control over financial reporting (as such term is defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) that occurred during the period covered by this Annual Report on Form 10-K that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting.

ITEM 9B. OTHER INFORMATION

Item 9B is not applicable and has been omitted.

PART III

ITEM 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE

Executive Officers and Directors of the Registrant

The following table sets forth information about our executive officers and directors including their respective ages as of September 1, 2011:

<u>Name</u>	<u>Age</u>	<u>Position</u>
John R. Chiminski	47	President & Chief Executive Officer and Director
Matthew Walsh	45	Senior Vice President and Chief Financial Officer
Scott Houlton	44	President, Development and Clinical Services
David Heyens	55	President, Oral Technologies - Softgel
Ian Muir	45	President, Oral Technologies - Modified Release Technology
Barry Littlejohns	45	President, Medication Delivery Solutions
William Downie	44	Senior Vice President, Global Marketing & Sales
Sharon Johnson	47	Senior Vice President, Global Quality and Regulatory Affairs
Samrat S. Khichi	43	Senior Vice President, Chief Administrative Officer, General Counsel and Secretary
Stephen Leonard	49	Senior Vice President, Global Operations
Kurt Nielsen	44	Senior Vice President, Innovation & Growth and Chief Technology Officer
Roy Satchell	52	Senior Vice President, Information Technology
Lance Miyamoto	56	Senior Vice President, Human Resources
Cornell Stamon	43	Vice President, Strategy and Corporate Development
Charles Silvey	52	Vice President, Internal Audit & Finance Operations
Chinh E. Chu	44	Director
Michael Dal Bello	40	Director
Peter Baird	45	Director
Bruce McEvoy	34	Director
Paul Clark	64	Director
James Quella	61	Director
Melvin D. Booth	66	Director
Arthur J. Higgins	55	Director

John R. Chiminski has led Catalent as President and Chief Executive Officer since March 2009. Mr. Chiminski brings to Catalent a diversified business background that includes lean manufacturing, supply chain, research and development, customer service, and global business management, with a focus on customers and growth. He joined Catalent after more than 20 years of experience at GE Healthcare in engineering, operations, and senior leadership roles. From 2007 to 2009, Mr. Chiminski was President and Chief Executive Officer of GE Medical Diagnostics, a global business with sales of \$1.9 billion. From 2005 to 2007, he served as Vice President and General Manager of GE Healthcare's Global Magnetic Resonance Business, and from 2001 to 2005, as Vice President and General Manager of Global Healthcare Services. Earlier at GE, he held a series of cross-functional leadership positions in both manufacturing and engineering, including a GE Medical Systems assignment in France. Mr. Chiminski holds a BS from Michigan State University and an MS from Purdue University, both in electrical engineering, as well as a Master in Management degree from the Kellogg School of Management at Northwestern University. He is on the Board of Trustees for the HealthCare Institute of New Jersey.

Matthew Walsh has served as our Senior Vice President and Chief Financial Officer since April 2008. Prior to joining the Company, Mr. Walsh served as President and Chief Financial Officer of Escala Group, Inc., a global collectibles network and precious metals trader. From 1996 through 2006, Mr. Walsh held positions of increasing responsibility in corporate development, accounting and finance at diversified industrial manufacturer GenTek, Inc., culminating in his appointment as Vice President and Chief Financial Officer. Prior to GenTek, he served in corporate development and other roles in banking and the chemicals industry. Mr. Walsh received a B.S. in chemical engineering and an MBA from Cornell University and is a CFA® charterholder.

Scott Houlton has served as our Group President, Development and Clinical Services since August 2009. Previously, Mr. Houlton was most recently Chief Operating Officer of Aptuit, Inc., responsible for Scientific Operations, Business Process Improvement, Human Resources, Clinical Operations and Capital Development and served as a director for Aptuit Laurus, Inc. Prior to Aptuit, Mr. Houlton held a variety of leadership roles in other companies including Vice President of Clinical Supplies at Quintiles Transnational Corporation. Earlier in his career, he was with Cardinal Health, Inc. where he served as Director of International Business Development. Mr. Houlton holds a B.S. degree in both International Business and Finance from The Ohio State University.

David Heyens has served as our President, Softgel Technologies since June 2010 and was Group President, Packaging Services from August 2009 to June 2010. Mr. Heyens joined the Company in 1995 and served as President of the North American softgel business from 2000 to 2006, then as head of the global softgel business from 2006 to 2007. From June 2007 to August 2009, Mr. Heyens served as our Senior Vice President, Global Sales. Mr. Heyens previously held a variety of sales and marketing leadership roles at Baxter and Procter & Gamble. Mr. Heyens holds a B.S. in business administration and marketing from St. Clair College of Applied Arts and Technologies, Canada.

Ian Muir has served as our President, Modified Release Technologies (MRT) since June 2010. Since joining the Company in 2000, Dr. Muir held a number of positions, most recently the Vice President and General Manager of MRT. Dr. Muir's previous roles in the Company included Director of Oral Product Development and business leader for the Zydis® fast dissolve technology. In 2005, he was promoted to Vice President of Technical Operations. Prior to joining the Company, Dr. Muir held roles within product development, technical operations and program management at Bristol-Meyers Squibb, Wyeth Glaxo Smith Kline and Faulding/DBL Pharmaceuticals in the UK, Australia and the US. Dr. Muir is a registered pharmacist in the United Kingdom and holds a doctorate from Nottingham University.

Barry Littlejohns has led Catalent's Medication Delivery Solutions business, including the Sterile Technologies and Packaging Services segments, since July 2011. Mr. Littlejohns has an extensive background in leading international life science businesses in both US and European organizations. He rejoins Catalent after two years as Senior Vice President of Operations and Business Development at Danish biotechnology company Genmab, where his responsibilities included strategic licensing and manufacturing oversight. Prior to Genmab, he served in a broad range of leadership roles at Catalent. These include Vice President of Global Business Operations, Vice President of Commercial Affairs for Sterile Technologies, Vice President and General Manager of Injectables, and various financial, operational and leadership roles. He joined Catalent in 1989 when it was formerly the RP Scherer Corporation. Mr. Littlejohns has two degrees in business and finance from Swindon, UK.

William Downie has served as Senior Vice President, Global Sales & Marketing since June 2010. Mr. Downie joined Catalent as Group President, Sterile Technologies, and Senior Vice President, Global Sales & Marketing in October 2009. Prior to joining Catalent, Mr. Downie served as Vice President and Global Leader of Molecular Imaging at GE Healthcare. Before that, he held several executive positions in other GE Healthcare units, including Vice President and General Manager, Medical Diagnostics – Europe, Middle East and Africa, and Vice President of Sales for Medical Diagnostics – Europe. Prior to GE Healthcare, Mr. Downie was with Innovex UK Limited (part of Quintiles, Inc.), where he held several positions in operations and sales/marketing. Earlier in his career, he held leadership positions with Sanofi-Synthelabo UK; Sanofi-Winthrop Limited; and Merck & Co., Inc. Mr. Downie holds a Bachelor of Science degree in biochemistry from the University of Edinburgh.

Sharon Johnson has served as our Senior Vice President, Global Quality and Regulatory Affairs since August 1, 2009. Previously, Ms. Johnson was most recently Vice President of Quality for GE Healthcare, Medical Diagnostics in Buckinghamshire, England. Prior to GE, she was Quality Director for Baxter Healthcare's Europe operations for four years. Before that, she was with Rhone Poulenc Rorer as Quality Manager for Sterile Products and Microbiology in Essex, England. Earlier in her career, Ms. Johnson held Quality and Microbiology positions with Berk Pharmaceuticals in East Sussex, England and Medicines Testing Laboratory in Edinburgh, Scotland. Ms. Johnson holds a Post Graduate Diploma in Industrial Pharmaceutical Studies with Distinction from Brighton University and holds a B.S. Honours Degree in Biological Sciences/Microbiology from North East Surrey College of Technology.

Samrat ("Sam") Khichi has served as our Senior Vice President, General Counsel and Secretary since October 2007. In 2011 Mr. Khichi was also named Chief Administrative Officer. Previously Mr. Khichi was Counsel in the Mergers and Acquisitions and Private Equity Group at O'Melveny & Myers. Prior to O'Melveny & Myers, Mr. Khichi was appointed by President George W. Bush to serve as a White House Fellow. Prior to his appointment, Mr. Khichi was also an attorney in the Mergers and Acquisitions practice group of Shearman & Sterling and McDermott Will & Emery. Mr. Khichi's military service includes service as an active duty field artillery officer in the U.S. Army, a reserve Lieutenant Commander, U.S. Navy and a Captain in the NJ Army National Guard. Mr. Khichi was the Deputy Director of the NY/NJ High Intensity Drug Trafficking Area while serving in NJ Army National Guard Counter Drug Program. Mr. Khichi holds a Bachelor of Science from Georgetown University, a M.B.A from the Northwestern University's Kellogg School of Management and a J.D. cum laude and Order of the Coif from Fordham University School of Law.

Stephen Leonard has served as our Senior Vice President of Global Operations since June 2009. Previously, Mr. Leonard was most recently General Manager of Global Operations for GE Healthcare's Medical Diagnostics business, responsible for more than 10 sites in Europe, Asia and the Americas. Earlier assignments in his 22 years at GE included a variety of leadership roles, with

responsibility for areas such as plant management, global sourcing and supply chain, global product quality, and global operations. Mr. Leonard received his Bachelor of Science degree in Mechanical Engineering from Drexel University.

Kurt Nielsen has serviced as our Chief Technology Officer and Senior Vice President – Innovation and Growth since February 2010. Prior to joining Catalent, Mr. Nielsen was with URLMutual Pharmaceutical Company in Pennsylvania as Executive Vice President – Pharmaceuticals. In his role at URLMutual, Mr. Nielsen devised the strategy and led the execution for activities in the company's new product portfolio, employing a variety of business arrangements. Prior to that role, he was Vice President of R&D. Before joining URLMutual, Mr. Nielsen held executive positions with TEVA Pharmaceuticals USA; McNeil Consumer Products; Energy Biosystems, Inc.; Bachem Bioscience; and Hercules, Inc., Arco Chemical Company, and Chubb National Foam. He holds a Ph.D. in Chemistry from Villanova University and a B.S. in Chemistry from University of Delaware.

Roy Satchell has served as our Senior Vice President, Information Technology since 2005. Mr. Satchell joined the Company in 1982 and since 2001 has held a series of global leadership roles within the information technology organizations of both Cardinal and the Company. He has a diploma in administrative management and a post-graduate degree in Management Studies, both from Regents College, Swindon, U.K., and an MBA from Bristol University in Bristol, U.K.

Lance Miyamoto was named Senior Vice President of Human Resources of Catalent in March 2011. Mr. Miyamoto has more than 25 years experience in delivering HR systems including compensation and career structures that drive business results and growth. In addition to general HR expertise and organization development, he has experience leading in a global environment and has managed global company turnarounds, mergers and acquisitions. Prior to his own consulting business, Mr. Miyamoto held a number of HR leadership roles in other companies, including Executive Vice President of Comverse Technology Inc. He also served as Executive Vice President of HR for AOL LLC, a division of Time Warner, from 2004 to 2007. From 2001 to 2004, Mr. Miyamoto was Executive Vice President of HR for Lexis-Nexis, a \$2.2 billion division of Reed Elsevier. He was also a senior executive with Dun and Bradstreet with responsibility for performance development. Mr. Miyamoto is a graduate of Harvard University, and holds an M.B.A. from the Wharton School of the University of Pennsylvania where he was a COGME (Council for Graduate Management Education) Fellow.

Cornell Stamoran has served as our Vice President, Strategy and Corporate Development since November 2007, and as Investor Relations Officer since February 2008. Mr. Stamoran joined the company from Arthur Andersen & Co. in 1992, and has served in a variety of roles with increasing responsibility, including strategic and financial planning, corporate and business development, marketing, financial and SEC reporting, and investor relations. He previously served as Vice President of Strategy & Business Process from September 2005 through November 2007. Mr. Stamoran has a B.S. from the University of Michigan, and holds several professional certifications.

Charles Silvey has served as our Vice President, Internal Audit since April 2008 and has over 21 years experience in financial auditing and compliance. Before arriving at Catalent in 2008, he was the Practice Director for Internal Audit and Controls for Jefferson Wells International. He also served as Vice President of Internal Audit at Cambrex Corporation and Vice President of Financial and Operational Auditing for Automatic Data Processing, Inc. Prior to that, he was the CFO of the Americas Services for Lucent Technologies, and in his early career worked as a finance manager for CR Bard, Inc. and KPMG Peat Marwick, LLP. Mr. Silvey has a bachelor's degree in business from Monmouth University in West Long Branch, New Jersey. He is a certified public accountant and a member of the New Jersey Society of CPAs.

Chinh E. Chu has been a director since April 2007. Mr. Chu is a Senior Managing Director in the Corporate Private Equity group of The Blackstone Group. Mr. Chu has led Blackstone's investment in Stiefel Laboratories, ReAble Therapeutics' acquisition of DJ Orthopedics, Biomet, Alliant, ReAble Therapeutics, Celanese, Nalco, SunGard Data Systems, Nycomed, and LIFFE. He has also been involved in Blackstone's investments in FGIC, Graham Packaging, Sirius Satellite Radio, StorageApps, Haynes International, Prime Succession/Rose Hills, Interstate Hotels, HFS and Alco Holdings. Before joining Blackstone in 1990, Mr. Chu worked at Salomon Brothers in the Mergers & Acquisitions Department. Mr. Chu received a B.S. in Finance from the University of Buffalo, where he graduated *summa cum laude*. He currently serves as a Director of Alliant, Healthmarkets, DJO Incorporated, SunGard, Graham Packaging, and FGIC.

Michael Dal Bello has been a director since April 2007. Mr. Dal Bello is a Managing Director of The Blackstone Group, which he joined in 2002, and is actively involved in Blackstone's healthcare investment activities. Previously Mr. Dal Bello worked at Hellman & Friedman LLC and at Bain & Company. Mr. Dal Bello received an MBA from Harvard Business School in 2002. Mr. Dal Bello currently serves on the boards of directors of Apria Healthcare Group, Alliant, Biomet, Sithe Global, Team Health and Vanguard Health Services.

Peter Baird has been a director since April 2007. Mr. Baird is currently a senior advisor to McKinsey & Company. From November 2006 to August 2008, Mr. Baird was the President of DJO Incorporated, formerly known as ReAble Therapeutics, a portfolio company of Blackstone Capital Partners V. Mr. Baird was previously a partner in the Private Equity and Medical Products practices at McKinsey & Company, which he joined originally in 1998. Mr. Baird is on the Board of Directors of EastPharma Ltd. and is on the Board of Directors of Buildworks Group Limited. Mr. Baird received an MBA from Stanford Business School.

Bruce McEvoy has been a director since April 2007. Mr. McEvoy is a Principal at The Blackstone Group. Before joining Blackstone in 2006, Mr. McEvoy worked as an Associate at General Atlantic from 2002 to 2004, and was a consultant at McKinsey & Company from 1999 to 2002. Mr. McEvoy received an MBA from Harvard Business School in 2006. Mr. McEvoy currently serves on the boards of directors of DJO Incorporated, Performance Food Group, RGIS Inventory Services and Sea World Parks and Entertainment.

Paul Clark has been a director since August 2007. Mr. Clark served as Chief Executive Officer and President from June 1999 and Chairman of the Board from February 2000 until February 2007 of ICOS Corporation, a biotechnology company. Prior to ICOS, Mr. Clark was with Abbott Laboratories from 1984-1998, where he had responsibility for pharmaceuticals and other businesses, retiring from Abbott as Executive Vice President and a Board Member. Mr. Clark is also an Operating Partner and Strategic Advisory Board member of Genstar Capital LLC, and a Director of Agilent Technologies, Harlan Labs and Amylin Pharmaceuticals, Inc. Mr. Clark received his B.S. in finance from University of Alabama and his MBA from Dartmouth College, Amos Tuck School.

James Quella has been a director since December 2009. Mr. Quella is a Senior Managing Director and Senior Operating Partner in the Corporate Private Equity group of The Blackstone Group. Mr. Quella is responsible for monitoring the strategy and operational performance of Blackstone portfolio companies and providing direct assistance in the oversight of large investments. He is also a member of the firm's Private Equity Investment Committee. Prior to joining Blackstone in 2004, Mr. Quella was a Managing Director and Senior Operating Partner with DLJ Merchant Banking Partners-CSFB Private Equity. Prior to that, Mr. Quella worked at Mercer Management Consulting and Strategic Planning Associates, its predecessor firm, where he served as a senior consultant to CEOs and senior management teams, and was Co-Vice Chairman with shared responsibility for overall management of the firm. Mr. Quella received a BA in International Studies from the University of Chicago/University of Wisconsin-Madison and an MBA with dean's honors from the University of Chicago. He is also the co-author of *Profit Patterns: 30 Ways to Anticipate and Profit from the Strategic Forces Reshaping Your Business*. Mr. Quella has been a member of various private equity company boards and currently serves as a Director of Freescale Semiconductor, Michaels Stores, Inc., and Vanguard Health Systems.

Melvin D. Booth has been a director since July 2010. Most recently, Mr. Booth served as President and Chief Operating Officer of Medimmune, Inc. from 1998 through his retirement in 2003, and as a Director from 1998 through 2005. Prior to that, Mr. Booth was President, Chief Operating Officer and Director of Human Genome Sciences, Inc. from 1995 to 1998. Mr. Booth also served in a variety of senior leadership positions for Syntex Inc., including leading both Syntex Laboratories, Inc. and Syntex Pharmaceuticals Pacific. Mr. Booth also served as Lead Director for Millipore Corporation until its recent acquisition by Merck KGaA, and currently serves on the Board of Ventria BioScience, as Chairman of the Board for PRA International, Inc., and as a strategic advisor in life sciences for Genstar Capital. Mr. Booth holds an undergraduate degree and an honorary Ph.D. in Science from the Northwest Missouri State University, and is a certified public accountant.

Arthur J. Higgins has been a director since August 2010. Mr. Higgins previously served as Chairman of the Bayer HealthCare Executive Committee from 2004 to 2010, and as Chairman of the Board of Management of Bayer HealthCare AG from 2006 to 2010. Mr. Higgins started his career in 1978 with Bristol-Myers. He subsequently worked for Sandoz (1979 to 1984) and Fisons (1984 to 1987) before moving to Abbott Laboratories in the USA (1987 to 2001), where he held positions of increasing responsibility in the international and domestic divisions. He was appointed President of Abbott's Pharmaceutical Products Division from 1998 to 2001. In 2001, Mr. Higgins joined Enzon Pharmaceuticals as Chairman and Chief Executive Officer. Mr. Higgins currently serves on the Board of Zimmer, Inc., Eco Labs, and Resverlogix Corp, and is a member of Blackstone Healthcare Partners. Mr. Higgins holds a B.S. degree in biochemistry from Strathclyde University in Glasgow, Scotland.

Our executive officers are appointed by, and serve at the discretion of, our board of directors. Our directors serve until their successor is duly elected and qualified, or until their resignation or removal. There are no family relationships between our directors and executive officers.

Director Qualifications

By virtue of its controlling interest in BHP PTS Holdings L.L.C. and BHP PTS Holdings L.L.C.'s ownership of all the outstanding membership interests of our indirect parent company, Phoenix Charter LLC, Blackstone controls us and is entitled to elect all of our directors.

When considering whether our directors have the experience, qualifications, attributes and skills, taken as a whole, to enable the board of directors to satisfy its oversight responsibilities effectively in light of the Company's business and structure, the board of directors focused primarily on the information discussed in each of the Board members' or nominees' biographical information set forth above. Each of the Company's directors possesses high ethical standards, acts with integrity and exercises careful, mature judgment. Each is committed to employing their skills and abilities to aid the long-term interests of the stakeholders of the Company. In addition, our directors are knowledgeable and experienced in one or more business or civic endeavors, which further qualify them for service as members of our board of directors. Each of Messrs. Chu, Dal Bello, McEvoy and Quella possesses experience in owning and managing privately held enterprises and are familiar with corporate finance and strategic business planning activities that are unique to highly-leveraged companies like us. Finally, many of our directors possess substantial expertise in advising and managing companies in various segments of the healthcare industry. In particular, Mr. Chu is experienced in management, having been involved in numerous Blackstone investments, including investments in the healthcare industry, such as the Stiefel Laboratories investment and the ReAble Therapeutics' acquisition of DJ Orthopedics. Mr. Dal Bello is familiar with the healthcare industry, serving as a director of Vanguard Health Systems, Team Health and Apria Healthcare Group. Mr. McEvoy has experience in the healthcare industry, serving as a director of DJO Incorporated, formerly known as ReAble Therapeutics. Mr. Quella is also familiar with the healthcare industry, serving as a director of Vanguard Health Systems. With respect to Mr. Clark, the board of directors considered his experience in management and his extensive knowledge of the biotechnology and pharmaceutical industries, having served as the Chief Executive Officer and President of ICOS Corporation, a biotechnology company and as a former Executive Vice President and director of Abbott Laboratories. With regards to Mr. Baird, our board of directors considered his significant experience in advising and managing companies in the healthcare industry, having served as the President of DJO Incorporated and as a partner in the Private Equity and Medical Products practices at McKinsey & Company. With respect to Mr. Booth, the board of directors considered his accounting expertise as a certified public accountant and his extensive experience in the biopharmaceutical industry, having served as the President and Chief Operating Officer, and as a director, of Medimmune, Inc. With respect to Mr. Higgins, the board of directors considered his experience in managing and advising companies in the pharmaceutical industry, having served as the Chairman of the Bayer HealthCare Executive Committee and as Chairman of the Board of Management of Bayer HealthCare AG. Finally, with regards to Mr. Chiminiski, our board of directors considered his significant experience in the healthcare industry gained through his twenty-one year tenure at GE Healthcare and his service as our President & Chief Executive Officer with responsibility for the day-to-day oversight of the Company's business operations.

Committees of the Board

Our board of directors has an audit committee, an executive committee and a compensation committee. Our board of directors may also establish from time to time any other committees that it deems necessary and advisable.

Audit Committee

Our audit committee comprises Michael Dal Bello, Bruce McEvoy, Paul Clark and Melvin D. Booth. Mr. Dal Bello is the Chairman of the Audit Committee. The audit committee is responsible for assisting our board of directors with its oversight responsibilities regarding: (i) the integrity of our financial statements; (ii) our compliance with legal and regulatory requirements; (iii) our independent registered public accounting firm's qualifications and independence; and (iv) the performance of our internal audit function and independent registered public accounting firm.

While our board of directors has not designated any of its members as an audit committee financial expert, we believe that each of the current board members is fully qualified to address any accounting, financial reporting or audit issues that may come before it.

Executive Committee

Our executive committee comprises Chinh E. Chu and Michael Dal Bello. The primary purpose of the executive committee is to act, when necessary, in place of our full board of directors and to manage the affairs of the Company in the intervals between meetings of the board of directors. The executive committee is authorized to exercise all the powers of the board of directors that are permitted by law to be exercised by a committee of the board of directors, including the powers to declare a dividend, to authorize the issuance of stock and to adopt a certificate of ownership and merger pursuant to Section 253 of the General Corporation Law of Delaware.

Compensation Committee

Our compensation committee comprises Chinh E. Chu, Peter Baird and Bruce McEvoy. Mr. Baird is the Chairman of the Compensation Committee. The Compensation Committee is responsible for determining, reviewing, approving and overseeing our

executive compensation program.

Code of Ethics

We have adopted *Standards of Business Conduct* for all of our employees, including our principal executive officer, principal financial officer, principal accounting officer or controller, or persons performing similar functions. A copy of our *Standards of Business Conduct* has been posted on our Internet website at www.catalent.com/ourcommitment/. Our *Standards of Business Conduct*

is a “code of ethics”, as defined in Item 406(b) of Regulation S-K. We will make any legally required disclosures regarding amendments to or waivers of provisions of our code of ethics on our Internet website www.catalent.com.

ITEM 11. EXECUTIVE COMPENSATION

DIRECTOR COMPENSATION

The following table provides summary information concerning the compensation of the members of our board of directors during fiscal 2011. The compensation paid to Mr. Chiminski, who became a member of our board of directors on March 17, 2009 and is our President and Chief Executive Officer, is presented in the Summary Compensation Table and the related explanatory tables. Our President and Chief Executive Officer is generally not entitled to receive additional compensation for his services as a director.

<u>Name</u>	<u>Fees</u>	<u>Option</u>	<u>Total (\$)</u>
<u>(a)</u>	<u>Earned or</u>	<u>Awards</u>	
	<u>Cash\$(1)</u>	<u>\$(2)(3)</u>	
	<u>(b)</u>	<u>(c)</u>	<u>(d)</u>
Peter Baird	125,000		125,000
Paul Clark	125,000	105,610	230,610
Bruce McEvoy (4)			
James Quella (4)			
Michael Dal Bello (4)			
Chinh Chu (4)			
Arthur Higgins	125,000	211,512	336,512
Melvin Booth	125,000	211,512	336,512

- (1) Amounts reported in column (b) reflect annual retainer fees.
- (2) Amounts reported in column (c) for Messrs. Clark, Higgins and Booth reflect the grant date fair values computed in accordance with Financial Accounting Standards Board Accounting Standards Codification Topic 718, Compensation—Stock Compensation (“FASB ASC Topic 718”) for the 362 options granted to Mr. Clark on September 8, 2010 and for the 725 options granted to each of Messrs. Higgins and Booth on September 8, 2010. For a discussion of the assumptions and methodologies used to calculate the amounts reported in fiscal 2011, please see the discussion contained in Note 13 to our Consolidated Financial Statements for the period ended June 30, 2011, included as part of this Annual Report on Form 10-K.
- (3) As of June 30, 2011, Messrs. Baird, Clark, Higgins and Booth each held 250, 612, 725 and 725 unexercised PTS Holdings Corp. options, respectively.
- (4) Messrs. Chu, Dal Bello, McEvoy and Quella are employees of The Blackstone Group and do not receive any compensation from us for their services on our board of directors.

Description of Current Director Compensation

This section contains a description of the material terms of our compensation arrangements for Messrs. Baird, Clark, Higgins and Booth. As noted above, Messrs. Chu, Dal Bello, McEvoy and Quella are employees of The Blackstone Group and do not receive any compensation from us for their services on our board of directors. All of our directors, including Messrs. Chu, Dal Bello, McEvoy and Quella, are reimbursed for the out-of-pocket expenses they incur in connection with their service as directors.

Messrs. Baird and Clark. In July 2007, we approved an annual retainer of \$125,000 for each of Messrs. Baird and Clark starting in fiscal 2008. Messrs. Baird and Clark were each also granted an option to purchase 250 shares of common stock of PTS Holdings Corp. under the 2007 PTS Holdings Corp. Stock Incentive Plan as part of their compensation. On September 8, 2010, Mr. Clark was granted an option to purchase an additional 362 shares of common stock of PTS Holdings Corp. 100% of Messrs. Baird’s and Clark’s options are time options, and they will ordinarily become vested and exercisable in five substantially equal installments on each of the first five anniversaries of the grant date, subject to their continued provision of services. Messrs. Baird’s and Clark’s options will also become fully vested upon a change in control of PTS Holdings Corp. or BHP PTS Holdings L.L.C. and the portion of their options that would otherwise have vested within 12 months following a termination of service without cause or due to death or disability will become vested in connection with such a termination of service. Other than the vesting terms described in this paragraph, the other terms of Messrs. Baird’s and Clark’s options are

generally the same as described below for the Named Officers (other than Mr. Chiminski) under the heading “Description of Equity-Based Awards.”

Messrs. Higgins and Booth. In July 2010, we approved an annual retainer of \$125,000 for each of Messrs. Higgins and Booth starting in fiscal 2011. Messrs. Higgins and Booth were granted an option to purchase 725 shares of common stock of PTS Holdings Corp. on September 8, 2010 under the 2007 PTS Holdings Corp. Stock Incentive Plan as part of their compensation. 100% of Messrs. Higgins’s and Booth’s options are time options, and they will ordinarily become vested and exercisable in five substantially equal installments on each of the first five anniversaries of the grant date, subject to their continued provision of services. Messrs. Higgins’s and Booth’s options will also become fully vested upon a change in control of PTS Holdings Corp. or BHP PTS Holdings L.L.C. and the portion of their options that would otherwise have vested within 12 months following a termination of service without cause or due to death or disability will become vested in connection with such a termination of service. Other than the vesting terms described in this paragraph, the other terms of Messrs. Higgins’s and Booth’s options are generally the same as described below for the Named Officers (other than Mr. Chiminski) under the heading “Description of Equity-Based Awards.” Mr. Higgins purchased 3,000 shares of common stock of PTS Holdings Corp. at a purchase price of \$850 per share on September 13, 2010.

EXECUTIVE COMPENSATION

COMPENSATION DISCUSSION AND ANALYSIS

This section contains a discussion of the material elements of compensation awarded to, earned by or paid to our President and Chief Executive Officer, our Chief Financial Officer, each of our three other most highly compensated executive officers who served in such capacities at the end of our fiscal year on June 30, 2011, collectively known as the “Named Officers.”

Our executive compensation program is determined and approved by our compensation committee. Over the course of the year our President and Chief Executive Officer provides written assessments of his performance against his specific annual performance goals and objectives to the Board of Directors at each quarterly meeting for the Board of Directors. The compensation committee takes into account the Chief Executive Officer’s recommendations regarding the compensatory arrangements for our executive officers other than himself. Our President and Chief Executive Officer provided the final compensation recommendations for our Named Officers to the compensation committee for review and approval. The other Named Officers do not have any role in determining or recommending the form or amount of compensation paid to our Named Officers. Our President and Chief Executive Officer is not a member of the compensation committee.

Executive Compensation Program Objectives and Overview

Our current executive compensation program is intended to achieve two fundamental objectives: (1) attract, motivate and retain high caliber talent; and (2) align executive compensation with achievement of our overall business goals, adherence to our core values and stockholder interests. In structuring our current executive compensation program, we are guided by the following basic philosophies:

Competitive Compensation. Our executive compensation program should provide a fair and competitive compensation opportunity that enables us to attract and retain high caliber executive talent. Executives should be appropriately rewarded for their contributions to our successful performance.

“Pay for Performance.” A significant portion of each executive’s compensation should be “at risk” and tied to overall company, business unit and individual performance.

Alignment with Stockholder Interests. Executive compensation should be structured to include variable elements that link executives’ financial rewards to stockholder return. The equity portion of each executive’s compensation should be significant.

As described in more detail below, the material elements of our executive compensation program for Named Officers include base salary, cash bonus opportunities, a long-term equity incentive opportunity, a deferred compensation opportunity and other retirement benefits. The Named Officers may also receive potential severance payments and other welfare benefits in connection with certain terminations of employment or a change in control of PTS Holdings Corp. or BHP PTS Holdings L.L.C. We believe that each element of our executive compensation program helps us to achieve one or more of our compensation objectives, as illustrated by the table below.

<u>Compensation Element</u>	<u>Compensation Objectives Designed to be Achieved</u>
Base Salary	Attract, motivate and retain high caliber talent
Cash Bonus Opportunity	Compensation “at risk” and tied to achievement of business goals and individual performance
Long-Term Equity Incentive Opportunity	Align compensation with the creation of stockholder value and achievement of business goals
Deferred Compensation Opportunity and Other Retirement Benefits	Attract, motivate and retain high caliber talent
Severance and other Benefits Potentially Payable Upon Certain Terminations of Employment or a Change in Control	Attract, motivate and retain high caliber talent
Welfare Benefits	Attract, motivate and retain high caliber talent

These individual compensation elements are intended to create a total compensation package for each Named Officer that we believe achieves our compensation objectives and provides competitive compensation opportunities. We have not retained an independent compensation consultant to conduct a formal numeric benchmarking process for the Named Officers’ compensation opportunities. On a periodic basis, we review market data provided by Towers Watson and other commercially available compensation surveys to ensure that our executive compensation program is competitive.

Executive Compensation Program Elements

Base Salaries

Base salaries are an important element of compensation because they provide the Named Officers with a base level of income. The Summary Compensation Table below shows the base salary paid to each Named Officer during fiscal 2011.

Cash Bonus Opportunities

Annual Cash Bonus Opportunity

We sponsor a management incentive plan (the “MIP”), which is not set forth in a formal plan document. All of our Named Officers are eligible to participate in the MIP. The primary purpose of the MIP is to focus management on key measures that drive financial performance and provide competitive bonus opportunities tied to the achievement of our financial and strategic growth objectives.

Fiscal 2011 MIP

A target annual bonus, expressed as a percentage of base salary, is established within certain Named Officers’ employment agreements or offer letters and may be adjusted from time to time by the compensation committee in connection with a Named Officer’s promotion. The MIP award, which is a cash bonus, is tied to our overall financial results (the Business Performance Factor) and a combination of individual financial and/or strategic goals appropriate for each position (the Individual Performance Factor). For Named Officers other than Mr. Chiminski, the actual MIP award is the product of the Named Officer’s target annual bonus multiplied

by (1) the Business Performance Factor and (2) each Named Officer's Individual Performance Factor and cannot exceed 200% of the Named Officer's target annual bonus. For Mr. Chiminski, his actual MIP award is the product of his target annual bonus multiplied by the sum of (1) the Business Performance Factor and (2) his Individual Performance Factor and cannot exceed 200% of his target annual bonus. With respect to the Named Officers, financial performance is measured 100% at the company-wide level. Financial performance relative to specified financial performance target(s) set by the Board of Directors determines the aggregate funding level and the Business Performance Factor for the MIP. In order for there to be any payment under the MIP, financial performance must meet or exceed 90% of target. If the financial performance target(s) set by the Board of Directors are met, the aggregate bonus pool amount and the Business Performance Factor will be set at the target amount in the annual operating budget, subject to the compensation committee's discretion. If financial performance exceeds target, the aggregate bonus pool amount and the Business Performance Factor are increased above 100% of target, up to a maximum of 150%, based on a pre-established scale. If financial performance does not meet target, the bonus pool amount and the Business Performance Factor are decreased from the target amount based on the pre-established scale. Pursuant to the pre-established scale, each 1% change in the specified financial performance results in relation to the target amount equates to a 5% change in the Business Performance Factor (i.e., exceeding the performance target by 5% equates to a Business Performance Factor of 125%). The compensation committee has the discretion to adjust the MIP aggregate bonus pool amount and the Business Performance Factor determined by reference to the pre-established scale upwards or downwards to address special situations.

We believe that tying the Named Officers' bonuses to company-wide performance goals encourages collaboration across the executive leadership team. We attempt to establish the financial performance target(s) at challenging levels that are reasonably attainable if we meet our performance objectives. For fiscal 2011, we used an internally-adjusted EBITDA measure as the sole measure of financial performance because we believe that it provides a reliable indicator of the strength of our cash flow and overall financial results. The fiscal 2011 internally-adjusted EBITDA performance target was \$321 million and our actual internally-adjusted EBITDA performance for fiscal 2011 was \$335 million. Therefore, based on this financial performance, our compensation committee determined to set the Business Performance Factor at 120% of target.

After setting the Business Performance Factor, the compensation committee determines the actual bonuses paid to the Named Officers based on an assessment of each Named Officer's Individual Performance Factor. Other than with respect to Mr. Chiminski, the Individual Performance Factor can range from 0% to 200%. Mr. Chiminski's Individual Performance Factor can range from 0% to 100% and is based on the compensation committee's overall assessment of his individual performance based on the achievement of his personal strategic and financial objectives that are set at the beginning of the fiscal year. For fiscal 2011, Mr. Chiminski's individual goals and objectives for his individual performance factor related to the following five areas and were assigned the following weightings: revenue and strategic growth initiatives (40%), innovation objectives (15%), cash management and margin objectives (10%), operational excellence/quality compliance objectives (20%) and CEO leadership and organization vitality objectives (15%). The compensation committee performs the assessment of Mr. Chiminski's Individual Performance Factor after reviewing the written assessments of his performance against his specific goals and objectives that Mr. Chiminski provides at each quarterly meeting of the Board of Directors. The Chief Executive Officer together with the Senior Vice President Human Resources performs the assessment of the other Named Officer's Individual Performance Factors and makes a recommendation to the compensation committee. The compensation committee approved the amount of each Named Officer's final bonus in respect of fiscal 2011 in September 2011. The annual bonus that each Named Officer earned in respect of fiscal 2011 is presented in the Summary Compensation Table below and is expected to be paid to our Named Officers prior to October 2011.

Fiscal 2012 MIP

In 2011, the compensation committee accepted a recommendation by the Company's senior management to make certain changes to the MIP formula for fiscal years beginning with fiscal 2012. The recommendations as they relate to the executive officers had two primary impacts on the MIP formula: (1) revenue was added as a second financial performance metric in determining the aggregate funding level and the Named Officer's Business Performance Factor and (2) the Individual Performance Factor for the Named Officer's (other than Mr. Chiminski) will now be additive and will account for 20% of such Named Officer's MIP award at target and the Business

Performance Factor will account for 80% of the MIP Award at target. The compensation committee accepted the recommendation to add revenue as a second financial metric in order to better align the MIP award with our strategic growth objectives. The compensation committee made the Individual Performance Factor additive and provided that it would account for 20% of a Named Officer's actual MIP award at target in order to shift the focus of the MIP to achievement of financial performance. For fiscal 2012, achievement relative to the specified revenue target will account for 25% of the Business Performance Factor and achievement relative to the specified internally-adjusted EBITDA target will account for the remaining 75% of the Business Performance Factor. The Business Performance Factor components and the Individual Performance Factor component cannot exceed 150% and the actual MIP award for the Named Officers (other than Mr. Chiminski) is capped at 150% of the Named Officer's target annual bonus. The actual MIP award for the Named Officers (other than Mr. Chiminski) will be the product of his target annual bonus multiplied by the sum of (1) the Business Performance Factor achievement percentage (20% multiplied by the revenue payout percentage plus 60% multiplied by the internally-adjusted EBITDA achievement payout percentage) and (2) his Individual Performance Factor achievement percentage (20% multiplied by the individual performance payout percentage).

Sign-on Bonuses

From time to time, our compensation committee may award sign-on bonuses in connection with the commencement of a Named Officers employment with us. Sign-on bonuses are used only when necessary to attract highly skilled officers to the Company. Generally they are used to incentivize candidates to leave their current employers, or may be used to offset the loss of unvested compensation they may forfeit as a result of leaving their current employers. Sign-on bonuses are typically subject to a claw-back obligation if the officer voluntarily terminates his employment with us within twelve months of the employment commencement date.

Discretionary Bonuses

From time to time, our compensation committee may award discretionary bonuses in addition to any annual bonus payable under the MIP in recognition of extraordinary performance. For fiscal 2011, our compensation committee awarded Messrs. Chiminski, Walsh, Heyens, Khichi, and Leonard a discretionary bonus of \$500,000, \$100,000, \$50,000, \$100,000, and \$75,000 respectively in recognition of their superior performance in fiscal 2011. The bonus is expected to be paid prior to October 2011.

Long-Term Equity Incentive Awards

We believe that the Named Officers' long-term compensation should be directly linked to the value we deliver to our stockholders. Equity awards to the Named Officers are designed to provide long-term incentive opportunities over a period of several years. Stock options are currently our preferred equity award because the options will not have any value unless the underlying shares of common stock appreciate in value following the grant date. Accordingly, awarding stock options causes more compensation to be "at risk" and further aligns our executive compensation with the long term profitability of the company and the creation of shareholder value. The 2007 PTS Holdings Corp. Stock Incentive Plan also permits PTS Holdings Corp. to grant other types of equity-based awards, such as restricted stock units, stock appreciation rights, restricted stock and other "full value" awards. For example, PTS Holdings Corp. has granted Mr. Chiminski 3,000 restricted stock units ("RSUs") (see "Description of Equity-Based Awards" below) to align Mr. Chiminski's interests with those of our stockholders.

Another key component of our long-term equity incentive program is that Named Officers and other eligible employees were provided with the opportunity to invest in the common stock of PTS Holdings Corp. on the same general terms as the Investors. We consider this investment opportunity an important part of our equity program because it encourages stock ownership and aligns the Named Officers' financial interests with those of our stockholders.

The amounts of each Named Officer's investment opportunity and stock option and/or restricted stock unit award, as applicable, were determined based on several factors, including: (1) each Named Officer's position and expected contribution to our future growth; (2) dilution effects on our stockholders and the need to maintain the availability of an appropriate number of shares for option awards to less-senior employees; and (3) ensuring that the Named Officers were provided with appropriate and competitive total long-term equity compensation and total

compensation amounts. The number of options granted to Named Officers during fiscal 2011 and the grant date fair value of these options as determined under FASB ASC Topic 718 are presented in the Grants of Plan-Based Awards in Fiscal 2011 table below. A description of the material terms of the stock option and restricted stock unit awards is presented in the narrative section following the Grants of Plan-Based Awards in Fiscal 2011 table.

Generally, options are granted to senior level officers based on their position in the company. Historically, grants have not been made on an annual basis, and instead are made upon an executive's commencement of employment with us or when an executive receives promotions into more senior level positions. On February 8, 2011, in recognition of his promotion to President of the Softgel Business Unit, Mr. Heyens was granted 1,000 additional options. In addition to his option grant, in order to continue to retain his services we and PTS Holdings Corp. entered into a letter agreement with Mr. Heyens which provided him with certain enhanced vesting and exercise provisions described below under "Summary of Certain Named Officer Employment Agreements—Description of Equity-Based Awards" should his employment terminate for any reason (other than by the Company for cause) after September 30, 2012. New option grants include three types of awards; one-half of new grants are made with time-based vesting restrictions, one-sixth are subject to performance-based vesting restrictions and one-third are subject to exit event-based vesting restrictions. The time-based vesting requirement is based on a five-year vesting schedule. Subject to continued employment through the applicable vesting date, 20% of the options subject to time-based vesting will vest and become exercisable on each of the first five anniversaries of the date of grant or the vesting reference date, as applicable. The performance-based vesting options will vest and become exercisable with respect to 20% of the options subject to the performance criteria on each of the first five anniversaries of the date of grant or the vesting reference date, as applicable, if we achieve specified internally-adjusted EBITDA performance targets (subject to a cumulative catch-up) which have been based on our new five-year plan. The fiscal 2011 internally-adjusted EBITDA performance target for purposes of determining vesting of performance-based options was \$331.1 million and our actual internally-adjusted EBITDA performance for fiscal 2011 was \$335 million. Therefore, 20% of the performance-based options subject to the fiscal 2011 performance criteria will vest on the appropriate vesting date. The exit event-based vesting options will vest and become exercisable in two tiers if either specified internal rate of return or multiple of investment targets are achieved as follows:

- One-half of the shares subject to exit event-vesting options will vest on the date, if any, when either (1) The Blackstone Group will have received cash proceeds or marketable securities from the sale of its investment in us aggregating in excess of 2.5 times the amount of its initial investment in us or (2) The Blackstone Group will have received a cash internal rate of return of at least 20% on its initial investment in us; and
- One-half of the shares subject to exit event-vesting options will vest on the date, if any, when either (1) The Blackstone Group will have received cash proceeds or marketable securities from the sale of its investment in us aggregating in excess of 1.75 times the amount of its initial investment in us or (2) The Blackstone Group will have received a cash internal rate of return of at least 15% on its initial investment in us.

However, subject to continued employment through the applicable vesting date, in the event that the 2.5 multiple hurdle or the 20% internal rate of return hurdle is not met, but the 1.75 multiple hurdle or the 15% internal rate of return hurdle is met, the first tier of exit-event based options will vest based on straight line interpolation between the two points.

Deferred Compensation Opportunity

Catalent Pharma Solutions, LLC Deferred Compensation Plan

Our Named Officers are eligible to participate in our 401(k) plan and our non-qualified deferred compensation plan. The non-qualified deferred compensation plan generally allows participants to defer on a pre-tax basis up to 20% of their base salaries and 100% of their annual cash bonuses. We believe that providing the Named Officers with deferred compensation opportunities is a market based benefit plan necessary for us to deliver competitive benefit packages. This plan allows its participants to receive the tax benefits associated with delaying the income tax event on the compensation deferred even though our related deduction is also deferred. The non-

qualified deferred compensation plan also provides for two types of discretionary company contributions to supplement the amounts deferred by the Named Officers and other eligible employees, subject to certain limits. In January 2009, we elected to suspend our employer contribution and, in February 2009, we elected to suspend our matching contribution. Effective February 1, 2010, we reinstated our matching contribution based on the strength of our financial results; however we did not reinstate the employer contribution. We currently match 50% of the first 6% of eligible pay that employees contribute to the non-qualified deferred compensation plan up to the first \$100,000 above the IRS qualified plan limits. The Nonqualified Deferred Compensation—Fiscal 2011 table and related narrative section below describe our non-qualified deferred compensation plan and the benefits it provides.

Chiminski RSU Bonus Election; Obligation to Purchase Common Stock

Pursuant to the terms of Mr. Chiminski's employment agreement, in addition to the shares of PTS Holdings Corp. common stock that he has already purchased, Mr. Chiminski is required to use 50% of the after-tax proceeds of any payment he receives as an annual MIP bonus while employed paid in respect of fiscal 2010 or 2011, in each case, to promptly purchase shares of PTS Holdings Corp. common stock.

On June 30, 2010, we, PTS Holdings Corp. and Mr. Chiminski entered into a letter agreement, which modifies certain terms of Mr. Chiminski's employment agreement. This letter agreement provides Mr. Chiminski with a more tax-advantaged mechanism to satisfy his employment agreement obligation to purchase PTS Holdings Corp. common stock. Specifically, the letter agreement permits Mr. Chiminski to irrevocably elect on an annual basis, prior to the beginning of each fiscal year, commencing with fiscal 2011, in lieu of receiving a portion of his annual MIP bonus in cash, to receive a grant of fully vested restricted stock units settleable in shares of PTS Holdings Corp. common stock, which restricted stock units will be granted on the bonus payment date. Mr. Chiminski made such an election for fiscal 2011, and will receive 50% of his annual MIP bonus in respect of such fiscal year in the form of a grant of restricted stock units. For elections in respect of any fiscal year after fiscal 2011, Mr. Chiminski may elect to receive no less than 20% of his annual MIP bonus, if any, in the form of a grant of restricted stock units. The number of restricted stock units Mr. Chiminski receives will be based on the value of the portion of the annual MIP bonus he elects to defer into restricted stock units and the fair market value of a share of PTS Holdings Corp. common stock on the bonus payment date. For fiscal 2012, Mr. Chiminski did not elect to receive fully vested restricted stock units in lieu of a portion of his annual MIP bonus, if any.

All grants made in connection with an annual MIP bonus election will be subject to a separate restricted stock unit agreement, which provides that the restricted stock units will be 100% vested on the date of grant (which will be the bonus payment date) and will be settled in shares of PTS Holdings Corp. common stock on the earlier to occur of a change in control of PTS Holdings Corp. or BHP PTS Holdings L.L.C. and the sixth anniversary of the date of grant.

Pension Benefits

In addition to our 401(k) plan and non-qualified deferred compensation plan, we have three frozen defined-benefit pension plans. These pension plans were originally established by R.P. Scherer Corporation and its affiliates, which was a predecessor corporation that was acquired by Cardinal Health. In connection with the Acquisition, we agreed with Cardinal Health to assume liability for benefits provided under these pension plans, subject to receiving certain asset transfers from Cardinal Health and its benefit plans. All three plans are currently closed to new participants and frozen with respect to benefit accruals. Of the Named Officers, only Mr. Heyens is currently a participant in the Catalent Pharma Solutions, LLC Pension Plan.

Severance and Other Benefits

We believe that severance protections can play a valuable role in attracting and retaining high caliber talent. In the competitive market for executive talent, we believe severance payments and other termination benefits are an effective way to offer executives financial security to offset the risk of foregoing an opportunity with another company. For example, we offer each Named Officer an enhanced outplacement benefit. Consistent with our objective of using severance payments and benefits to attract and retain executives, we generally provide each Named Officer with amounts and types of severance payments and benefits that we believe will permit us to attract and/or continue to employ the individual Named Officer.

The severance benefits under these agreements are generally more favorable than the benefits payable under our general severance policy. For example, we offer each Named Officer a severance benefit payable upon a termination by the Named Officer for good reason or by us without cause. The good reason definition in these agreements would only be triggered by adverse circumstances that we believe would give rise to a constructive termination of employment.

At our discretion, we may also provide certain executives with enhancements to our existing benefits that are not available to other employees, such as relocation assistance.

Section 162(m) Not Applicable

Section 162(m) of the Internal Revenue Code generally disallows a tax deduction for compensation over \$1,000,000 paid for any year to a corporation's principal executive officer or an individual acting in such a capacity and the three most highly compensated executive officers (not including the principal executive officer or the principal financial officer). Section 162(m) of the Internal Revenue Code applies to corporations with any class of common equity securities required to be registered under Section 12 of the Exchange Act. Because we do not currently have any publicly held common stock, Section 162(m)'s restrictions do not currently apply to us.

COMPENSATION COMMITTEE REPORT

The Compensation Committee has reviewed and discussed the Compensation Discussion and Analysis with management. Based on its review and discussion with management, the Compensation Committee recommended that the Compensation Discussion and Analysis be included in this Annual Report on Form 10-K for the fiscal year ended June 30, 2011.

Submitted by the Compensation Committee of our Board of Directors:

Chinh E. Chu

Peter Baird

Bruce McEvoy

SUMMARY COMPENSATION TABLE

The following table provides summary information concerning the compensation of our Chief Executive Officer, our Chief Financial Officer and each of our other Named Officers.

Name and Principal Position	Year	Salary \$(1)	Bonus \$(2)	Stock Awards (\$)	Option Awards \$(3)	Non-Equity Incentive Plan Compensation \$(4)	Change in Pension Value and Nonqualified Deferred Compensation Earnings (\$)	All Other Compensation \$(6)	Total (\$)
John Chiminski	2011	750,000	500,000		—	1,500,000	—	75,096	2,825,096
President & Chief Executive Officer and Director	2010	750,000	250,000	750,000	1,315,238	1,500,000	—	4,754	4,569,992
	2009	216,345	1,375,000	1,500,000	2,387,663	—	—	—	5,479,008
Matthew Walsh	2011	494,700	100,000	—	—	560,000	—	9,921	1,164,621
Senior Vice President & Chief Financial Officer	2010	494,700	—	—	409,096	535,000	—	29,333	1,468,129
	2009	492,835	—	—	—	325,000	—	290,854	1,108,689
David Heyens	2011	409,078	50,000	—	208,443	450,000	489(5)	18,615	1,136,625
President, Softgel									
Samrat Khichi	2011	386,692	100,000	—	—	352,000	—	7,821	846,513
Senior Vice President, Chief Administrative Officer and General Counsel	2010	371,000	—	—	—	290,000	—	10,281	671,281
	2009	369,962	—	—	179,419	185,000	—	12,439	746,820
Stephen Leonard	2011	380,962	75,000	—	—	460,000	—	7,875	923,837
Senior Vice President, Global Operations	2010	350,000	—	—	—	450,000	—	4,039	804,039

- (1) Amounts reported include any compensation a Named Officer elected to defer under our non-qualified deferred compensation plan. Mr. Chiminski commenced employment with Catalent on March 17, 2009 and the amount reported in column (c) for fiscal 2009 for Mr. Chiminski reflects the portion of his annual base salary earned in fiscal 2009 from such date. Effective January 11, 2011, the compensation committee increased the base salary for Mr. Khichi from \$371,000 to \$405,000 in connection with his promotion to Chief Administrative Officer and General Counsel. On August 2, 2010, the compensation committee increased the base salary for Mr. Leonard from \$350,000 to \$385,000 in recognition of his contributions to the Company.
- (2) Amount reported for Mr. Chiminski represents a discretionary bonus of \$500,000 and \$250,000 awarded for fiscal 2011 and 2010 respectively and a signing bonus of \$1,000,000 earned in connection with his commencement of employment with us in fiscal 2009 and a cash payment of \$375,000 earned on June 30, 2009 in lieu of any MIP award in respect of fiscal 2009. The amounts reported for Messrs. Walsh, Heyens, Khichi, and Leonard of \$100,000, \$50,000, \$100,000, and \$75,000 respectively represent a discretionary bonus awarded for fiscal 2011.
- (3) Reflects options granted by PTS Holdings Corp. to the Named Officers to acquire shares of PTS Holdings Corp. common stock. Except as indicated below, amounts reported reflect the aggregate grant date fair value computed in accordance with FASB ASC Topic 718. Amounts reported for Messrs. Chiminski, Walsh and Khichi for fiscal 2010 reflect the incremental fair value computed in accordance with FASB ASC Topic 718 in connection with the replacement awards granted to them in connection with their election to exchange their then-existing unvested options for new options with a lower per-share exercise price and new vesting terms pursuant to the option exchange offer completed on October 23, 2009. Amounts reported for each Named Officer are based upon the probable outcome of performance conditions. The value of Mr. Heyens's fiscal 2011 option award assuming that the highest level of performance conditions is achieved is \$231,259. For a discussion of the assumptions and methodologies used to calculate the amounts reported in fiscal 2011, please see the discussion of nonqualified option awards contained in Note 13 to our Consolidated Financial Statements for the period ended June 30, 2011, included as part of this Annual Report on Form 10-K.
- (4) Mr. Chiminski is required, per his employment agreement, to use 50% of the after-tax proceeds of his annual MIP bonus paid in respect of fiscal 2010 or 2011, in each case, to promptly purchase shares of PTS Holdings Corp. common stock at a purchase price of \$750 or he has the ability to elect to defer a portion of his fiscal 2011 annual MIP bonus to satisfy this stock purchase requirement. Amount reported for fiscal 2011 includes an annual MIP bonus amount of \$1,500,000 of which \$750,000 and 721.15 fully vested RSUs with a grant date fair value of \$750,000 will be awarded to Mr. Chiminski on September 16, 2011 pursuant to his election to defer 50% of his annual MIP bonus to satisfy his stock purchase requirement.
- (5) Amount reported for Mr. Heyens reflects the aggregate change in the actuarial present value of his accumulated benefit in the Catalent Pharma Solutions, LLC Pension Plan.
- (6) The supplemental table below sets forth displays the details of amounts reported as "All Other Compensation" for 2011.

<u>Name</u>	<u>Purchase of Discounted Stock</u>	<u>Employer 401(k) Matching Contributions</u>	<u>Employer Non- Qualified Deferred Compensation Matching Contributions</u>	<u>Car Allowance</u>	<u>Total (\$)</u>
(a)	\$(1)	\$(2)	\$(3)	\$(4)	(f)
	(b)	(c)	(d)	(e)	
John Chiminski	65,000	7,096	3,000		75,096
Matthew Walsh		6,850	3,071		9,921
David Heyens		5,750	3,000	9,865	18,615
Samrat Khichi		7,821	—		7,821
Stephen Leonard		7,875	—		7,875

- (1) Amount reported for Mr. Chiminski reflects the compensation cost with respect to 650 shares of PTS Holdings Corp. common stock purchased at a discount by Mr. Chiminski in July 2010 (150 shares) and September 2010 (500 shares) pursuant to the stock

purchase obligations in his employment agreement. See description below under “Summary of Certain Named Officer Employment Agreements—Employment Agreement of John R. Chiminski.”

- (2) The Company’s 401(k) plan provides for a 50% matching contribution on the first 6% of participants’ pre-tax contributions up to IRS limits.
- (3) The Catalant Pharma Solutions, LLC Deferred Compensation Plan provides for a 50% matching contribution on the first 6% of eligible pay that employees contribute to the plan up to the first \$100,000 above the IRS qualified plan limits.
- (4) As a result of his previous position held prior to becoming President of the Softgel Business Unit, Mr. Heyens is provided with a car allowance.

Grants of Plan-Based Awards in Fiscal 2011

The following table provides supplemental information relating to grants of plan-based awards made during fiscal 2011 to help explain information provided above in our Summary Compensation Table. This table presents information regarding all grants of plan-based awards occurring during fiscal 2011.

Name	Grant Date	Estimated Future Payouts Under Non-equity Incentive Plan Awards (1)			Estimated Future Payouts Under Equity Incentive Plan Awards (3)			All Other Stock Awards: Number of Shares of Stock or Units (#)	All Other Option Awards: Number of Securities Underlying Options (#)	Exercise or Base Price of Option Awards (\$/Sh)	Grant Date Fair Value of Stock and Option Awards (\$)(4)
		Threshold (\$)	Target (2) (\$)	Maximum (\$)	Threshold (#)	Target (#)	Maximum (#)				
John Chiminski		\$375,000	750,000	1,500,000							
Matthew Walsh		0	371,025	742,050							
David Heyens	2/8/2011	0	307,500	615,000	33	500	500		500	850	208,443
Samrat Khichi		0	244,139(2)	488,278							
Stephen Leonard		0	288,750	577,500							

- (1) Figures represent awards payable under our Management Incentive Plan (MIP). Actual cash awards are based on the target award multiplied by the Business Performance Factor and the Individual Performance Factor (also see “Compensation Discussion and Analysis—Executive Compensation Program Elements—Cash Bonus Opportunities—Annual Cash Bonus Opportunity”).
- (2) In connection with his promotion to Chief Administrative Officer and General Counsel, effective January 1, 2011, Mr. Khichi’s target annual bonus was increased from 50% of his annual base salary to 75% of his annual base salary. As a result, Mr. Khichi’s MIP award for fiscal 2011 was pro-rated for the period from July 1, 2010 through December 31, 2011 at Mr. Khichi’s old target bonus percentage of 50% of annual base salary and for the period January 1, 2011 through the end of the fiscal year, based on his new target bonus percentage of 75% of annual base salary.
- (3) As described in more detail in the narrative description of the equity-based awards that follows, the option awards reported above are divided into three tranches for vesting purposes: one-half are time-based options, one-sixth are performance-based options and one-third are exit event-based options. The performance-based and exit event-based options are reported as an equity incentive plan award in the “Estimated Future Payouts Under Equity Incentive Plan Awards” column, while the time-based option tranche of the awards are reported as an all other option award in the “All Other Option Awards: Number of Securities Underlying Options” column. Threshold amount assumes that only 20% of the performance-based options vest.
- (4) The grant date fair value for the option award granted to Mr. Heyens reflects the grant date fair value computed in accordance with FASB ASC Topic 718. For a discussion of the assumptions and methodologies used to calculate the amounts reported, please see the discussion of nonqualified option awards contained in Note 13 to our Consolidated Financial Statements for the period ended June 30, 2011, included as part of this Annual Report on Form 10-K.

Summary of Certain Named Officer Employment Agreements

This section describes employment agreements in effect for our Named Officers during fiscal 2011. In addition, the terms with respect to grants of restricted stock units and stock options described above under “Long-Term Equity Incentive Awards” are further described below for our Named Officers in the section entitled “Description of Equity-Based Awards.” Severance agreements and arrangements are described below in the section entitled “Potential Payments upon Termination or Change in Control.”

Employment Agreement of John R. Chiminski

On February 23, 2009, the Company, PTS Holdings Corp. and Mr. Chiminski entered into an employment agreement with respect to Mr. Chiminski's appointment as President and Chief Executive Officer of Catalent and PTS Holdings Corp. and a member of our board of directors and of the board of directors of PTS Holdings Corp., in each case, commencing on March 17, 2009.

The employment agreement provides for an initial term of three years commencing on his commencement date. The initial term will be automatically extended for successive one-year terms thereafter unless one of the parties provides the other with written notice of non-renewal at least sixty days prior to the end of the applicable term.

The financial terms of the employment agreement include (1) an annual base salary of \$750,000, subject to discretionary increases from time to time by the board of directors of PTS Holdings Corp., (2) subject to Mr. Chiminski's continued employment through June 30, 2009, a cash payment of \$375,000 paid on June 30, 2009, in lieu of any annual cash bonus in respect of fiscal 2009, and in each successive full fiscal year thereafter, subject to Mr. Chiminski's continued employment through the end of such fiscal year, an annual cash bonus with a target amount equal to Mr. Chiminski's annualized base salary for such fiscal year, subject to a maximum of 200% of base salary, based on and subject to the attainment of specified annual performance goals established by the board of directors of PTS Holdings Corp. in consultation with Mr. Chiminski, and (3) a cash sign-on bonus of \$1,000,000 paid on the commencement date of which \$250,000 was to be invested by Mr. Chiminski in PTS Holdings Corp. common stock at a purchase price of \$1,000 per share (he invested \$100,000 on his commencement date and the remaining portion was to be invested on a later date as mutually agreed upon by the parties). Mr. Chiminski will be required to repay the entire portion of the sign-on bonus that was not used to purchase PTS Holdings Corp. common stock within thirty days following any termination of employment by him without good reason (and not due to death or disability) or by PTS Holdings Corp. or us for cause, in either case, prior to the second anniversary of his commencement date. In addition to the requirement to purchase \$250,000 worth of PTS Holdings Corp. common stock, Mr. Chiminski is required, pursuant to his employment agreement, to use 50% of the after-tax proceeds of his annual MIP bonus paid in respect of fiscal 2010 or 2011, in each case, to promptly purchase shares of PTS Holdings Corp. common stock. Mr. Chiminski's total investment in PTS Holdings Corp. common stock is subject to a cap of \$2,500,000. On October 23, 2009, we and PTS Holdings Corp. entered into a letter agreement with Mr. Chiminski, which modified Mr. Chiminski's obligation to purchase shares of PTS Holdings Corp. common stock by reducing the purchase price from \$1,000 per share to \$750 per share. This reduced purchase price was also applied to the 100 shares that he purchased on March 17, 2009. Accordingly, Mr. Chiminski was refunded \$25,000 and then immediately used such amount to purchase an additional 33.333 shares of PTS Holdings Corp. common stock. On October 5, 2009, Mr. Chiminski used 50% of the after-tax proceeds of his 2009 bonus payment (which was a gross amount of \$375,000) to purchase 124 shares of PTS Holdings Corp. common stock at \$750 per share for \$93,000. Mr. Chiminski purchased 150 shares of PTS Holdings Corp. common stock in July 2010 and an additional 500 shares in September 2010. The shares were purchased at \$750 per share pursuant to the terms of the October 23, 2009 letter agreement. However, subsequent to these purchases the Company determined that the actual market value of the shares was \$850 per share as of June 30, 2010. Therefore, since the shares were purchased at a \$65,000 discount to their market value, the amounts reported in the "All Other Compensation" column of the Summary Compensation Table reflect the compensation cost computed in accordance with FASB Topic 718 with respect to the purchases. In addition, on June 30, 2010, we, PTS Holdings Corp. and Mr. Chiminski entered into a second letter agreement, which permits Mr. Chiminski to irrevocably elect on an annual basis, prior to the beginning of each fiscal year, in lieu of receiving a portion of his annual MIP bonus, if any, in cash, to receive a grant of fully vested restricted stock units settleable in shares of PTS Holdings Corp. common stock, which restricted stock units will be granted on the bonus payment date (see "Compensation Discussion and Analysis—Deferred Compensation Opportunity—Chiminski RSU Bonus Election").

In addition to the foregoing, Mr. Chiminski will be entitled to participate in all group health, life, disability, and other employee benefit and perquisite plans and programs in which other senior executives of Catalent generally participate.

Description of Equity-Based Awards

In connection with the commencement of his employment, on March 17, 2009, PTS Holdings Corp. granted Mr. Chiminski 2,000 RSUs and on October 23, 2009, PTS Holdings Corp. granted Mr. Chiminski an additional 1,000 RSUs in connection with his election to participate in the option exchange offer. Subject to Mr. Chiminski's continued employment, on the applicable vesting dates twenty percent of the RSUs will vest on each of the first five anniversaries of his grant date. All vested RSUs will be settled on the earlier to occur of (x) the seventh anniversary of his commencement date or (y) the date that a change in control of PTS Holdings Corp. or BHP PTS Holdings L.L.C. occurs.

On September 18, 2009, we commenced an offer to all eligible option holders, including Messrs. Chiminski, Walsh, Heyens and Khichi to exchange their existing unvested options for new options with a lower per-share exercise price and new vesting terms. The number of shares of common stock underlying the new options was either more than, less than or equal to the number of shares of common stock underlying the option holder's then-existing options. All of the option holders who were eligible for the option exchange elected to participate in the exchange and were required to enter into a new option agreement that reflected the revised terms and an amendment to their then-existing option agreement that reflected the cancellation and forfeiture of their original unvested options. The exchange offer was completed on October 23, 2009.

The options granted to Mr. Leonard in fiscal 2010 were granted in connection with his offer of employment with us and have the same per-share exercise prices and vesting terms as the new options granted to Messrs. Walsh, Heyens and Khichi in connection with the option exchange.

The additional options granted to Mr. Heyens on February 8, 2011 were granted in connection with his promotion to President of the Softgel Business Unit. In connection with this option grant, we and PTS Holdings Corp. entered into a letter agreement with Mr. Heyens which provided Mr. Heyens with certain enhanced vesting and exercise provisions should his employment terminate for any reason (other than by the Company for cause) after September 30, 2012. These enhanced provisions apply to the February 8, 2011 option grant and to options granted to Mr. Heyens on May 7, 2007 and October 23, 2009. Specifically, Mr. Heyens will have the opportunity to become vested in any portion of his exit event-based options that otherwise would have vested within twelve months of a qualifying termination, the period available to exercise vested time-based options was extended to the earlier of their normal expiration date or three years from the date of a qualifying termination and the period available to exercise vested exit event-based options was extended to the earlier of 90 days following the date on which such portion of his exit event-based options vest and the applicable option expiration date.

Each option may be exercised to purchase one share of PTS Holdings Corp. common stock at an exercise price equal to the fair market value of the underlying common stock on the grant date. Each Named Officer's stock option award has an ordinary term of ten years. The Named Officers are not entitled to any dividends or equivalent rights on their stock option awards.

Generally all Named Officer's option awards are divided into three tranches for vesting purposes: a time option, a performance option and an exit option.

One-half of the options are subject to time-based vesting restrictions, one-sixth of the options are subject to performance-based vesting restrictions and one-third of the options are subject to exit event-based vesting restrictions. However, to the extent any option holder had vested time options at the time of the exchange offer, the number of time options granted in the exchange offer was adjusted so that after the exchange offer one-half of the option holder's aggregate options would be time-based. The time-based options will vest based on a five year vesting schedule and, subject to continued employment with us through the applicable vesting dates, 20% of the options subject to time-based vesting will vest and become exercisable on each of the first five anniversaries of the date of grant or vesting reference date, as applicable (or the date of commencement of employment, in the case of Mr. Chiminski). In addition, solely for Mr. Chiminski, to the extent that all or a fraction of the exit event-based vesting options vest, a proportionate amount of each tranche of unvested time-based options will vest. The performance-based vesting options will vest and become exercisable with respect to 20% of the options subject to performance-vesting option on each of the first five anniversaries of the date of grant or vesting reference date, as applicable, if, we achieve specified revised EBITDA performance targets (subject to a cumulative catch-up) which

have been based on our new five year plan. The exit event-based vesting options will vest and become exercisable in two tiers if either specified internal rate of return or multiple of investment targets are achieved as follows:

- One-half of the shares subject to the exit event-vesting options will vest on the date, if any, when either (1) The Blackstone Group will have received cash proceeds or marketable securities from the sale of its investment in us aggregating in excess of 2.5 times the amount of its initial investment in us or (2) The Blackstone Group will have received a cash internal rate of return of at least 20% on its initial investment in us, and
- One-half of the shares subject to the exit event-vesting options will vest on the date, if any, when either (1) The Blackstone Group will have received cash proceeds or marketable securities from the sale of its investment in us aggregating in excess of 1.75 times the amount of its initial investment in us or (2) The Blackstone Group will have received a cash internal rate of return of at least 15% on its initial investment in us.

However, subject to continued employment through the applicable vesting date, in the event that the 2.5 multiple hurdle or the 20% internal rate of return hurdle is not met, but the 1.75 multiple hurdle or the 15% internal rate of return hurdle is met, the first tier of options will vest based on straight line interpolation between the two points.

Except as otherwise specifically provided for in the stock option agreement, any part of a Named Officer's stock option award that is not vested and exercisable upon his termination of employment will be immediately cancelled. With the exception of Messrs. Chiminski and Heyens, any part of a Named Officer's stock option award that is vested upon termination of employment will generally remain outstanding and exercisable for three months after termination of employment, although this period is extended to 12 months if the termination of employment is due to death or disability, and vested options will immediately terminate if the Named Officer's employment is terminated by us for cause. Any vested options that are not exercised within the applicable post-termination exercise window will terminate. Any part of Mr. Chiminski's stock option award that is vested upon termination of employment will generally remain outstanding and exercisable for three months after termination of employment or the date on which such portion of the option vests in the event of a termination other than a good termination or a termination by us or PTS Holdings Corp. for cause or one year after termination of employment in the case of a good termination and vested options will immediately terminate if Mr. Chiminski's employment is terminated by us or PTS Holdings Corp. for cause. Please see "Potential Payments Upon Termination or Change in Control" section below for a description of the potential vesting of the Named Officers' stock option awards that may occur in connection with a change in control of PTS Holdings Corp. or BHP PTS Holdings L.L.C. or certain terminations of employment.

As a condition to receiving his equity-based award, each Named Officer was required to enter into a subscription agreement with PTS Holdings Corp., and to become a party to PTS Holdings Corp.'s securityholders agreement. These documents generally govern the Named Officers' rights with respect to any shares of PTS Holdings Corp. common stock acquired on exercise of vested stock options or settlement of RSUs to the extent applicable. Under the subscription agreement, following a Named Officer's termination of employment, PTS Holdings Corp. and The Blackstone Group have certain rights to repurchase any shares a Named Officer may have acquired upon exercise of his options or settlement of RSUs to the extent applicable. Similarly, if a Named Officer's employment terminates due to death or disability, he may require us to repurchase the shares he acquired upon exercise of his options or settlement of RSUs to the extent applicable. The purchase price for any such shares that are repurchased will be equal to the fair market value of the shares at the time of repurchase, unless the Named Officer's employment is terminated by us for cause, in which case the purchase price will be the lower of the Named Officer's cost or fair market value on the date of repurchase. All repurchase rights will terminate on the earliest to occur of (1) a qualified public offering of PTS Holdings Corp. or BHP PTS Holdings L.L.C., (2) the occurrence of a change in control of PTS Holdings Corp. or BHP PTS Holdings L.L.C. and (3) May 7, 2012 (the "Lapse Date"). The subscription agreement also contains certain restrictive covenants. While employed and for one year following their termination of employment, Named Officers are prohibited from competing with us and from soliciting our employees, consultants and certain actual and prospective clients. The subscription agreement also contains an indefinite restriction on the Named Officers' disclosure of our confidential information. If a Named Officer materially breaches any of these restrictive covenants and is unable to cure the breach, we have the right to

“clawback” and recover any gains the Named Officer may have realized with respect to his shares (and with respect to Mr. Chiminski only the shares acquired upon exercise of the options or settlement of RSUs). The securityholders agreement generally restricts the Named Officers from transferring any shares of PTS Holdings Corp. common stock they hold until the Lapse Date. These transfer restrictions do not apply to any permitted transfers to the Named Officers’ family members, or to transfers in connection with a transaction or transactions where the “tag along” or “drag along” rights provided in the securityholders agreement would apply. Following the Lapse Date and prior to a qualified public offering of PTS Holdings Corp. or BHP PTS Holdings L.L.C., PTS Holdings Corp. has certain rights of first refusal, which permit it (or a third party) to purchase any shares a Named Officer wishes to transfer instead of the Named Officer’s intended transferee.

Each Named Officer’s equity-based award was granted under, and is subject to the terms of, the 2007 PTS Holdings Corp. Stock Incentive Plan. On September 8, 2010, this plan was amended to increase the total number of shares that may be issued under the plan to account for the granting of RSUs and the October 2009 Option Exchange. As a result, there are 77,525 shares for option grant purposes and 3,882 shares are set aside for the granting of RSUs for a total of 81,407 available under the plan. This plan is currently administered by PTS Holding Corp.’s board of directors, and the board has the ability to interpret and make all required determinations under the plan. This authority includes making required proportionate adjustments to outstanding stock options to reflect any change in the outstanding common shares of PTS Holdings Corp. by reason of a reorganization, recapitalization, share dividend or similar transaction, and making provision to ensure that participants satisfy any required withholding taxes.

The following table provides information regarding outstanding equity awards held by each Named Officer as of June 30, 2011.

OUTSTANDING EQUITY AWARDS AT 2011 FISCAL-YEAR END

Name (a)	Number of Securities Underlying Unexercised Options (#) Exercisable (1) (b)	Number of Securities Underlying Unexercised Options (#) Unexercisable (c)	Equity Incentive Plan Awards: Number of Securities Underlying Unexercised Options (#) (d)	Option Exercise Price (\$) (e)	Option Expiration Date (2) (f)	Number of Shares of Units of Stock that Have Not Vested (#) (g)	Market Value of Shares or Units of Stock that Have Not Vested (\$)(3) (h)	Equity Incentive Plan Awards: Number of Unearned Shares, Units or Other Rights That Have Not Vested (#) (i)	Equity Incentive Plan Awards or Payout Value of Unearned Shares, Units or Other Rights That have not Vested (\$) (j)
John Chiminski	1,800	5,400	6,300	750	10/23/2019	2,000	2,080,000	—	—
Matthew Walsh	480	1,387	1,867	750	10/23/2019	—	—	—	—
	267			1,000	4/17/2018	—	—	—	—
David Heyens		500	500	850	2/8/2021	—	—	—	—
	213	587		750	10/23/2019	—	—	—	—
	267	—	—	1,000	5/7/2017	—	—	—	—
Samrat Khichi	373	1,094	1,400	750	10/23/2019	—	—	—	—
	133	—	—	1,000	11/27/2017	—	—	—	—
Stephen Leonard	534	1,600	1,866	750	10/23/2019	—	—	—	—

(1) The number of outstanding time options vested and exercisable are reported in column (b) above. Unvested outstanding time options are reported in column (c) above and ordinarily become vested pursuant to the vesting schedule for time options described in the “Description of Equity-Based Awards” section above. Unvested outstanding performance options and exit options are reported in column (d) above and ordinarily become vested pursuant to the vesting schedule for performance options and exit options, as applicable, described in the “Description of Equity-Based Awards” section above. The first 20% of the performance-based options granted in fiscal 2010 vested on October 23, 2010 and none of the outstanding performance exit options vested in fiscal 2011. As described in the “Potential Payments Upon Termination or Change in Control” section below, all or a portion of each option grant may vest earlier in connection with a change in control of PTS Holdings Corp. or BHP PTS Holdings L.L.C. or certain terminations of employment. The number of outstanding RSUs reported in column (g) above represents two separate grants: 2,000 RSUs granted on March 17, 2009 and 1,000 RSUs granted on October 23, 2009. Each RSU grant vests 20% per year from the date of grant, subject to the executive’s continued employment through the applicable vesting date.

- (2) The expiration date shown is the normal expiration date occurring on the tenth anniversary of the grant date. Options may terminate earlier in certain circumstances, such as in connection with a Named Officer's termination of employment or in connection with certain corporate transactions, including a change in control of PTS Holdings Corp. or BHP PTS Holdings L.L.C.
- (3) Based upon a market value of \$1,040 per share as of June 30, 2011.

Option Exercises and Stock Vested in Fiscal 2011

On March 17, 2011, Mr. Chiminski vested in an additional 20% of the 2,000 RSUs granted to him on March 17, 2009 and on October 23, 2010, he vested in 20% of the 1,000 RSUs granted to him on October 23, 2009. The following table provides information regarding this vesting. During fiscal 2011, the other Named Officers did not exercise any options or similar instruments or vest in any stock or similar instruments.

Name (a)	Option Awards		Stock Awards (1)	
	Number of Shares Acquired on Exercise (#) (b)	Value Realized on Exercise (\$) (c)	Number of Shares Acquired on Vesting (#) (d)	Value Realized on Vesting (\$) (e)
John Chiminski	—	—	600	510,000(2)
Matt Walsh	—	—	—	—
David Heyens	—	—	—	—
Samrat Khichi	—	—	—	—
Stephen Leonard	—	—	—	—

- (1) Includes the vesting of 200 RSUs on October 23, 2010 with a value realized on vesting of \$170,000 that were originally granted on October 23, 2009 and the vesting of 400 RSUs on March 17, 2011 with a value realized on vesting of \$340,000 that were originally granted on March 17, 2009. All 600 vested RSUs will be settled on the earlier to occur of (1) the seventh anniversary of Mr. Chiminski's employment commencement date (March 17, 2009), or (2) the date a change in control of PTS Holdings Corp. or BHP PTS Holdings L.L.C. occurs.
- (2) Based on a fair market value of \$850 per share on October 23, 2010 and March 17, 2011, the applicable vesting dates.

Pension Benefits—Fiscal 2011

The following table provides information regarding the pension benefits for our Named Officers.

Name (a)	Plan Name (1) (b)	Number of Years Credited Service (#)(2) (c)	Present Value of Accumulated Benefits (\$)(2) (d)	Payments During Last Fiscal Year (\$) (e)
John Chiminski	—	—	—	—
Matt Walsh	—	—	—	—
David Heyens	Catalent Pharma Solutions, LLC Pension Plan	7.583	140,361	0
Samrat Khichi	—	—	—	—
Stephen Leonard	—	—	—	—

- (1) Prior to amending the plan name on January 30, 2009, this plan was formally referred to as the Pharmaceutical Technologies and Services Pension Plan.
- (2) The years of credited service and present value of accumulated benefits are presented as of June 30, 2011, assuming that Mr. Heyens retires at the earliest possible time without any reduction in benefits and that benefits are paid out in accordance with the terms of the plan described below. For a description of the material assumptions used to calculate the present value of accumulated benefits shown above, please see the discussion of defined benefit plans contained in Note 10 to our Consolidated Financial Statements for the period ended June 30, 2011, included as part of this Annual Report on Form 10-K.

Catalent Pharma Solutions, LLC Pension Plan

While he was employed by Cardinal Health, Mr. Heyens participated in one of the Cardinal Health defined benefit pension plans. This plan was one of the plans originally established by R.P. Scherer Corporation and its affiliates and was continued by Cardinal Health following its acquisition of R.P. Scherer Corporation. In connection with Blackstone's acquisition of us in 2007, we agreed with Cardinal Health to assume liability for benefits provided under the R.P. Scherer Corporation plans. In exchange for our agreement, the trust funding benefits under what is now the Catalent Pharma Solutions, LLC Pension Plan received a transfer of assets from the trust funding benefits under the predecessor Cardinal Health plan in accordance with the terms of the acquisition agreement. We established the Catalent Pharma Solutions, LLC Pension Plan and its related trust to accept the asset transfer from Cardinal Health and to provide benefits to the participants in the prior Cardinal Health plan for whom we agreed to assume liability.

The Catalent Pharma Solutions, LLC Pension Plan is a noncontributory pension plan intended to be qualified under the Internal Revenue Code. Participation in the plan is limited to those individuals who were employed by Cardinal Health or R.P. Scherer Corporation on or before December 31, 2002 and who were eligible to participate in the prior Cardinal Health and/or R.P. Scherer Corporation plans. Participation is closed to all of our other employees, and Mr. Heyens is the only Named Officer eligible to participate in this plan.

Benefit accruals under this plan were frozen effective as of December 31, 2002, meaning that benefits under the plan are limited to the payment of amounts that were accrued as of that date. The plan's normal retirement benefit formula is generally a monthly payment equal to the sum of (1) 1/12 of 1% of a participant's average annual compensation earned over the five consecutive years prior to December 31, 2002 when compensation was the highest multiplied by the participant's years of credited service earned through December 31, 2002 and (2) 1/12 of 0.5% of a participant's average annual compensation earned over the five consecutive years prior to December 31, 2002 when compensation was the highest and that is in excess of covered compensation determined under IRS rules multiplied by the participant's years of credited service earned through December 31, 2002 that do not exceed 35, less an offset for any benefits previously paid under this plan and for certain benefits payable under another qualified or foreign pension plan. Participants with accrued benefits under the plan as of December 31, 1993 are generally not subject to these same offsets on any benefits accrued as of December 31, 1993. Compensation under the plan is defined to include salary, bonuses and most other amounts earned for services (other than stock options and other equity awards), but is capped at an annual limit of \$170,000. Benefit payments under this plan are subject to applicable limits under the Internal Revenue Code, and any benefits otherwise payable that are in excess of these limits will not be paid under this plan.

The plan's normal retirement benefits become payable once a participant has reached age 65, although normal benefits for participants who joined the plan after the end of 1987 do not become payable until the later of age 65 or the date they have participated in the plan for five years. The plan also has an early retirement feature that permits participants to retire before normal retirement age and receive a level of benefits that is reduced by an early commencement factor to account for the earlier payment of benefits. Participants first become eligible for early retirement when they reach age 55 and have 10 years of credited service, and benefits are actuarially reduced for all early retirements prior to age 62. Since Mr. Heyens does not have 10 years of credited service he is not eligible for early retirement. The normal form of payment for early and normal retirement benefits is a life annuity for single participants and an actuarially equivalent joint and survivor annuity with a 50% survivor benefit for married participants. Participants may also elect to receive an actuarially equivalent amount of benefits in a different form, such as a life annuity that is guaranteed for 120 months, a joint and survivor annuity with a 66 2/3% or 100% survivor benefit or a lump-sum if the actuarially equivalent value of the participant's benefit is \$5,000 or less.

Non-qualified Deferred Compensation—Fiscal 2011

The following table provides information regarding contributions, earnings and balances for our Named Officers under our deferred compensation plan

Name (a)	Executive Contributions in Last FY \$(1) (b)	Registrant Contributions in Last FY \$(3) (c)	Aggregate Earnings in Last FY \$(4) (d)	Aggregate Withdrawals/Distributions \$((e)	Aggregate Balance at Last FYE \$(5) (f)
John Chiminski					
Deferred Compensation	22,500	3,000	331	—	25,831
Vested but Undelivered RSUs (2)	510,000	—	190,000	—	1,040,000
<i>Total</i>	532,500	3,000	190,331	—	1,065,831
Matthew Walsh					
Deferred Compensation	88,129	3,071	31,723	—	93,427
David Heyens					
Deferred Compensation	274,315	3,000	43,004	—	943,467
Samrat Khichi					
Deferred Compensation	41,072	—	11,074	—	76,123
Stephen Leonard					
Deferred Compensation	11,550	—	174	—	11,724

- (1) The amounts under “Deferred Compensation” are also included in our Summary Compensation Table under “Salary.”
- (2) The amount reported for Mr. Chiminski in column (b) reflects the value of 600 vested and undelivered RSUs as of the vesting date of which 200 RSUs vested on October 23, 2010 and 400 RSUs vested on March 17, 2011. All 600 vested RSUs will be settled on the earlier to occur of (1) the seventh anniversary of Mr. Chiminski’s employment commencement date (March 17, 2009), or (2) the date that a change in control of PTS Holdings Corp. or BHP PTS Holdings L.L.C. occurs.
- (3) Amounts reported for Messrs. Chiminski, Walsh and Heyens are reported as compensation for fiscal 2011 under “All Other Compensation” in the Summary Compensation Table.
- (4) Amount reported for Mr. Chiminski under “Vested but Undelivered RSUs” reflects the increase in fair market value between October 23, 2010 and June 30, 2011 with respect to 200 of the vested RSUs reported in column (b) and between March 17, 2011 and June 30, 2011 with respect to the 400 RSUs reported in column (b). Amount reported also reflects the increase in fair market value between July 1, 2010 and June 30, 2011 with respect to the 400 RSUs that vested on March 17, 2010 and that were reported in column (b) in the fiscal 2010 Non-Qualified Deferred Compensation Table. The amounts reported are not considered compensation reportable in the Summary Compensation Table.
- (5) Includes \$76,780 previously reported as compensation to Mr. Walsh in the columns “Salary” and “All Other Compensation” in the Summary Compensation Table in previous years. Includes \$14,830 reported as compensation to Mr. Khichi in the columns “Salary” and “All Other Compensation” in the Summary Compensation Table for previous years. Aggregate balance for Mr. Chiminski under “Vested but Undelivered RSUs” reflects the value of 1,000 RSUs as of June 30, 2011 based upon a market value of \$1,040 per share as of such date. These RSUs were previously reported as “Stock Awards” in the Summary Compensation Table.

Non-qualified Deferred Compensation Plan

We offer a non-qualified deferred compensation plan for a select group of our management. Eligible employees selected to participate in the plan may elect to defer between 1% and 20% of eligible compensation into the plan each year. Eligible compensation is defined as base salary, Management Incentive Plan bonus, commissions and other bonus amounts. We will provide a matching contribution on base salary only for all participants with the exception of sales people who are eligible to receive a company matching contribution on base salary, bonuses and commissions. Any income attributable to stock options or other equity-based awards is not eligible for deferral. Participating directors may elect to defer between 20% and 100% of their fees for service on our board of directors (including meeting fees) into the plan each year. In our discretion, each year we may elect to make certain company contributions to participants in the plan; however, the plan does not require us to make any such contributions. Company contributions can be either matching contributions or contributions equal to a percentage of a participant’s compensation (regardless of the amount deferred) which includes a contribution designed to supplement social security benefits. Any such contributions, however, are generally only made with respect to the first \$100,000 of a participant’s compensation in excess of the annual compensation limit under the Internal Revenue Code for each year (the limit was \$245,000 for calendar year 2011). Participants are always 100% vested in their elective deferrals, and in any company matching contributions (including related earnings in each case). Participants become vested in other company contributions and related earnings after three years of service with us or upon retirement, death, total disability or a change in control of us.

Under the plan, we have the discretion to either credit participants’ deferrals with a hypothetical earnings rate, or to credit the deferrals with earnings and/or losses based on the deemed investment of the deferrals in

investment alternatives selected by us, which investment alternatives generally include the investment funds available under our 401 (k) plan. During fiscal 2011, participants were permitted to select the investment alternatives in which they wanted their deferrals to be deemed to be invested and were credited with earnings and/or losses based on the performance of the relevant investments. During fiscal 2011, the returns for the investment funds in which participating Named Officers, Messrs. Chiminski, Walsh, Heyens, Khichi and Leonard notionally invested their deferrals were 3.8%, 24.0%, 6.0%, 22.9% and 2.8%, respectively. Participants were able to change the investment elections for their deferrals on a daily basis during fiscal 2011. Participants' deferrals are paid out in a lump-sum on the 15th day of the month immediately following the month during which the six month anniversary of the participant's separation from service (other than due to death) with us (within the meaning of Section 409A of the Internal Revenue Code) occurs. In the event of the death of a participant prior to the commencement of the distribution of benefits under the plan, such benefits will be paid no later than the later of (x) December 31 of the year in which the participant's death occurs and (y) ninety days following the date of the participant's death. Participants may also elect to receive a payout of their deferrals in annual installments over a period of five or 10 years after their separation from service (including death), although notwithstanding any such elections, deferrals will be paid in a lump-sum in connection with a participant's separation from service within two years following a change in control of us. Participants may also elect to receive a payout in connection with an unforeseeable emergency, in accordance with the requirements of Section 409A of the Internal Revenue Code. Salary deferrals, company contributions and any applicable gains are held in a "rabbi" trust. "Rabbi" trust assets are ultimately controlled by us. Operating the deferred compensation plan this way is required by federal tax law in order to defer the taxation benefits from the plan until they are paid to the participants.

Potential Payments Upon Termination or Change in Control

The following section describes the payments and benefits that may become payable to the Named Officers in connection with their termination of employment and/or a change in control. All such payments and benefits will be paid or provided by us or PTS Holdings Corp. For purposes of this section, we have assumed that (1) the price per share of PTS Holdings Corp.'s common stock on June 30, 2011 is equal to its fair market value as determined in good faith by the board of directors of PTS Holdings Corp. because there has never been a public market for the common stock of PTS Holdings Corp., (2) PTS Holdings Corp. does not exercise any discretion to accelerate the vesting of outstanding options or restricted stock units in connection with a change in control of us and (3) the value of any stock options that may be accelerated is equal to the full value of such awards (i.e., the full "spread" value for stock options on June 30, 2011). The 2007 PTS Holdings Corp. Stock Incentive Plan gives the PTS Holdings Corp. board of directors considerable discretion with respect to the treatment of outstanding options and restricted stock units in the event of a change in control. If the PTS Holdings Corp. board of directors exercised its discretion to fully vest outstanding options and restricted stock units, the Named Officers may receive benefits in addition to those described below.

In addition to the amounts presented below, the Named Officers will also be entitled to the benefits quantified and described under the "Non-Qualified Deferred Compensation—Fiscal 2011" section above. Please see "Compensation Discussion and Analysis—Current Compensation Program Elements—Severance and Other Benefits" for a discussion of how the amounts of the payments and benefits presented below were determined.

John Chiminski

Mr. Chiminski's employment agreement, the 2007 PTS Holdings Corp. Stock Incentive Plan and the related stock option agreement and restricted stock unit agreements each provide for certain benefits to be paid to him upon termination under the terms described below. If Mr. Chiminski's employment terminates due to his disability or death, he would be entitled to (1) a pro-rata portion of any annual cash bonus he would have earned for the year of termination and (2) accelerated vesting of the portion of his time vesting options and restricted stock units that would otherwise have vested within 12 months following his termination of employment. In addition, Mr. Chiminski will retain the opportunity through the ten year term to vest, subject only to attaining the specified internal rate of return or multiple of investment targets, in a portion of the unvested exit options equal to a fraction, the numerator of which is the number of days elapsing from his commencement date through the termination date and the denominator of which is the number of days elapsing from his commencement date through the date of the event that triggers additional exit option vesting. Any pro-rata bonus payment would have been paid in a lump-sum within two and one-half (2-1/2) months after the end of the fiscal year in which Mr. Chiminski's termination of

employment occurred. Should Mr. Chiminski's employment terminate due to death, his beneficiaries would also be entitled to a death benefit equal to 1.5 times his base salary (\$1,125,000) under a company provided group life insurance benefit program which covers all eligible active employees.

The employment agreement provides that upon any good termination or due to Mr. Chiminski's election not to extend the term, he will be entitled to receive a pro-rata portion of any annual cash bonus he would have earned for the year of termination based on Catalent's actual performance in respect of the full fiscal year in which Mr. Chiminski's employment terminates.

The employment agreement further provides that if Mr. Chiminski's employment is terminated by Catalent or PTS Holdings Corp. without cause, by Mr. Chiminski for good reason or due to Catalent's or PTS Holdings Corp.'s election not to extend the term, then, subject to his execution, delivery and non-revocation of a release of claims with respect to Catalent and its affiliates, Mr. Chiminski will be entitled to receive, in addition to certain accrued amounts and a pro-rata bonus, as discussed above, an amount equal to two times the sum of (x) Mr. Chiminski's annualized then-current base salary (which salary, for purposes of calculating severance amounts, will in no event be less than \$750,000) and (y) his annual target bonus, payable in equal monthly installments over a two year period; provided, however, that if such termination occurs within the two year period following a change in control such payment will instead be made in a single lump sum payment within thirty days following the termination date. Notwithstanding the foregoing, Catalent's obligation to make such payments will cease in the event of a material breach by Mr. Chiminski of the restrictive covenants contained in the employment agreement (described below), if such breach remains uncured for a period of ten days following written notice of such breach. Pursuant to the terms of the employment agreement, Mr. Chiminski is subject to a covenant not to (x) compete with us while employed and for one year following his termination of employment for any reason and (y) solicit our employees, consultants and certain actual and prospective clients while employed and for two years following his termination of employment for any reason, in each case, subject to certain specified exclusions. The employment agreement also contains a covenant not to disclose confidential information, an assignment of property rights provision and customary indemnification provisions.

In addition to the payments described above, if Mr. Chiminski's employment is terminated by Catalent or PTS Holdings Corp. without cause, by Mr. Chiminski for good reason or due to Catalent or PTS Holdings Corp.'s election not to extend the term, Mr. Chiminski (and his spouse and eligible dependents, to the extent applicable) will also be entitled to continued participation in Catalent's group health plans for up to two years (for the final 6 months of this period if coverage can not be continued he will be paid an amount on a grossed up basis for the company's cost of such coverage).

At the end of fiscal 2011, Mr. Chiminski would have had a good reason to terminate employment if any of the following had occurred without his consent: (a) any material diminution in his duties, authorities, or responsibilities, or the assignment to him of duties that are materially inconsistent with, or that significantly impair his ability to perform, his duties as Chief Executive Officer of PTS Holdings Corp. or us; (b) any material adverse change in his positions or reporting structures, including ceasing to be the Chief Executive Officer of PTS Holdings Corp. or us or ceasing to be a member of the board of directors of PTS Holdings Corp. or our board of directors; (c) any reduction in his base salary or target annual bonus opportunity (other than a general reduction in base salary or target annual bonus opportunity that affects all members of senior management proportionately); (d) any material failure by us to pay compensation or benefits when due under his employment agreement; (e) any relocation of our principal office or of his principal place of employment to a location more than 50 miles from its location in Somerset, New Jersey, as of his commencement date; or (f) any failure by PTS Holdings Corp. or us, as applicable, to obtain the assumption in writing of its obligation to perform his employment agreement by any successor to all or substantially all of the assets of PTS Holdings Corp. or us, as applicable. No termination of his employment based on a specified good reason event will be effective as a termination for good reason unless

(x) Mr. Chiminski gives notice to PTS Holdings Corp. and us of such event within 90 days after he learns that such event has occurred (or, in the case of any event described in clauses (e) or (f), within 30 days after he learns that such event has occurred), (y) such good reason event is not fully cured within 30 days after such notice, and (z) Mr. Chiminski's employment terminates within 60 days following the end of the cure period.

In the event of any termination of Mr. Chiminski's employment other than a good termination, all unvested RSUs and options which remain outstanding will be immediately forfeited without consideration as of the termination date. In the event of a good termination, Mr. Chiminski will be deemed vested as of the termination date in any portion of the RSUs and time options that would have otherwise vested if he had remained employed by us or PTS Holdings Corp. through the first anniversary of the termination date and he will also retain the opportunity through the ten year term to vest, subject only to attaining the specified internal rate of return or multiple of investment targets, in a portion of the unvested exit options equal to a fraction, the numerator of which is the number of days elapsing from his commencement date through the termination date and the denominator of which is the number of days elapsing from his commencement date through the date of the event that triggers additional exit option vesting.

To the extent that all or a fraction of the exit options vest, a proportionate amount of each tranche of unvested RSUs and time options which remain outstanding will also vest.

In the event of (x) a change in control or (y) a good termination that occurs within the six month period prior to a change in control, all unvested RSUs and time options will become fully vested as of the change in control (or immediately prior to the change in control, with respect to the options). Any portion of the exit options that remain unvested upon a change in control will remain outstanding and remain eligible for potential future vesting in accordance with the terms of the stock option agreement.

Unless otherwise specifically provided for in the stock option agreement, any options that are not vested and exercisable upon Mr. Chiminski's termination of employment will be immediately cancelled. Any options that are vested upon a good termination will remain outstanding and exercisable generally for one year from the termination date or the date on which the option became vested, as applicable, although the period is reduced to 90 days in the case of a termination of employment that is not a good termination and vested options will terminate immediately if Mr. Chiminski's employment is terminated by PTS Holdings Corp. or us for cause. Any vested options that are not exercised within the applicable post-termination exercise period will terminate.

All shares of PTS Holdings Corp. common stock acquired by Mr. Chiminski, including without limitation, shares settled following vesting of the RSUs and shares acquired upon the exercise of the options will be subject to the terms of a subscription agreement. In addition, in connection with the purchase of the shares of PTS Holdings Corp. common stock and the grant of the RSUs and options, Mr. Chiminski became a party to PTS Holdings Corp. securityholders agreement. These documents generally govern Mr. Chiminski's rights with respect to all such shares.

If any payments to Mr. Chiminski are subject to golden parachute excise taxes in connection with a change in control and are eligible for exemption under the shareholder approval exemption, Catalent and PTS Holdings Corp. agree to use commercially reasonable efforts to seek the requisite stockholder vote. However, if such exemption is not available and Mr. Chiminski is subject to such taxes, he will also be entitled to receive a tax-gross up payment, provided that such payment will not exceed \$1 million.

The following table lists the payments and benefits that would have been triggered for Mr. Chiminski under the circumstances described above assuming that the applicable triggering event occurred on June 30, 2011.

<u>Triggering Event</u>	<u>Value of Option/RSU Acceleration⁽¹⁾</u>	<u>Value of Base Salary and Target Bonus Payment⁽²⁾</u>	<u>Value of Continued Benefits Participation⁽³⁾</u>	<u>Total</u>
Death or Disability	1,015,500			1,015,500
Termination by Us Without Cause or by Mr. Chiminski for Good Reason	1,015,500	3,000,000	30,309	4,045,809
Change in Control	3,646,000			3,646,000
Death or Disability Within Six months Prior to a change in Control	3,646,000			3,646,000
Termination by Us Without Cause or by Mr. Chiminski for Good Reason in Connection With a Change in Control	3,646,000	3,000,000	30,309	6,676,309

- (1) The amounts reported represent partial or full accelerated vesting of RSUs and options and are based on PTS Holdings Corp.'s common stock having a fair market value of \$1,040 per share on June 30, 2011. The amounts reported reflect the "spread" value of the options of \$290 per share representing the difference between the fair market value and the exercise price. Amounts reported assume that the exit event options do not vest upon a change in control.
- (2) The amount reported consists of two times the sum of Mr. Chiminski's annual salary and target annual MIP bonus.
- (3) The amount reported represents income attributable to the health care premiums paid by the Company with respect to Mr. Chiminski's participation in our employee benefit plans for a two year period. Mr. Chiminski would also be entitled to be paid out for any unused paid time off days accrued during 2011 and up to five unused days from the prior year.

Messrs. Walsh, Heyens, Khichi and Leonard

Messrs. Walsh, Heyens, Khichi and Leonard were not covered by employment agreements at the end of fiscal 2011. However, Mr. Walsh's, Mr. Heyens's, Mr. Khichi's and Mr. Leonard's severance agreements, Mr. Heyens's letter agreement dated February 28, 2011, the 2007 PTS Holdings Corp. Stock Incentive Plan and the related stock option agreements provide for certain benefits to be paid to each of them if their employment terminates for one of the reasons described below. If the employment of Messrs. Walsh, Heyens, Khichi or Leonard terminates due to death or disability, each will be entitled to accelerated vesting of the portion of their time options that would otherwise have vested within 12 months following a termination of employment (like Mr. Chiminski, they will not be entitled to any similar accelerated vesting for performance options and exit options). Should Mr. Walsh's, Mr. Heyens's, Mr. Khichi's or Mr. Leonard's employment terminate due to death, their beneficiaries will receive a death benefit equal to 1.5 times their current base salary (\$742,050, \$615,000, \$607,500, and \$577,500, respectively) under a company provided group life insurance program which covers all eligible active employees.

If the employment of Messrs. Walsh, Heyens, Khichi or Leonard was terminated by us without cause or by the executive for good reason, in each case at the end of fiscal 2011, each would have been entitled to a severance payment equal to one times the sum of their annual base salary and target annual bonus, payable in equal installments over the one period following the date of their termination of employment. Each would also be entitled to continued participation in our group health plans (to the extent the executives were receiving such coverage as of the termination date), at the same premium rates as may be charged from time to time for employees of Catalent generally, which coverage would be provided until the earlier of (x) the expiration of the one year period following the date of termination of employment and (y) the date the executive becomes eligible for coverage under group health plan (s) of any other employer. Each Named Officer is required to enter into a binding general release of claims as a condition to receiving most severance payments and benefits.

Under the stock option agreements entered into in connection with the 2007 PTS Holdings Corp. Stock Incentive Plan, if the employment of Messrs. Walsh, Heyens, Khichi or Leonard is terminated by us without cause or by the Named Officer for good reason, each will be entitled to receive accelerated vesting of the portion of his time options that would otherwise have vested within 12 months following termination of employment (there is no similar accelerated vesting for performance options and exit options). At the end of fiscal 2011, each of Messrs. Walsh, Heyens, Khichi, and Leonard would have had a good reason to terminate employment if, without his consent (a) there had been a substantial diminution in his position or duties or an adverse change in his reporting lines, (b) he was assigned duties that were materially inconsistent with his position, (c) his base salary had been reduced or other earned compensation was not paid when due, (d) our headquarters were relocated by more than 50 miles, or (e) he was not provided with the same annual bonus opportunity specified in his offer letter, in each case, which was not cured within 30 days following our receipt of written notice from him describing the event constituting good reason.

In the event of a change in control of PTS Holdings Corp. or BHP PTS Holdings L.L.C., each of Messrs. Walsh, Heyens, Khichi and Leonard will be entitled to full vesting of their time options. As with Mr. Chiminski, their exit options and performance options will not automatically become fully vested in connection with a change in control; however, the exit options and performance options may become vested in connection with the transaction if the applicable performance targets are attained. Messrs. Walsh, Heyens, Khichi, and Leonard are each subject to the restrictive covenants contained in the subscription agreement, which covenants are described in the "Description of Equity-Based Awards" section above.

The following table lists the payments and benefits that would have been triggered for Messrs. Walsh, Heyens, Khichi, and Leonard under the circumstances described above assuming that the applicable triggering events occurred on June 30, 2011.

<u>Triggering Event</u>	<u>Value of Option Acceleration (\$)(1)</u>	<u>Value of Severance Payment (\$)(2)</u>	<u>Value of Continued Benefits Participation (\$)(3)</u>	<u>Total (\$)</u>
Death or Disability				
Matthew Walsh	100,514			100,514
David Heyens	61,514			61,514
Samrat Khichi	79,286			79,286
Stephen Leonard	116,000			116,000
Termination by Us Without Cause or by the Executive for Good Reason				
Matthew Walsh	100,514	865,725	7,716	973,955
David Heyens	61,514	717,500	7,183	786,197
Samrat Khichi	79,286	708,750	10,991	799,027
Stephen Leonard	116,000	673,750	10,991	800,741
Change in Control				
Matthew Walsh	402,230			402,230
David Heyens	265,230			265,230
Samrat Khichi	317,260			317,260
Stephen Leonard	464,000			464,000

- (1) Amounts reported reflect the “spread” value of \$290 per share with respect to options granted in fiscal 2010 based on PTS Holdings Corp.’s common stock having a fair market value of \$1,040 per share on June 30, 2011. Amounts reported for Mr. Heyens also reflect the “spread” value of \$190 per share with respect to the options granted to him in fiscal 2011 based on PTS Holdings Corp.’s common stock having a fair market value of \$1,040 per share on June 30, 2011. Amounts reported assume that the exit event options do not vest upon a change in control.
- (2) The amounts reported represent the sum of each executive’s annual base salary and target annual bonus.
- (3) The amounts reported represent income attributable to the health care premiums paid by the Company with respect to each Named Officer’s continued participation in our employee benefit plans for a one year period. Each Named Officer would also be entitled to be paid out for any unused paid time off days accrued during 2011 and up to five unused days from the prior year.

Compensation Committee Interlocks and Insider Participation

Our compensation committee comprises Chinh E. Chu, Peter Baird and Bruce McEvoy. Mr. Baird is the Chairman of the Compensation Committee. The Compensation Committee is responsible for determining, reviewing, approving and overseeing our executive compensation program.

No member of the Compensation Committee was at any time during fiscal year 2011, or at any other time, one of our officers or employees. Mr. Chu is a Senior Managing Director in the Corporate Private Equity group of The Blackstone Group and Mr. McEvoy is a Principal at The Blackstone Group. We are parties to certain transactions with The Blackstone Group described in the “Certain Relationships and Related Transactions” section below. None of our executive officers has served as a director or member of the Compensation Committee, or other committee serving an equivalent function, of any entity, whose executive officers served as a director of our company or member of our Compensation Committee.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS

Beneficial Ownership of PTS Holdings Corp.

PTS Holdings Corp. owns 100% of the limited liability company interests of PTS Intermediate Holdings LLC, which owns 100% of our issued and outstanding common stock.

The following table and accompanying footnotes set forth information with respect to the beneficial ownership of the common stock of PTS Holdings Corp. as of September 15, 2011 for (i) each individual or entity known by us to own beneficially more than 5% of the common stock of PTS Holdings Corp., (ii) each of our Named Executive Officers, (iii) each of our directors and (iv) all of directors and our executive officers as a group.

The amounts and percentages of shares beneficially owned are reported on the basis of SEC regulations governing the determination of beneficial ownership of securities. Under SEC rules, a person is deemed to be a “beneficial owner” of a security if that person has or shares voting power or investment power, which includes the power to dispose of or to direct the disposition of such security. A person is also deemed to be a beneficial owner of any securities of which that person has a right to acquire beneficial ownership within 60 days. Securities that can be so acquired are deemed to be outstanding for purposes of computing such person’s ownership percentage, but not for purposes of computing any other person’s percentage. Under these rules, more than one person may be deemed to be a beneficial owner of the same securities and a person may be deemed to be a beneficial owner of securities as to which such person has no economic interest.

Except as otherwise indicated in the footnotes below, each of the beneficial owners has, to our knowledge, sole voting and investment power with respect to the indicated common stock of PTS Holdings Corp. Unless otherwise noted, the address of each beneficial owner is 14 Schoolhouse Road, Somerset, New Jersey, 08873.

<u>Name and Address of Beneficial Owner</u>	<u>Amount and Nature of Beneficial Ownership⁽¹⁾</u>	<u>Percent</u>
Blackstone Funds ⁽²⁾	1,053,979	99.15%
John R. Chiminski ⁽³⁾⁽⁴⁾	4,507	*
Matthew Walsh ⁽⁴⁾	1,627	*
Samrat S. Khichi ⁽⁴⁾	980	*
Stephen Leonard ⁽⁴⁾	1,361	*
David Heyens ⁽⁴⁾	794	*
Peter Baird ⁽⁴⁾	200	*
Paul Clark ⁽⁴⁾	272	*
Chinh E. Chu ⁽⁵⁾	—	—
Michael Dal Bello ⁽⁶⁾	—	—
Bruce McEvoy ⁽⁷⁾	—	—
James Quella ⁽⁸⁾	—	—
Melvin D. Booth ⁽⁴⁾	145	*
Arthur J. Higgins ⁽⁴⁾	3,145	*
All directors and executive officers as a group (23 persons) ⁽⁹⁾	18,424	1.7%

(*) Less than 1%

(1) Fractional shares beneficially owned have been rounded up to the nearest whole share.

(2) Shares shown as beneficially owned by the Blackstone Funds are held directly by Phoenix Charter LLC. 100% of the limited liability company interests of Phoenix Charter LLC are held directly by BHP PTS Holdings L.L.C. Blackstone Healthcare Partners LLC is the managing member and controls approximately 87% of BHP PTS Holdings L.L.C. Paul Clark holds less than 1% of the interests in BHP PTS Holdings L.L.C. and affiliates of Aisling Capital and Genstar Capital, LLC hold 2.4% and 9.6% interests, respectively, in BHP PTS Holdings L.L.C. Blackstone Healthcare Partners LLC, by virtue of its management rights and controlling interest in BHP PTS Holdings L.L.C., has investment and voting control over the shares of PTS Holdings Corp. indirectly held by BHP PTS Holdings L.L.C. Blackstone Capital Partners V L.P., Blackstone Capital Partners V-AC L.P., BCP V-S L.P., BCP V Co-Investors L.P., Blackstone Family Investment Partnership V L.P., Blackstone Family Investment Partnership V-A L.P., Blackstone Participation Partners V L.P. and International Healthcare Partners LLC are members of Blackstone Healthcare Partners LLC and Blackstone Capital Partners V L.P. is the managing member of Blackstone Healthcare Partners LLC (collectively, the “Blackstone Funds”). Blackstone Management Associates V L.L.C. (“BMA”) is the general

partner of Blackstone Capital Partners V L.P. BMA V L.L.C. is the sole member of BMA. Blackstone Holdings III L.P. is the managing member and majority in interest owner of BMA V L.L.C. Blackstone Holdings III L.P. is indirectly controlled by The Blackstone Group L.P. and is owned, directly or indirectly, by Blackstone professionals and The Blackstone Group L.P. The Blackstone Group L.P. is controlled by its general partner, Blackstone Group Management L.L.C., which is in turn wholly owned by Blackstone's senior managing directors and controlled by its founder, Stephen A. Schwarzman. Mr. Schwarzman disclaims beneficial ownership of such shares except to the extent of his indirect pecuniary interest therein. Mr. Chu and Mr. Quella, directors of the Company, are members of BMA V L.L.C. and each disclaims any beneficial ownership of PTS Holdings Corp. common stock beneficially owned by BMA V L.L.C. Mr. Higgins, a director of the Company, is a member of International Healthcare Partners LLC and disclaims any beneficial ownership of PTS Holdings Corp. common stock beneficially owned by Blackstone Healthcare Partners LLC. Additionally, pursuant to the terms of the PTS Holdings Corp. securityholders agreement, the Blackstone Funds may be deemed to have shared voting and dispositive power over the remaining .85% of PTS Holdings Corp. common stock held by senior management of the Company. The address of each of the entities listed in this footnote is c/o The Blackstone Group L.P., 345 Park Avenue, New York, New York 10154.

- (3) Does not include 3,000 vested and unvested non-voting restricted stock units, none of which will be delivered within 60 days.
- (4) The number of shares beneficially owned includes shares of common stock issuable upon exercise of options that are currently exercisable and/or will be exercisable within 60 days after September 15, 2011, as follows: Mr. Chiminski (3,600), Mr. Walsh (1,227), Mr. Baird (200), Mr. Clark (272), Mr. Khichi (880), Mr. Leonard (1,067), Mr. Heyens (694), Mr. Booth (145) and Mr. Higgins (145).
- (5) Mr. Chu is a Senior Managing Director of Blackstone. Mr. Chu disclaims beneficial ownership of any shares owned directly or indirectly by the Blackstone Funds, except to the extent of his indirect pecuniary interest therein. Mr. Chu's address is c/o The Blackstone Group L.P., 345 Park Avenue, New York, New York 10154.
- (6) Mr. Dal Bello is a Managing Director of Blackstone. Mr. Dal Bello disclaims beneficial ownership of any shares owned directly or indirectly by the Blackstone Funds except to the extent of his indirect pecuniary interest therein. Mr. Dal Bello's address is c/o The Blackstone Group L.P., 345 Park Avenue, New York, New York 10154.
- (7) Mr. McEvoy is a Principal of Blackstone. Mr. McEvoy disclaims beneficial ownership of any shares owned directly or indirectly by the Blackstone Funds except to the extent of his indirect pecuniary interest therein. Mr. McEvoy's address is c/o The Blackstone Group L.P., 345 Park Avenue, New York, New York 10154.
- (8) Mr. Quella is a Senior Managing Director of Blackstone. Mr. Quella disclaims beneficial ownership of any shares owned directly or indirectly by the Blackstone Funds except to the extent of his indirect pecuniary interest therein. Mr. Quella's address is c/o The Blackstone Group L.P., 345 Park Avenue, New York, New York 10154.
- (9) Includes 12,188 shares of common stock issuable upon exercise of options that are currently exercisable and/or exercisable within 60 days after September 15, 2011.

Equity Compensation Plan Information

The following table provides information for the fiscal year ended June 30, 2011 with respect to shares of PTS Holdings Corp. common stock that may be granted under the 2007 PTS Holdings Corp. Stock Incentive Plan.

Equity Compensation Plan Information

Plan Category	Number of securities to be issued upon exercise of outstanding options, warrants and rights ⁽²⁾	Weighted-average exercise price of outstanding options, warrants and rights ⁽³⁾	Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a)) ^{(4) (c)}
	(a)	(b)	(c)
Equity compensation plans approved by security holders	—	—	—
Equity compensation plans not approved by security holders (1)	69,026	\$ 772	12,381

- (1) The 2007 PTS Holdings Corp. Stock Incentive Plan was approved by the Board of Directors of PTS Holdings Corp. on May 7, 2007.
- (2) All of the awards granted under the 2007 PTS Holdings Corp. Stock Incentive Plan are stock options, except for the 3,000 restricted stock units granted to Mr. Chiminski.
- (3) The weighted-average exercise price does not take into account restricted stock unit awards, which by their nature do not have an exercise price. See Note 13 of the Audited Consolidated and Combined Financial Statements for more information on the 2007 PTS Holdings Corp. Stock Incentive Plan.
- (4) Consists of shares of our common stock issuable under the 2007 PTS Holdings Corp. Stock Incentive Plan, of which 882 shares have been specifically set aside for the granting of restricted stock units.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE

Director Independence

As a privately-held company with no securities listed on a national securities exchange, we are not required to have independent directors on our board of directors or any committees of the board of directors. Accordingly, we have not made any determinations of independence with respect to any of our outside directors.

While we do not have a formal written policy, our board of directors will review and approve related party transactions on an as needed basis.

Agreements with Our Parent Companies

BHP PTS Holdings L.L.C. Securityholders Agreement

In connection with the closing of the Acquisition and the related financings, BHP PTS Holdings L.L.C. entered into a Securityholders Agreement with the Investors. The BHP PTS Holdings L.L.C. Securityholders Agreement governs the economic and voting characteristics of the units representing limited liability company membership interests in BHP PTS Holdings L.L.C. (which owns all of the equity interests of Phoenix Charter LLC), including with respect to restrictions on the issuance or transfer of shares, including tag-along rights and drag-along rights, other special corporate governance provisions and registration rights (including customary indemnification provisions).

PTS Holdings Corp. Securityholders Agreement

Following the consummation of the Acquisition and related financings, PTS Holding Corp. issued shares of its common stock and granted stock option awards to certain officers, directors and key employees of the Company (collectively, “Executives”) pursuant to the 2007 PTS Holdings Corp. Stock Incentive Plan. As a condition to acquiring such shares of common stock and receiving such options, the Executives were required to become a party, or agree to become a party, to the securityholders agreement between PTS Holdings Corp., Blackstone PTS Holdings L.L.C. and Blackstone Healthcare Partners LLC. Under the securityholders agreement each party agrees, among other things, to elect or cause to be elected to the respective boards of directors of PTS Holdings Corp. and each of its subsidiaries such individuals as are designated by BHP PTS Holdings L.L.C. Each party also agrees to vote their shares in the manner in which BHP PTS Holdings L.L.C. directs in connection with amendments to PTS Holdings Corp.’s organizational documents (except for changes that would have a material adverse effect on the management of PTS Holdings Corp.), the merger, security exchange, combination or consolidation of PTS Holdings Corp. with any other person, the sale, lease or exchange of all or substantially all of the property and assets of PTS Holdings Corp. and its subsidiaries on a consolidated basis, and the reorganization, recapitalization, liquidation, dissolution or winding-up of PTS Holdings Corp. The securityholders agreement also includes certain restrictions on the transfer of shares, “tag along” and “drag along” rights, and rights of first refusal in favor of PTS Holdings Corp. See “Executive Compensation—Description of Stock Option Awards.”

Transaction and Advisory Fee Agreement

We and one or more of our parent companies entered into a transaction and advisory fee agreement with the affiliates of Blackstone and certain of the other Investors pursuant to which such entities or their affiliates provide certain strategic and structuring advice and assistance to us. In addition, under this agreement, affiliates of Blackstone and certain of the other Investors provide certain monitoring, advisory and consulting services to us for an aggregate annual management fee equal to the greater of \$10 million or 3.0% of Consolidated Adjusted EBITDA (as defined in the senior secured credit agreement). Affiliates of Blackstone and certain of the other Investors also receive reimbursement for out-of-pocket expenses incurred by them or their affiliates in connection with the provision of services pursuant to the agreement.

Upon a change of control in our ownership, a sale of all of our assets, or an initial public offering of our equity, and in recognition of facilitation of such change of control, asset sale or public offering by affiliates of Blackstone, these affiliates of Blackstone may elect to receive, in lieu of annual payments of the management fee, a single lump sum cash payment equal to the then-present value of all then current and future management fees payable under the agreement. The Agreement has a term of up to ten years. The lump sum payment would only be payable to the extent that it is permitted under other agreements governing our indebtedness.

Other Related-Party Transactions

Certain facilities purchase gelatin and an Oral Technologies German subsidiary leases plant facilities, purchases other services and receives loans from a German company that is also the minority owner of an Oral Technologies German subsidiary. Gelatin purchases amounted to \$27.6 million, \$24.4 million and \$25.7 million for fiscal years ended June 30, 2011, June 30, 2010 and June 30, 2009, respectively. Rental payments amounted to \$5.4 million, \$4.5 million and \$6.8 million and purchase services amounted to \$6.1 million, \$5 million and \$5.8 million in the same periods, respectively.

Klöckner Pentaplast, an affiliate with Blackstone, supplies the Company with raw materials, packaging materials and other supplies used in our operations. Purchases from Klöckner Pentaplast were approximately \$2.0 million and \$4.3 million for the fiscal year ended June 30, 2011 and June 30, 2010, respectively. We believe that these transactions were entered into in the ordinary course of our business and were conducted on an arm's length basis.

The Company has a three year participation agreement with Core Trust Purchasing Group ("CPG"), which designates CPG as a supplier of an outsource service for indirect materials. The Company does not pay any fees to participate in this group arrangement, and can terminate participation at any time prior to the expiration of the agreement without penalty. The vendors separately pay fees to CPG for access to CPG's consortium of customers. Blackstone entered into an agreement with CPG whereby Blackstone receives a portion of the gross fees vendors pay to CPG based on the volume of purchases made between the Company and other participants. Purchases from CPG were approximately \$6.2 million and \$6.3 million for the fiscal year ended June 30, 2011 and 2010, respectively.

The Company participates in an employer health program agreement with Equity Healthcare LLC ("Equity Healthcare"). Equity Healthcare negotiates with providers of standard administrative services for health benefit plans and other related services for cost discounts and quality of service monitoring capability by Equity Healthcare. Because of the combined purchasing power of its client participants, Equity Healthcare is able to negotiate pricing terms for providers that are believed to be more favorable than the companies could obtain for themselves on an individual basis. In consideration for these services, the Company pays Equity Healthcare a fee of \$2.00 per participating employee per month. As of June 30, 2011, we had approximately 2,300 employees enrolled in our health benefit plans in the United States. Equity Healthcare is an affiliate of Blackstone.

In addition, the Company does business with a number of other companies affiliated with Blackstone; we believe that all such arrangements have been entered into in the ordinary course of our business and have been conducted on an arm's length basis.

ITEM 14. PRINCIPAL ACCOUNTANT FEES AND SERVICES

Audit and Non-Audit Fees

The following table presents fees for professional services rendered by Ernst & Young for the audit of the Company's annual financial statements for the fiscal years ended June 30, 2011 and June 30, 2010, and fees billed for other services rendered by Ernst & Young during those periods.

<u>(in thousands)</u>	<u>2011</u>	<u>2010</u>
Audit Fees	\$3,317	\$3,666
Audit-Related Fees	2	2
Tax Fees	552	535
All Other Fees	—	—
Total	<u>\$3,871</u>	<u>\$4,203</u>

Policy on Audit Committee Pre-Approval of Audit and Permissible Non-Audit Services of Independent Registered Public Accounting Firm

Consistent with SEC and Public Company Accounting Oversight Board requirements regarding auditor independence, the Audit Committee has responsibility for appointing, setting compensation and overseeing the work of the independent registered public accounting firm. In recognition of this responsibility, the Audit Committee has established a policy to pre-approve all audit and permissible non-audit services provided by the independent registered public accounting firm.

Prior to engagement of the independent registered public accounting firm for the next year's audit, management will submit a list of services and related fees expected to be rendered during that year within each of the four categories of services to the Audit Committee for approval.

1. **Audit** services include audit work performed on the financial statements and internal control over financial reporting, as well as work that generally only the independent registered public accounting firm can reasonably be expected to provide, including comfort letters, statutory audits, and discussions surrounding the proper application of financial accounting and/or reporting standards.
2. **Audit-Related** services are for assurance and related services that are traditionally performed by the independent registered public accounting firm, including due diligence related to mergers and acquisitions, employee benefit plan audits, and special procedures required to meet certain regulatory requirements.
3. **Tax** services include all services, except those services specifically related to the financial statements, performed by the independent registered public accounting firm's tax personnel, including tax analysis; assisting with coordination of execution of tax-related activities, primarily in the area of corporate development; supporting other tax-related regulatory requirements; tax planning; and tax compliance and reporting.
4. **All Other** services are those services not captured in the audit, audit-related or tax categories.

Prior to engagement, the Audit Committee pre-approves independent public accounting firm services within each category and the fees of each category are budgeted. The Audit Committee requires the independent registered public accounting firm and management to report actual fees versus the budget periodically throughout the year by category of service. During the year, circumstances may arise when it may become necessary to engage the independent registered public accounting firm for additional services not contemplated in the original pre-approval categories. In those instances, the Audit Committee requires specific pre-approval before engaging the independent registered public accounting firm.

The Audit Committee may delegate pre-approval authority to one or more of its members. The member to whom such authority is delegated must report, for informational purposes only, any pre-approval decisions to the Audit Committee at its next scheduled meeting. All of the services under the captions "Audit Fees", "Audit-Related Fees", "Tax Fees" and "All-Other Fees" in the table above were pre-approved by the Audit Committee.

PART IV

ITEM 15. EXHIBITS AND FINANCIAL STATEMENT SCHEDULES

- (a)(1) Financial Statements. The Financial Statements listed in the Index to Financial Statements, filed as part of this Annual Report on Form 10-K.
- (a)(2) Financial Statements Schedules. Financial statement schedules are omitted since the required information is either not applicable or is included in our audited consolidated and combined financial statements.
- (b) Exhibits.

The agreements and other documents filed as exhibits to this report are not intended to provide factual information or other disclosure other than with respect to the terms of the agreements or other documents themselves and you should not rely on them for that purpose. In particular, any representations and warranties made by us in these agreements or other documents were made solely within the specific context of the relevant agreement or document and may not describe the actual state of affairs as of the date they were made or at any other time.

<u>Exhibit No.</u>	<u>Description</u>
2.1	Purchase and Sale Agreement, dated as of January 25, 2007, by and between Cardinal Health, Inc. and Phoenix Charter LLC (incorporated by reference to Exhibit 2.01 to Cardinal Health's Inc.'s Current Report on Form 8-K/A filed on April 16, 2007, File No. 1-11373)
2.2	Amendment No. 1, dated March 9, 2007, to the Purchase and Sale Agreement, dated as of January 25, 2007, by and between Cardinal Health, Inc. and Phoenix Charter LLC (incorporated by reference to Exhibit 2.02 to Cardinal Health's Inc.'s Current Report on Form 8-K/A filed on April 16, 2007, File No. 1-11373)
2.3	Amendment No. 2, dated April 10, 2007, to the Purchase and Sale Agreement, dated as of January 25, 2007, by and between Cardinal Health, Inc. and Phoenix Charter LLC (incorporated by reference to Exhibit 2.03 to Cardinal Health's Inc.'s Current Report on Form 8-K/A filed on April 16, 2007, File No. 1-11373)
2.4	Amendment No. 3, dated June 22, 2007, to the Purchase and Sale Agreement, dated as of January 25, 2007, by and between Cardinal Health, Inc. and Phoenix Charter LLC (incorporated by reference to Exhibit 2.1.4 to Cardinal Health's Inc.'s Annual Report on Form 10-K for the fiscal year ended June 30, 2007, File No. 1-11373)
2.5	Stock Purchase Agreement, dated August 19, 2011, by and between Catalent Pharma Solutions, Inc. and Aptuit LLC*
3.1	Amended and Restated Certificate of Incorporation of Catalent Pharma Solutions, Inc. (incorporated by reference to Exhibit 3.1 to Catalent Pharma Solutions, Inc.'s Registration Statement on Form S-4 filed on December 6, 2007, File No. 333-147871)
3.2	Amended and Restated By-laws of Catalent Pharma Solutions, Inc. (incorporated by reference to Exhibit 3.2 to Catalent Pharma Solutions, Inc.'s Registration Statement on Form S-4 filed on December 6, 2007, File No. 333-147871)
4.1	Senior Indenture dated as of April 10, 2007, among PTS Acquisition Corp., Cardinal Health 409, Inc. and the Bank of New York (incorporated by reference to Exhibit 4.1 to Catalent Pharma Solutions, Inc.'s Registration Statement on Form S-4 filed on December 6, 2007, File No. 333-147871)
4.2	Senior Subordinated Indenture dated as of April 10, 2007, among PTS Acquisition Corp., Cardinal Health 409, Inc. and the Bank of New York (incorporated by reference to Exhibit 4.2 to Catalent Pharma Solutions, Inc.'s Registration Statement on Form S-4 filed on December 6, 2007, File No. 333-147871)
4.3	Registration Rights Agreement, dated as of April 10, 2007, among PTS Acquisition Corp., Morgan Stanley & Co. Incorporated, Goldman, Sachs & Co., Banc of America Securities LLC, Banc of America Securities Limited, Deutsche Bank Securities Inc., Deutsche Bank AG, London Branch, GE Capital Markets, Inc. and GE Corporate Finance Bank SAS (incorporated by reference to Exhibit 4.3 to Catalent Pharma Solutions, Inc.'s Registration Statement on Form S-4 filed on December 6, 2007, File No. 333-147871)
4.4	First Supplemental Indenture, dated as of July 3, 2008, to the Senior Indenture dated as of April 10, 2007, among Catalent US Holding I, LLC, Catalent US Holding II, LLC and The Bank of New York Mellon (incorporated by reference to Exhibit 4.4 to Catalent Pharma Solutions, Inc.'s Annual Report on Form 10-K for the fiscal year ended June 30, 2008 filed on September 29, 2008, File No. 333-147871)
4.5	First Supplemental Indenture, dated as of July 3, 2008, to the Senior Subordinated Indenture dated as of April 10, 2007, among Catalent US Holding I, LLC, Catalent US Holding II, LLC and The Bank of New York Mellon

<u>Exhibit No.</u>	<u>Description</u>
	(incorporated by reference to Exhibit 4.5 to Catalent Pharma Solutions, Inc.'s Annual Report on Form 10-K for the fiscal year ended June 30, 2008 filed on September 29, 2008, File No. 333-147871)
†10.1	Offer Letter, dated February 29, 2008, between Matthew Walsh and Catalent Pharma Solutions, Inc. (incorporated by reference to Exhibit 10.2 to Catalent Pharma Solutions, Inc.'s Quarterly Report on Form 10-Q filed on May 15, 2008, File No. 333-147871)
†10.2	Severance Agreement, dated February 29, 2008, between Matthew Walsh and Catalent Pharma Solutions, Inc. (incorporated by reference to Exhibit 10.1 to Catalent Pharma Solutions, Inc.'s Quarterly Report on Form 10-Q filed on May 15, 2008, File No. 333-147871)
†10.3	Form of Severance Agreement between named executive officers and Catalent Pharma Solutions, Inc. (incorporated by reference to Exhibit 10.3 to Catalent Pharma Solutions, Inc.'s Annual Report on Form 10-K for the fiscal year ended June 30, 2010 filed on September 17, 2010, File No. 333-147871)
†10.4	Offer Letter, dated May 4, 2009, between Stephen Leonard and Catalent Pharma Solutions, Inc. (incorporated by reference to Exhibit 10.4 to Catalent Pharma Solutions, Inc.'s Annual Report on Form 10-K for the fiscal year ended June 30, 2010 filed on September 17, 2010, File No. 333-147871)
†10.5	Offer Letter, dated August 27, 2007, between Samrat S. Khichi and Catalent Pharma Solutions, Inc. (incorporated by reference to Exhibit 10.8 to Catalent Pharma Solutions, Inc.'s Annual Report on Form 10-K filed on September 28, 2009, File No. 333-147871)
†10.6	Letter Agreement, dated February 28, 2011, between PTS Holdings Corp. and David Heyens*
†10.7	Management Equity Subscription Agreement dated September 8, 2010 by and between PTS Holdings Corp. and Melvin D. Booth (incorporated by reference to Exhibit 10.7 to Catalent Pharma Solutions, Inc.'s Annual Report on Form 10-K for the fiscal year ended June 30, 2010 filed on September 17, 2010, File No. 333-147871)
†10.8	Management Equity Subscription Agreement dated September 8, 2010 by and between PTS Holdings Corp. and Arthur J. Higgins (incorporated by reference to Exhibit 10.8 to Catalent Pharma Solutions, Inc.'s Annual Report on Form 10-K for the fiscal year ended June 30, 2010 filed on September 17, 2010, File No. 333-147871)
10.9	Transaction and Advisory Fee Agreement, dated as of April 10, 2007, among PTS Acquisition Corp., Blackstone Management Partners V L.L.C., Genstar Capital L.L.C. and Aisling Capital, LLC (incorporated by reference to Exhibit 10.10 to Catalent Pharma Solutions, Inc.'s Registration Statement on Form S-4 filed on December 6, 2007, File No. 333-147871)
10.10	Securityholders Agreement, dated as of May 7, 2007, among PTS Holdings Corp., Blackstone Healthcare Partners LLC, BHP PTS Holdings LLC and the other parties thereto (incorporated by reference to Exhibit 10.11 to Catalent Pharma Solutions, Inc.'s Registration Statement on Form S-4 filed on December 6, 2007, File No. 333-147871)
†10.11	Form of Unit Subscription Agreement (incorporated by reference to Exhibit 10.12 to Catalent Pharma Solutions, Inc.'s Amendment No. 1 to the Registration Statement on Form S-4/A filed on March 3, 2008, File No. 333-147871)
†10.12	Form of Management Equity Subscription Agreement (incorporated by reference to Exhibit 10.13 to Catalent Pharma Solutions, Inc.'s Amendment No. 1 to the Registration Statement on Form S-4/A filed on March 3, 2008, File No. 333-147871)
†10.13	Form of Nonqualified Stock Option Agreement (executives) (incorporated by reference to Exhibit 10.14 to Catalent Pharma Solutions, Inc.'s Amendment No. 1 to the Registration Statement on Form S-4/A filed on March 3, 2008, File No. 333-147871)
†10.14	Form of Nonqualified Stock Option Agreement (non-employee directors) (incorporated by reference to Exhibit 10.15 to Catalent Pharma Solutions, Inc.'s Amendment No. 1 to the Registration Statement on Form S-4/A filed on March 3, 2008, File No. 333-147871)
†10.15	2007 PTS Holdings Corp. Stock Incentive Plan (incorporated by reference to Exhibit 10.16 to Catalent Pharma Solutions, Inc.'s Registration Statement on Form S-4 filed on December 6, 2007, File No. 333-147871)

<u>Exhibit No.</u>	<u>Description</u>
†10.16	Amendment No. 1 to the 2007 PTS Holdings Corp. Stock Incentive Plan, dated September 8, 2010 (incorporated by reference to Exhibit 10.16 to Catalent Pharma Solutions, Inc.'s Annual Report on Form 10-K for the fiscal year ended June 30, 2010 filed on September 17, 2010, File No. 333-147871)
†10.17	Form of Nonqualified Stock Option Agreement (executives) approved October 23, 2009 (incorporated by reference to Exhibit 10.1 to Catalent Pharma Solutions, Inc.'s Quarterly Report on Form 10-Q filed on February 12, 2010, File No. 333-147871)
†10.18	Form of Nonqualified Stock Option Agreement (Paul Clark) approved September 8, 2010 (incorporated by reference to Exhibit 10.18 to Catalent Pharma Solutions, Inc.'s Annual Report on Form 10-K for the fiscal year ended June 30, 2010 filed on September 17, 2010, File No. 333-147871)
†10.19	Form of Nonqualified Stock Option Agreement Amendment (executives) approved October 23, 2009 (incorporated by reference to Exhibit 10.1 to Catalent Pharma Solutions, Inc.'s Quarterly Report on Form 10-Q filed on February 12, 2010, File No. 333-147871)
†10.20	Catalent Pharma Solutions, LLC Deferred Compensation Plan (incorporated by reference to Exhibit 10.19 to Catalent Pharma Solutions, Inc.'s Annual Report on Form 10-K for the fiscal year ended June 30, 2009 filed on September 28, 2009, File No. 333-147871)
†10.21	First Amendment to the Catalent Pharma Solutions, LLC Deferred Compensation Plan (incorporated by reference to Exhibit 10.1 to Catalent Pharma Solutions, Inc.'s Quarterly Report on Form 10-Q filed on February 17, 2009, File No. 333-147871)
†10.22	Second Amendment to the Catalent Pharma Solutions, LLC Deferred Compensation Plan (incorporated by reference to Exhibit 10.21 to Catalent Pharma Solutions, Inc.'s Annual Report on Form 10-K for the fiscal year ended June 30, 2009 filed on September 28, 2009, File No. 333-147871)
10.23	Credit Agreement, dated as of April 10, 2007, among PTS Acquisition Corp., PTS Intermediate Holdings LLC, Morgan Stanley Senior Funding, Inc., Bank of America, N.A. and other Lenders as parties thereto (incorporated by reference to Exhibit 10.19 to Catalent Pharma Solutions, Inc.'s Registration Statement on Form S-4 filed on December 6, 2007, File No. 333-147871)
10.24	Security Agreement, dated as of April 10, 2007, among PTS Acquisition Corp., Cardinal Health 409, Inc., PTS Intermediate Holdings LLC, Certain Subsidiaries of Holdings Identified Therein and Morgan Stanley Senior Funding, Inc., (incorporated by reference to Exhibit 10.20 to Catalent Pharma Solutions, Inc.'s Registration Statement on Form S-4 filed on December 6, 2007, File No. 333-147871)
10.25	Security Agreement Supplement, dated as of July 1, 2008, to the Security Agreement, dated as of April 10, 2007, among PTS Acquisition Corp., Cardinal Health 409, Inc., PTS Intermediate Holdings LLC, Certain Subsidiaries of Holdings Identified Therein and Morgan Stanley Senior Funding Inc. (incorporated by reference to Exhibit 10.26 to Catalent Pharma Solutions, Inc.'s Annual Report on Form 10-K for the fiscal year ended June 30, 2008 filed on September 29, 2008, File No. 333-147871)
10.26	Intellectual Property Security Agreement, dated as of April 10, 2007, among PTS Acquisition Corp., Cardinal Health 409, Inc., PTS Intermediate Holdings LLC, Certain Subsidiaries of Holdings Identified Therein and Morgan Stanley Senior Funding, Inc. (incorporated by reference to Exhibit 10.21 to Catalent Pharma Solutions, Inc.'s Registration Statement on Form S-4 filed on December 6, 2007, File No. 333-147871)
10.27	Intellectual Property Security Agreement Supplement, dated as of July 1, 2008, to the Intellectual Property Security Agreement, dated as of April 10, 2007, among PTS Acquisition Corp., Cardinal Health 409, Inc., PTS Intermediate Holdings LLC, Certain Subsidiaries of Holdings Identified Therein and Morgan Stanley Senior Funding, Inc. (incorporated by reference to Exhibit 10.28 to Catalent Pharma Solutions, Inc.'s Annual Report on Form 10-K for the fiscal year ended June 30, 2008 filed on September 29, 2008, File No. 333-147871)
10.28	Guaranty, dated as of April 10, 2007, among PTS Intermediate Holdings LLC, Certain Subsidiaries of Holdings Identified Therein and Morgan Stanley Senior Funding, Inc. (incorporated by reference to Exhibit 10.22 to Catalent Pharma Solutions, Inc.'s Registration Statement on Form S-4 filed on December 6, 2007, File No. 333-147871)

<u>Exhibit No.</u>	<u>Description</u>
10.29	Guaranty Supplement, dated as of July 1, 2008, to the Guaranty, dated as of April 10, 2007, among PTS Intermediate Holdings LLC, Certain Subsidiaries of Holdings Identified Therein and Morgan Stanley Senior Funding, Inc. (incorporated by reference to Exhibit 10.30 to Catalent Pharma Solutions, Inc.'s Annual Report on Form 10-K for the fiscal year ended June 30, 2008 filed on September 29, 2008, File No. 333-147871)
†10.30	Employment Agreement, dated February 23, 2009 by and among PTS Holdings Corp., Catalent Pharma Solutions, Inc. and John R. Chiminski (including Form of Restricted Stock Unit Agreement and Form of Management Equity Subscription Agreement) (incorporated by reference to Exhibit 99.2 to Catalent Pharma Solutions, Inc.'s Current Report on Form 8-K, filed on March 5, 2009, File No. 333-147871)
†10.31	Letter Agreement, dated October 30, 2009, by and among PTS Holdings Corp., Catalent Pharma Solutions, Inc. and John R. Chiminski (incorporated by reference to Exhibit 10.1 to Catalent Pharma Solutions, Inc.'s Quarterly Report on Form 10-Q filed on February 12, 2010, File No. 333-147871)
†10.32	Letter Agreement, entered into on June 30, 2010, by and among PTS Holdings Corp., Catalent Pharma Solutions, Inc. and John R. Chiminski (including Form of Restricted Stock Unit Agreement) (incorporated by reference to Exhibit 10.1 to Catalent Pharma Solutions, Inc.'s Current Report on Form 8-K filed on July 7, 2010, File No. 333-147871)
†10.33	Form of Nonqualified Stock Option Agreement (John R. Chiminski) approved October 23, 2009 (incorporated by reference to Exhibit 10.1 to Catalent Pharma Solutions, Inc.'s Quarterly Report on Form 10-Q filed on February 12, 2010, File No. 333-147871)
†10.34	Form of Restricted Stock Unit Agreement (John R. Chiminski) approved October 23, 2009 (incorporated by reference to Exhibit 10.1 to Catalent Pharma Solutions, Inc.'s Quarterly Report on Form 10-Q filed on February 12, 2010, File No. 333-147871)
10.35	Amendment No. 1, dated as of June 1, 2011, relating to the Credit Agreement, dated as of April 10, 2007, among the Company, PTS Intermediate Holdings LLC, Morgan Stanley Senior Funding, Inc., as the administrative agent and swing line lender and other lenders as parties thereto, (incorporated by reference to Exhibit 10.1 to Catalent Pharma Solutions, Inc.'s Current Report on Form 8-K filed on June 7, 2011, File No. 333-147871)
†10.36	Form of Nonqualified Stock Option Agreement (David Heyens)*
12.1	Statement Regarding Computation of Ratio of Earnings to Fixed Charges*
21.1	List of Subsidiaries*
31.1	Certification of the Chief Executive Officer pursuant to Rule 13a-14(a) or Rule 15d-14(a) of the Securities Exchange Act of 1934, as amended*
31.2	Certification of the Chief Financial Officer pursuant to Rule 13a-14(a) or Rule 15d-14(a) of the Securities Exchange Act of 1934, as amended*
32.1	Certification of the Chief Executive Officer 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 the Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002**

* Filed herewith.

** Furnished herewith.

† Represents management contract, compensatory plan or arrangement in which directors and/or executive officers are eligible to participate.

SIGNATURES

Pursuant to the requirements of Section 13 or 15 (d) of the Securities Act of 1934, as amended, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized, on September 16, 2011.

CATALENT PHARMA SOLUTIONS, INC.

By: /s/ SAMRAT S. KHICHI
Name: **Samrat S. Khichi**
Title: **Senior Vice President, Chief Administrative Officer
General Counsel and Secretary**

Pursuant to the requirements of the Securities Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities indicated and on the dates indicated.

<u>Signature</u>	<u>Title</u>	<u>Date</u>
<u> /s/ JOHN R. CHIMINSKI </u> John R. Chiminski	President & Chief Executive Officer	September 16, 2011
<u> /s/ MATTHEW M. WALSH </u> Matthew M. Walsh	Senior Vice President and Chief Financial Officer (Principal Financial Officer and Principal Accounting Officer)	September 16, 2011
<u> /s/ CHINH E. CHU </u> Chinh E. Chu	Director	September 16, 2011
<u> /s/ MICHAEL DAL BELLO </u> Michael Dal Bello	Director	September 16, 2011
<u> /s/ BRUCE McEVOY </u> Bruce McEvoy	Director	September 16, 2011
<u> /s/ PETER BAIRD </u> Peter Baird	Director	September 16, 2011
<u> /s/ JAMES QUELLA </u> James Quella	Director	September 16, 2011
<u> /s/ ARTHUR HIGGINS </u> Arthur Higgins	Director	September 16, 2011
<u> /s/ MELVIN BOOTH </u> Melvin Booth	Director	September 16, 2011
<u> /s/ PAUL CLARK </u> Paul Clark	Director	September 16, 2011

STOCK PURCHASE AGREEMENT

between

APTUIT, LLC,

and

CATALENT PHARMA SOLUTIONS, INC.

Dated as of August 19, 2011

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STOCK PURCHASE AGREEMENT dated as of August 19, 2011 (this "Agreement"), between APTUIT, LLC, a Delaware limited liability company ("Seller") and CATALENT PHARMA SOLUTIONS, INC., a Delaware corporation ("Purchaser"). Any capitalized term used herein but not defined in a provision in which such term is used shall have the meaning ascribed to such term in Section 12.06(b).

WHEREAS Seller is the direct owner of 100% of the common stock, par value \$0.01 per share (the "Shares"), of Aptuit Holdings, Inc., a Delaware corporation (the "Company");

WHEREAS the Company and the Company Subsidiaries are currently engaged in the business of (a) clinical packaging and logistics services, including primary and secondary packaging, labeling, storage, distribution, logistics and informatics services, for use in biopharmaceutical clinical trials (the "CP&L Business"), and (b) providing biopharmaceutical clients with drug formulation, analytical testing, method development and manufacturing services for use in biopharmaceutical clinical trials and in commercial biopharmaceutical manufacturing (the "PDM Business", collectively with the CP&L Business, the "Business"); for the avoidance of doubt, the Business excludes Seller's businesses of (a) active pharmaceutical ingredient development and manufacturing, as conducted by the Company and the Company Subsidiaries in the United States and the United Kingdom, (b) integrated drug development, preclinical, lead optimization and pharmaceutical development and manufacturing, as conducted by the Company and the Company Subsidiaries at its facility in Verona, Italy, (c) sterile and non-sterile liquid product and lyophilisation development at its facility in Glasgow, Scotland, and (d) the radio labeling business conducted by the Company at its facility in Kansas City, Missouri (collectively, the "Retained Business");

WHEREAS, prior to or concurrently with the execution and delivery of this Agreement, Seller and the Company have entered into the Restructuring Agreement, which is attached as Exhibit A (the "Restructuring Agreement"), pursuant to which Seller will cause the consummation of the Restructuring prior to or on the Closing Date, subject to the terms and conditions of the Restructuring Agreement;

WHEREAS, prior to or concurrently with the execution and delivery of this Agreement, Purchaser and Welsh, Carson, Anderson & Stowe X L.P. ("WCAS"), a Delaware limited liability partnership, have entered into the Limited Guaranty Agreements, which are attached as Exhibit B (the "Limited Guaranty Agreements"); and

WHEREAS, upon the terms and subject to the conditions set forth in this Agreement, Seller desires to sell to Purchaser, and Purchaser desires to purchase from Seller, the Shares (the "Acquisition").

NOW, THEREFORE, in consideration of the mutual covenants, agreements and undertakings contained herein, and other good and valuable

consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto, each intending to be legally bound, hereby agree as follows:

ARTICLE I

Purchase and Sale of the Shares

SECTION 1.01. Purchase and Sale. Upon the terms and subject to the conditions set forth in this Agreement, at the Closing, Seller shall sell, assign, transfer, convey and deliver to Purchaser, and Purchaser shall purchase, acquire and accept from Seller, all the right, title and interest of Seller in, to and under the Shares, free and clear of all Liens, for an aggregate purchase price of \$410,000,000 (the "Purchase Price"), payable and subject to adjustment as set forth in Schedule A and Article II.

ARTICLE II

Closing: Purchase Price Adjustment

SECTION 2.01. Closing. (a) The closing of the Acquisition (the "Closing") shall be held at the offices of Simpson Thacher & Bartlett, LLP, 425 Lexington Avenue, New York, New York, at 10:00 a.m., New York City time, on the third business day following the satisfaction (or, to the extent permitted by applicable Law, waiver) of the conditions set forth in Article III (other than (i) delivery of items to be delivered at the Closing and (ii) satisfaction (or, to the extent permitted by applicable Law, waiver) of conditions that by their nature are to be satisfied at the Closing, it being understood that the occurrence of the Closing shall remain subject to the delivery of such items and the satisfaction (or, to the extent permitted by applicable Law, waiver) of such conditions at the Closing), or at such other place, time and date as shall be agreed between Purchaser and Seller; provided, that, notwithstanding the foregoing, the Purchaser shall be permitted to delay the Closing to no later than the later of (A) thirty days following the delivery of the 2010 Audited Financial Statements or (B) October 3, 2011. The date on which the Closing takes place is referred to in this Agreement as the "Closing Date". The Closing shall be deemed to be effective as of 12:01 a.m., New York City time, on the Closing Date (the "Effective Time"); provided that, with respect to determining Closing Working Capital and Closing Net Funded Indebtedness, the Closing in each legal jurisdiction shall be deemed to be effective as of 12:01 a.m. on the Closing Date in such jurisdiction and after giving effect to the Restructuring.

(b) At the Closing, Seller shall deliver or cause to be delivered to Purchaser:

- (i) a certificate or certificates representing the Shares duly endorsed by Seller for transfer to Purchaser (or accompanied by duly executed stock powers) with appropriate transfer stamps, if any, affixed;
- (ii) a counterpart of the Escrow Agreement, duly executed by an authorized officer of Seller; and

(iii) the certificate required to be delivered pursuant to Section 3.01(a).

(c) At the Closing, Purchaser shall deliver or cause to be delivered to Seller:

(i) by wire transfer to a bank account designated in writing by Seller at least two business days prior to the Closing Date, immediately available funds in an amount equal to the Adjusted Purchase Price (as defined in Schedule A) (A) (1) plus or minus the Estimated Working Capital Adjustment, and (2) minus the Estimated Net Funded Indebtedness (the Adjusted Purchase Price as adjusted pursuant to this Section 2.01(c)(i)(A) shall be hereinafter referred to as the "Estimated Purchase Price") and (B) minus the Escrow Amount;

(ii) a counterpart of the Escrow Agreement, duly executed by an authorized officer of Purchaser and the Escrow Agent; and

(iii) the certificate required to be delivered pursuant to Section 3.02(a).

(d) At the Closing, Purchaser shall deposit \$25,000,000 in immediately available funds (the "Escrow Amount") in an account (the "Escrow Account") to be established with JPMorgan Chase Bank, National Association (the "Escrow Agent"), and to be held pursuant to the terms of an agreement among Seller, Purchaser and the Escrow Agent in the form attached hereto as Exhibit C (the "Escrow Agreement"). The amount from time to time held by the Escrow Agent pursuant thereto shall be invested and distributed as provided by the terms of this Agreement and the Escrow Agreement.

SECTION 2.02. Post-Closing Purchase Price Adjustment. (a) Within 60 days after the Closing Date, Purchaser shall prepare and deliver to Seller a statement (the "Statement") setting forth (i) Working Capital as of the Effective Time ("Closing Working Capital") and (ii) Net Funded Indebtedness as of the Effective Time ("Closing Net Funded Indebtedness"), each determined in a manner consistent and in accordance with the Purchase Price Adjustment Principles.

(b) During the 60-day period following Seller's receipt of the Statement, Seller and its independent auditors shall be permitted to review any working papers of Purchaser and its independent auditors relating to the Statement; provided that Seller and its advisors, including its independent auditors, shall have executed any release letters reasonably requested by Purchaser's independent auditors in connection therewith. The Statement shall become final and binding upon Seller and Purchaser on the 60th day following delivery thereof, unless Seller gives written notice to Purchaser of its disagreement with the Statement (a "Notice of Disagreement") prior to such date. Any Notice of Disagreement shall be signed by an authorized officer of Seller and shall (i) specify in reasonable detail the nature of any disagreement so asserted and (ii) specify the amount that Seller reasonably believes is the correct amount of the Closing Working Capital or the Closing Net Funded Indebtedness, as applicable, based on the disagreements set forth in the Notice of Disagreement, including a reasonably detailed description of the adjustments applied to the Statement in calculating such amount, and

Seller shall be deemed to have agreed with all other amounts contained in the Statement. If the Notice of Disagreement is received by Purchaser in a timely manner, then the Statement (as revised in accordance with this Section 2.02) shall become final and binding upon Seller and Purchaser on the earlier of (A) the date Seller and Purchaser resolve in writing all differences they have with respect to the matters specified in the Notice of Disagreement or (B) the date all disputed matters are finally resolved in writing by the Accounting Firm. During the 15-day period following the delivery of a Notice of Disagreement, Seller and Purchaser shall seek in good faith to resolve in writing any differences that they have with respect to the matters specified in the Notice of Disagreement and agree on a final and binding determination of Closing Working Capital and Closing Net Funded Indebtedness, as applicable, which amount of Closing Working Capital shall not be less than the amount thereof shown in Purchaser's calculation delivered in the Statement nor more than the amount thereof shown in Seller's calculation in the Notice of Disagreement, and which amount of Closing Net Funded Indebtedness shall not be more than the amount thereof shown in Purchaser's calculation delivered in the Statement nor less than the amount thereof shown in Seller's calculation in the Notice of Disagreement. During such period, Purchaser and its independent auditors shall be permitted to review the working papers of Seller and its independent auditors relating to the Notice of Disagreement; provided that Purchaser and its advisors, including its independent auditors, shall have executed any release letters reasonably requested by Seller's independent auditors in connection therewith. At the end of such 15-day period, if no agreement on Closing Working Capital or Closing Net Funded Indebtedness, as applicable, has been reached, Seller and Purchaser shall submit in writing their positions with respect to any and all matters that remain in dispute and that were properly included in the Notice of Disagreement to an internationally recognized independent accounting firm (the "Accounting Firm") for resolution of any and all such matters. The Accounting Firm shall be PricewaterhouseCoopers LLP or, if such firm is unable or unwilling to act, such other internationally recognized independent public accounting firm as shall be agreed upon by Seller and Purchaser in writing or, if the parties are unable to so agree in writing within 10 days after the end of such 15-day period, then Seller and Purchaser shall each select such a firm and such firms shall jointly select a third internationally recognized independent public accounting firm to resolve the disputed matters. Seller and Purchaser shall jointly instruct the Accounting Firm that it (1) shall act as an expert and not as an arbitrator, (2) shall review only the matters that were properly included in the Notice of Disagreement and that remain in dispute, (3) shall make its determination in accordance with the requirements of this Section 2.02 and based solely on the written submissions of Seller and Purchaser and their respective independent auditors and not by independent review, (4) shall not assign a value for any item that remains in dispute that is greater than the greatest value, or smaller than the smallest value, set forth by either Seller or Purchaser in their written submissions to the Accounting Firm and (5) shall render its written decision as promptly as practicable, but in no event later than 30 days after submission to the Accounting Firm of all matters in dispute. Such written decision shall be final and binding on Seller and Purchaser. Judgment may be entered upon the determination of the Accounting Firm in any court having jurisdiction over the party against which such determination is to be enforced. The Accounting Firm's determination shall be accompanied by a certificate of the Accounting Firm that it

reached its decision in accordance with the provisions of this Section 2.02(b). The fees and expenses of the Accounting Firm pursuant to this Section 2.02(b) shall be borne by Seller and Purchaser in inverse proportion as they may prevail on matters resolved by the Accounting Firm, which proportionate allocations also shall be determined by the Accounting Firm at the time the determination of the Accounting Firm is rendered on the merits of the matters submitted. The fees, costs and expenses of Purchaser incurred in connection with its preparation of the Statement, its review of any Notice of Disagreement and its preparation of any written submissions to the Accounting Firm shall be borne by Purchaser, and the fees, costs and expenses of Seller incurred in connection with its review of the Statement, its preparation of any Notice of Disagreement and its preparation of any written submissions to the Accounting Firm shall be borne by Seller.

(c) The Adjusted Purchase Price shall be (i) increased by the amount by which Closing Working Capital exceeds \$19,853,000 (the "Target Working Capital") or decreased by the amount by which Closing Working Capital is less than the Target Working Capital and (ii) decreased by the amount of Closing Net Funded Indebtedness. The Adjusted Purchase Price as adjusted pursuant to this Section 2.02(c) shall hereinafter be referred to as the "Final Purchase Price". If the Estimated Purchase Price is less than the Final Purchase Price, Purchaser shall, and if the Final Purchase Price is less than the Estimated Purchase Price, Seller shall, within 10 business days after the Statement becomes final and binding on Seller and Purchaser pursuant to Section 2.02(b), make payment by wire transfer in immediately available funds of the amount of such difference, together with interest thereon at a rate equal to the Prime Rate from (and including) the Closing Date to (but not including) the date of payment.

(d) The term "Working Capital" means Current Assets minus Current Liabilities. The terms "Current Assets", "Current Liabilities" and "Purchase Price Adjustment Principles" each have the respective meanings set forth in Section 2.02 of the Seller Disclosure Schedule.

(e) Any determinations by the Accounting Firm, and any work or analyses performed by the Accounting Firm in connection with its resolution of any dispute under this Section 2.02 shall not be admissible in evidence in any Proceeding between Seller and Purchaser, other than to the extent necessary to enforce payment obligations under Section 2.02(c). Without limiting the generality of the foregoing, the Accounting Firm is not authorized or permitted to make any determination as to the accuracy of Section 4.05 or any other representation or warranty in this Agreement or as to compliance by Seller with any of its covenants in this Agreement (other than in this Section 2.02).

(f) Until the date on which the Statement shall become final and binding on the parties pursuant to Section 2.02(b), Purchaser agrees that, following the Closing, it shall preserve the accounting Records of the Business on which the Statement is to be based and shall not take any actions with respect to such Records that would obstruct, prevent or otherwise affect the procedures or the results of the procedures set forth in this Section 2.02 (including the amount of Closing Working Capital, Closing Net Funded

Indebtedness or any amount included in the Target Working Capital, Estimated Net Funded Indebtedness or the Statement or the preparation of the Statement).

(g) Until the date on which the Statement shall become final and binding on the parties pursuant to Section 2.02(b), each party agrees that, following the Closing, it shall afford and cause to be afforded to the other party and any accountants, counsel or financial advisors retained by other party in connection with the preparation of the Statement, any Notice of Disagreement and any adjustment to the Purchase Price contemplated by this Section 2.02, access upon reasonable notice during normal business hours to the properties, books, contracts, personnel and Records of the Business in the possession of such party and (subject to the execution of customary access letters acceptable to such party's accountant) the work papers of its accountant relevant to the preparation of the Statement, any Notice of Disagreement and the adjustment contemplated by this Section 2.02 and shall provide the other party, upon such other party's reasonable request and at such other party's expense, with copies of any such books, contracts, Records and, to the extent permitted by its applicable accountants, work papers.

SECTION 2.03. Withholding. Purchaser shall be entitled to deduct and withhold or cause to be deducted and withheld from any amounts otherwise payable to Seller or any other person pursuant to this Agreement such amounts as it is required to deduct or withhold with respect to the making of such payment under any provision of Tax Law. If Purchaser so deducts or withholds (or causes to be deducted or withheld) any such amounts, such amounts shall be treated for all purposes of this Agreement as having been paid to the person in respect of which Purchaser made such deduction and withholding.

ARTICLE III

Conditions to Closing

SECTION 3.01. Conditions to Obligations of Purchaser. The obligation of Purchaser to effect the transactions contemplated by this Agreement is subject to the satisfaction (or, to the extent permitted by applicable Law, waiver by Purchaser) as of the Closing of the following conditions:

(a) Representations and Warranties; Covenants. (i) The representation and warranty of Seller made in Section 4.14(a) of this Agreement shall be true and correct in all respects as of the Closing as though made as of such time, (ii) the representations and warranties of Seller made in Section 4.01, Section 4.03 and Section 12.09 of this Agreement shall be true and correct in all material respects as of the Closing as though made as of such time and (iii) the representations and warranties of Seller made in this Agreement (other than those listed in the preceding clauses (i) and (ii)) shall be true and correct (without giving effect to any "materiality", "Seller Material Adverse Effect", "material" or similar materiality qualifications or limitations set forth therein) as of the Closing as though made as of such time, (x) except to the extent such representations and warranties are expressly made as of a specific date (in which case,

such representations and warranties shall be true and correct as of such date) and (y) except, in the case of this clause (iii), for breaches as to changes, effects, events or occurrences that, individually or in the aggregate, would not be reasonably likely to result in a Seller Material Adverse Effect. Seller shall have performed or complied in all material respects with all obligations and covenants required by this Agreement to be performed or complied with by Seller at or prior to the Closing. Seller shall have delivered to Purchaser a certificate dated the Closing Date and signed by an authorized officer of Seller confirming the foregoing provisions of this Section 3.01(a).

(b) No Injunctions or Restraints. No Law or Injunction enjoining or otherwise prohibiting the consummation of the Acquisition or the Restructuring shall be in effect.

(c) Governmental Approvals. (i) The waiting period (and any extension thereof) applicable to the Acquisition under the Hart-Scott-Rodino Antitrust Improvements Act of 1976 (the "HSR Act") shall have expired or been terminated and (ii) all other Consents of, or declarations or filings (each such registration, declaration or filing, a "Filing") with, or expirations of waiting periods imposed by, any Governmental Entity as required by any applicable competition, antitrust or similar Laws, in each case, that are set forth in Section 3.01(c) of the Seller Disclosure Schedule shall have been obtained or filed or shall have occurred.

(d) Other Transaction Documents. Seller shall have executed and delivered to Purchaser the Other Transaction Documents to which Seller is a party and that are required under this Agreement to be delivered at Closing.

(e) Restructuring. The conditions to the Restructuring set forth in the Restructuring Agreement shall have been satisfied (or waived) and the Restructuring shall have been consummated or shall be consummated concurrently with the Closing in accordance with the terms of the Restructuring Agreement and Seller shall have delivered to Purchaser evidence reasonably satisfactory to Purchaser to such effect. The Seller shall be in compliance with Section 5.05 hereof.

(f) Audited Financial Statements. Seller shall have delivered to Purchaser the Additional Financial Statements and the Adjusted Purchase Price shall have been calculated in accordance with Schedule A.

(g) FIRPTA. Seller shall have delivered or caused to be delivered to Purchaser a duly executed and acknowledged certificate by Seller, in form and substance reasonably satisfactory to Purchaser, certifying any facts that would exempt the transactions contemplated hereby from withholding under Section 1445 of the Code.

(h) Substitution Agreement. The substitutions contemplated by Sections 5(iii), 5(iv)(b), 5(v)(a), 5(vii) and 5(viii) of the Substitution Agreement shall have occurred and the Seller shall have delivered to the Purchaser executed copies of the New Parent Guarantee and the New Parent Undertaking (as each is defined in the Substitution Agreement).

(i) Solvency Opinion. Seller shall have received a solvency opinion, in customary form, regarding Seller and the Transferred Subsidiaries (as defined in the Restructuring Agreement) after giving effect to the Restructuring and the Acquisition.

SECTION 3.02. Conditions to Obligation of Seller. The obligation of Seller to effect the transactions contemplated by this Agreement is subject to the satisfaction (or, to the extent permitted by applicable Law, waiver by Seller) as of the Closing of the following conditions:

(a) Representations and Warranties; Covenants. (i) The representations and warranties of Purchaser made in Sections 6.01 and 12.09 of this Agreement shall be true and correct in all material respects as of the Closing as though made as of such time and (ii) the representations and warranties of Purchaser made in this Agreement (other than those listed in the preceding clause (i)) shall be true and correct (without giving effect to any “materiality” or “Purchaser Material Adverse Effect” qualifications or limitations set forth therein) as of Closing as though made as of such time, (x) except to the extent such representations and warranties are expressly made as of a specific date (in which case, such representations and warranties shall be true and correct as of such date), and (y) except, in the case of this clause (ii), for breaches as to changes, effects, events or occurrences that, individually or in the aggregate, would not be reasonably likely to result in a Purchaser Material Adverse Effect. Purchaser shall have performed or complied in all material respects with all obligations and covenants required by this Agreement to be performed or complied with by Purchaser at or prior to the Closing. Purchaser shall have delivered to Seller a certificate dated the Closing Date and signed by an authorized officer of Purchaser confirming the foregoing provisions of this Section 3.02(a).

(b) No Injunctions or Restraints. No Law or Injunction enjoining or otherwise prohibiting the consummation of the Acquisition or the Restructuring shall be in effect.

(c) Governmental Approvals. (i) The waiting period (and any extension thereof) applicable to the consummation of the Acquisition under HSR Act shall have expired or been terminated and (ii) all other Consents of, or Filings with, or expirations of waiting periods imposed by, any Governmental Entity, in each case, that are set forth in Section 3.01(c) of the Seller Disclosure Schedule shall have been obtained or filed or shall have occurred.

(d) Other Transaction Documents. Purchaser shall have executed and delivered to Seller the Other Transaction Documents to which Purchaser is a party and that are required under this Agreement to be delivered at Closing.

(e) Restructuring. The conditions to the Restructuring set forth in the Restructuring Agreement shall have been satisfied (or waived) and the Restructuring shall have been consummated or shall be consummated concurrently with the Closing in accordance with the terms of the Restructuring Agreement.

SECTION 3.03. Frustration of Closing Conditions. Neither Purchaser nor Seller may rely on the failure of any condition set forth in this Article III to be satisfied, if such failure was caused by such party's material breach of this Agreement; provided that if all the conditions set forth in this Article III to such party's obligation to consummate the Acquisition have not been satisfied or waived by such party, the non-breaching party shall not be entitled pursuant to Section 12.11 to specific performance to cause the Acquisition to be consummated (but will be entitled pursuant to Section 12.11 to seek specific performance to enforce the breaching party's other obligations under this Agreement).

ARTICLE IV

Representations and Warranties of Seller

Except as set forth in the Seller Disclosure Schedule delivered concurrently with the execution of this Agreement (with specific reference to the particular representation or warranty of Seller contained in this Agreement to which any such item relates; provided that such item set forth in any section of the Seller Disclosure Schedule shall be deemed to apply to each other section of the Seller Disclosure Schedule and each other representation and warranty of Seller contained in this Agreement to which its relevance is reasonably apparent), Seller hereby represents and warrants to Purchaser as follows:

SECTION 4.01. Organization, Standing and Authority; Execution and Delivery; Enforceability. (a) Seller is a limited liability company duly organized, validly existing and in good standing under the laws of the State of Delaware. Seller has all requisite power and authority to enter into this Agreement and the Other Transaction Documents and to consummate the Acquisition, the Restructuring and the other transactions contemplated hereby and thereby. All acts and other proceedings required to be taken by Seller to authorize the execution, delivery and performance of this Agreement and the Other Transaction Documents and to consummate the transactions contemplated hereby and thereby have been duly and properly taken.

(b) This Agreement has been duly executed and delivered by Seller and, prior to Closing, Seller will have duly executed and delivered each Other Transaction Document. Assuming that this Agreement has been duly authorized, executed and delivered by Purchaser, this Agreement constitutes, and, upon the due authorization, execution and delivery by Purchaser of each Other Transaction Document such Other Transaction Document will constitute, a legal, valid and binding obligation of Seller enforceable against such person in accordance with its terms.

SECTION 4.02. No Conflicts; Consents; No Default. (a) The execution and delivery of this Agreement by Seller does not, the execution and delivery by Seller of each Other Transaction Document will not, and the consummation of the Acquisition, the Restructuring and the other transactions contemplated hereby and thereby and compliance by Seller and its Subsidiaries (to the extent applicable) with the terms and conditions hereof and thereof will not, conflict with, result in any breach, violation or

infringement of, or constitute a default (with or without notice or lapse of time, or both) under, require consent, or give rise to a right of termination, cancellation, amendment, modification or acceleration of any obligation or to loss of a benefit or right under, or result in the creation of any mortgages, liens, security interests, charges, options, title defects, easements, encroachments, leases, subleases, licenses, deeds of trust, pledges or other encumbrances of any kind (“Liens”) (other than Permitted Liens or Liens arising from acts of Purchaser or its Affiliates) upon any of the properties, rights or assets of the Business under, any provision of (i) the Governing Documents of Seller, (ii) any Material Contract or (iii) any Injunction or, subject to the matters referred to in paragraph (b) below, applicable Law, other than, in the case of clauses (ii) and (iii) above, any such items that, individually or in the aggregate, would not be reasonably likely to result in a Seller Material Adverse Effect.

(b) No consent, waiver, approval, license, permit, order or authorization (each, a “Consent”) of, or notification to or Filing with, any Governmental Entity is required to be obtained or made by or with respect to Seller or any of its Subsidiaries in connection with the execution and delivery of this Agreement or the Other Transaction Documents, the consummation of the Acquisition, the Restructuring or the other transactions contemplated hereby or thereby or the compliance with the terms and conditions hereof and thereof, other than (i) compliance with and Consents and Filings under the HSR Act, (ii) Consents of, and Filings with, any Governmental Entity that are set forth in Section 3.01(c) of the Seller Disclosure Schedule, (iii) those that may be required solely by reason of Purchaser’s or any of its Affiliates’ (as opposed to any other third party’s) participation in the transactions contemplated hereby or by the Other Transaction Documents, (iv) compliance with and such Consents, Filings and notifications as may be required under applicable property transfer laws in connection with the Restructuring, solely with respect to the Retained Business, (v) compliance with and filings or notices required by the rules and regulations of any applicable securities exchange and (vi) such other Consents the absence of which, or other Filings or notifications the failure to make or obtain which, individually or in the aggregate, would not be reasonably likely to result in a Seller Material Adverse Effect.

(c) Each of the Company and the Company Subsidiaries is in compliance in all material respects with, and is not in any material respect in breach, default or violation of, any term, condition or provision of its Governing Documents.

SECTION 4.03. Shares. (a) Seller has good and valid title to the Shares free and clear of any Liens, and is the record and beneficial owner thereof. Assuming Purchaser has the requisite power and authority to be the lawful owner of the Shares, upon delivery to Purchaser at the Closing of certificates representing the Shares, duly endorsed by Seller for transfer to Purchaser (or accompanied by duly executed stock powers), and upon Seller’s receipt of the Estimated Purchase Price, good and valid title to the Shares will pass to Purchaser, free and clear of any Liens, other than those arising from acts of Purchaser or its Affiliates.

(b) There are 1,000 authorized shares of common stock, par value \$0.01 per share, of the Company and 1,000 outstanding shares of common stock, par

value \$0.01 per share, of the Company. Except for the Shares, there are no shares of capital stock or other voting securities of, or equity interests in, the Company issued, reserved for issuance or outstanding. The Shares have been duly authorized and validly issued and are fully paid and non-assessable. The Shares have not been issued in violation of, and are not subject to, any preemptive, subscription or similar rights under any provision of applicable Law, the certificate of incorporation or by-laws (or comparable governing instruments) of the Company or any Contract to which the Company is subject, bound or a party or otherwise. There are no outstanding bonds, debentures, notes or other indebtedness of the Company having the right to vote (or that are convertible into, or exercisable or exchangeable for, securities having the right to vote) on any matters on which holders of the Shares may vote (“Voting Debt”). There are no outstanding warrants, options, rights, “phantom” stock rights, stock appreciation rights, stock based performance units, convertible or exchangeable securities or other commitments or undertakings (other than this Agreement) (i) pursuant to which Seller or the Company is or may become obligated to issue, deliver or sell, (A) any additional shares of capital stock or other voting securities of, or equity interests in, the Company, (B) any security convertible into, or exchangeable for, shares of capital stock or other voting securities of, or equity interests in, the Company or (C) any Voting Debt, (ii) pursuant to which Seller or the Company is or may become obligated to issue, grant, extend or enter into any such warrant, option, right, unit, security, commitment or undertaking or (iii) that give any person the right to receive any benefits or rights similar to any rights enjoyed by or accruing to the holders of the Shares.

(c) Other than this Agreement, the Shares are not subject to any voting trust agreement or other Contract, including such Contract restricting or otherwise relating to the voting, dividend rights or disposition of the Shares.

SECTION 4.04. Organization and Standing of the Company and Company Subsidiaries; Company Subsidiary Shares.

(a) Section 4.04(a) of the Seller Disclosure Schedule sets forth the name and the jurisdiction of organization of the Company and each Company Subsidiary as in effect following the Restructuring. The Company and each Company Subsidiary is a legal entity duly organized, validly existing and in good standing under the laws of its jurisdiction of organization and is in good standing and duly qualified to do business in each jurisdiction in which the conduct or nature of its business or the ownership, leasing or holding of its properties makes such qualification necessary, except such jurisdictions where the failure to be in good standing or so qualified, individually or in the aggregate, would not be reasonably likely to result in a Seller Material Adverse Effect. Seller has, prior to the date hereof, delivered or otherwise made available to Purchaser true and complete copies of the organizational documents of the Company and each Company Subsidiary, as amended to the date hereof.

(b) The Company and each Company Subsidiary, as applicable, has good and valid title to the equity interests set forth opposite the Company’s or such Company Subsidiary’s name in Section 4.04(b) of the Seller Disclosure Schedule, free and clear of all Liens, and is the record and beneficial owner thereof, and there are no other equity interests of the Company Subsidiaries outstanding. Except for the equity interests set

forth in Section 4.04(b) of the Seller Disclosure Schedule, as of the Closing Date, none of the Company or the Company Subsidiaries will own, directly or indirectly, any equity interests in any other person, or has any understanding or agreement to make any equity investment in, any other person.

(c) The equity interests of the Company Subsidiaries have not been issued in violation of, and are not subject to, any preemptive, subscription or similar rights under any provision of applicable Law or Governing Documents of the relevant Company Subsidiary or any Contract to which any Company Subsidiary is subject, bound or a party or otherwise. There are no outstanding bonds, debentures, notes or other indebtedness of any Company Subsidiary having the right to vote (or that are convertible into, or exercisable or exchangeable for, securities having the right to vote) on any matters on which holders of the equity interests of the Company Subsidiaries may vote (“Subsidiary Voting Debt”). There are no outstanding warrants, options, rights, “phantom” stock rights, stock appreciation rights, stock based performance units, convertible or exchangeable securities or other commitments or undertakings (other than this Agreement) (i) pursuant to which the Company or any Company Subsidiary is or may become obligated to issue, deliver or sell, (A) any additional shares of capital stock or other voting securities of, or equity interests in, any Company Subsidiary, (B) any security convertible into, or exchangeable for, shares of capital stock or other voting securities of, or equity interests in, any Company Subsidiary or (C) any Subsidiary Voting Debt, (ii) pursuant to which the Company or any Company Subsidiary is or may become obligated to issue, grant, extend or enter into any such warrant, option, right, unit, security, commitment or undertaking or (iii) that give any person the right to receive any benefits or rights similar to any rights enjoyed by or accruing to the holders of the equity interests of the Company Subsidiaries.

(d) Other than this Agreement, the equity interests of the Company Subsidiaries are not subject to any voting trust agreement or other Contract, including any such Contract restricting or otherwise relating to the voting, dividend rights or disposition of the equity interests of the Company Subsidiaries.

SECTION 4.05. Financial Statements; Liabilities. (a) Section 4.05(a) of the Seller Disclosure Schedule sets forth complete and correct copies of the following financial statements: the unaudited combined balance sheet of the Business as of September 30, 2010 (the “Balance Sheet”) and the unaudited combined statements of operations, changes in shareholder’s equity and cash flows for the year ended September 30, 2010 (collectively, the “Unaudited 9/30/10 Financial Statements”).

(b) The Unaudited 9/30/10 Financial Statements in all material respects (i) have been prepared in accordance with GAAP and (ii) fairly present the combined financial position and combined results of operations and cash flows of the Business as of the date and for the period set forth therein.

(c) Section 4.05(c) of the Seller Disclosure Schedule sets forth complete and correct copies of the following financial statements: the unaudited combined balance sheet of the Business as of September 30, 2009 and the unaudited combined statements of

operations for the year ended September 30, 2009 (collectively, the “Unaudited 9/30/09 Financial Statements”).

(d) Except as set forth on Section 4.05(d) of the Seller Disclosure Schedule, the Unaudited 9/30/09 Financial Statements in all material respects (i) have been prepared in accordance with GAAP (other than the absence of footnotes) and (ii) fairly present the combined financial position and combined results of operations of the Business as of the date and for the period set forth therein.

(e) Section 4.05(e) of the Seller Disclosure Schedule sets forth complete and correct copies of the following financial statements: the unaudited combined balance sheet of the Business as of June 30, 2011 (the “Unaudited 6/30/11 Balance Sheet”) and the unaudited combined statements of operations, changes in shareholder’s equity and cash flows for the nine months ended June 30, 2011 (collectively, the “Unaudited Interim Financial Statements”). Company Subsidiaries that are not organized under the Laws of the United States do not own more than \$90,000,000 of the total assets set forth on the Unaudited 6/30/11 Balance Sheet.

(f) The Unaudited Interim Financial Statements in all material respects (i) have been prepared in accordance with GAAP (other than the absence of footnotes) and (ii) fairly present the combined financial position and combined results of operations and cash flows of the Business as of the date and for the period set forth therein (except for normal year-end adjustments that have not been and are not expected to be, individually or in the aggregate, material to the Business).

(g) The Additional Financial Statements in all material respects (i) will be prepared in accordance with GAAP and (ii) will fairly present the combined financial position and combined results of operations and cash flows of the Business as of the date and for the period set forth therein.

(h) The Seller maintains a system of “internal control over financial reporting” (as defined in Rules 13a-15(f) and 15d-15 (f) under the Exchange Act) sufficient to provide reasonable assurance (A) regarding the reliability of the Company’s financial reporting and the preparation of financial statements for external purposes in accordance with GAAP, (B) that transactions are recorded as necessary to permit preparation of financial statements in accordance with GAAP, (C) that receipts and expenditures of the Company are being made only in accordance with the authorization of management and directors of the Seller and (D) regarding prevention or timely detection of the unauthorized acquisition, use or disposition of the Company’s assets that could have a material effect on the Company’s financial statements. There are no material weaknesses or significant deficiencies in the internal controls of Seller.

(i) There are no Liabilities of the Company or any Company Subsidiary that are required by GAAP to be disclosed on the Balance Sheet or in the notes thereto, other than those that (i) are Non-CTS Liabilities (as defined in the Restructuring Agreement), (ii) have been incurred by the Business in the ordinary course of business

since September 30, 2010 or (iii) other Liabilities which, individually or in the aggregate, would not be reasonably likely to be material to the Business, taken as a whole.

SECTION 4.06. Taxes. (a) All material Tax Returns required to be filed by, or with respect to any of the activities of, the Company or a Company Subsidiary or with respect to them or their income or assets have been duly and timely filed and all such Tax Returns are true, correct and complete in all material respects.

(b) All material amounts of Taxes required to be paid by the Company or a Company Subsidiary or with respect to them or their income or assets have been timely paid, except for any Taxes not yet due and payable (in which case, adequate provisions have been made for all Taxes in the Financial Statements in accordance with GAAP) and any Taxes being contested in good faith through appropriate procedures and for which adequate reserves have been established in accordance with GAAP.

(c) There are no material Tax Liens on any of the assets of the Company and the Company Subsidiaries, except for Liens for any Taxes not yet due and payable (in which case, adequate provisions have been made for all Taxes in the Financial Statements in accordance with GAAP) and any Taxes being contested in good faith through appropriate procedures and for which adequate reserves have been established in accordance with GAAP.

(d) The Company and the Company Subsidiaries do not have in force any waiver of any statute of limitations in respect of Taxes or any extension of time with respect to a Tax assessment or deficiency and no request has been made in writing for any such waiver or extension.

(e) There are no pending, or threatened in writing, actions, suits, proceedings, investigations, claims outstanding, audits or written proposed deficiencies for a material amount of unpaid Taxes asserted against the Company or any Company Subsidiary.

(f) None of the Company or the Company Subsidiaries has constituted either a “distributing corporation” or a “controlled corporation” (within the meaning of Section 355(a)(1)(A) of the Code) in a distribution of stock qualifying for tax-free treatment under Section 355 of the Code in the two years prior to the date of this Agreement.

(g) None of the Company or the Company Subsidiaries has entered in any “listed transaction” within the meaning of Treasury Regulation Section 1.6011-4(b), any “notifiable arrangement” or “notifiable proposal” within the meaning of section 306 of the Finance Act 2004 or any “notifiable scheme” within the meaning of Schedule 11A of VATA.

(h) None of the Company or the Company Subsidiaries (A) is or has ever been a member of an affiliated group of corporations filing a consolidated Federal income Tax Return (other than the group to which they are currently members and the common parent of which is the Company), or (B) has any liability for the Taxes of any

person (other than the Company or any of the Company Subsidiaries) under Treasury Regulations Section 1.1502-6 (or any similar provision of any state, local, or foreign law), as a transferee or successor, by contract, or otherwise.

(i) Each of the Company and the Company Subsidiaries has duly and timely deducted and withheld all amounts required to be so withheld and paid from payments to third parties under applicable Laws and regulations.

(j) None of the Company or the Company Subsidiaries is a party to, or bound by, or has any obligation under, any Tax allocation or sharing agreement or similar contract or arrangement or any agreement that obligates it to make any payment computed by reference to the Taxes, taxable income or taxable losses of any other person, including any group payment arrangement within the meaning of sections 59F to 59H of the Taxes Management Act 1970.

(k) None of the Company or the Company Subsidiaries will be required to make any adjustment pursuant to Section 481(a) of the Code for any taxable period (or portion thereof) ending after the Closing Date as a result of any change in method of accounting for a taxable period ending on or prior to the Closing Date.

(l) No written claim has ever been made by any Taxing Authority that the Company or any Company Subsidiary (or the income or assets of the Company or any Company Subsidiary) may be subject to taxation by a jurisdiction where Tax Returns are not filed by or on behalf of the Company or any Company Subsidiary (or with respect to their income or assets).

(m) Each of the Company and each Company Subsidiary have properly operated the Pay As You Earn system and have accounted to HM Revenue and Customs for all Tax so deducted and all Tax chargeable on benefits provided to their employees.

(n) All documents in the enforcement of which the Company or any Company Subsidiary may be interested have been duly stamped and no document in the enforcement of which the Company or any Company Subsidiary may be interested has not been stamped by reason of it being executed and retained outside the United Kingdom.

(o) VAT

(i) Each of Aptuit (Edinburgh) Limited, Aptuit (Wales) Limited (“Wales”), Aptuit (Deeside) Limited (“Deeside”) and Aptuit (Glasgow) Limited (“Glasgow”) are treated as a member of a group of companies for the purposes of the VATA (the “VAT Group”) of which the representative member is Aptuit (Edinburgh) Limited (the “Representative Member”) and have never been registered for such purposes otherwise than as a part of such group and no company (other than the Representative Member, Wales, Deeside and Glasgow) is or has ever been a member of the VAT Group.

(ii) Neither the Representative Member, Glasgow nor any other past or present member of the VAT Group has been party to any arrangement or scheme which might prevent or delay Glasgow or Deeside ceasing to be a member of that group as of the Closing Date.

(iii) The Representative Member has complied with and observed in all respects the terms of the VATA and all regulations made or notices issued thereunder and has maintained and obtained full, complete, correct and up-to-date records, invoices and other records (as the case may be) appropriate or requisite for the purposes thereof.

(iv) Neither the Company nor any Company Subsidiary holds any interest in any buildings or land in respect of which an option to tax in accordance with the provisions of paragraph 2 of Schedule 10 to the VATA has been made, nor is the Company or any Company Subsidiary contractually committed (contingently or otherwise) to receive any supply in respect of which such an option has been made.

(v) The Representative Member is entitled to obtain full credit for all sums that it has purported to have incurred by way of input Tax and there are no circumstances by reason of which the Representative Member may cease to be so entitled.

(vi) Section 4.06(o)(vi) of the Seller Disclosure Letter contains details of any assets of the Company or any Company Subsidiary to which the provisions of Part XV Value Added Tax Regulations 1995 (the Capital Goods Scheme) apply and in particular:

(A) the identity (including, in the case of leasehold property, the term of years), date of acquisition and cost of the asset; and

(B) the proportion of input tax for which credit has been claimed (either provisionally or finally in a tax year and stating which).

SECTION 4.07. Good and Valid Title to Assets; Sufficiency of Assets. (a) The Company and each Company Subsidiary has, or as of the Closing Date will have, good and valid title to or, in the case of leased assets, a valid leasehold interest in, all material assets of such Company or Company Subsidiary used in the operation or conduct of the Business or that are (i) reflected on the Balance Sheet or (ii) thereafter acquired by the Company or a Company Subsidiary (except those assets sold or otherwise disposed of in the ordinary course of business consistent with past practice), in each case, free and clear of all Liens, except (a) the Liens set forth in Section 4.07 of the Seller Disclosure Schedule or described in the notes to the Financial Statements, (b) mechanics', carriers', workmen's, repairmen's or other like Liens arising or incurred in the ordinary course of business for amounts not overdue or for amounts being contested in good faith, (c) Liens to secure payments of workmen's compensation and

other similar payments, unemployment and other insurance, old-age pensions or other social security obligations, (d) Liens to secure the performance of bids, tenders, leases, contracts, public or statutory obligations, surety, stay or appeal bonds, or other similar obligations arising in the ordinary course of business, (e) Liens arising under original purchase price conditional sales contracts and equipment leases with third parties entered into in the ordinary course of business, (f) Liens for Taxes and other governmental charges which are not yet due and payable, which may thereafter be paid without penalty or which are being contested in good faith through appropriate procedures for which adequate reserves have been established in accordance with GAAP and (g) other imperfections of title or encumbrances, if any, which do not, individually or in the aggregate, materially impair the continued use and operation of the assets of the Company or the Company Subsidiary to which they relate in the conduct of the Business as presently conducted (the Liens described in clauses (a) through (g) above, together with the Liens referred to in clauses (ii) through (vii) of Section 4.08(c), are referred to collectively as "Permitted Liens"). This Section 4.07(a) does not relate to the Shares, the real property or interests in real property, or Intellectual Property, such items being the subjects of Sections 4.03, 4.08 and 4.09, respectively.

(b) At the Closing, the Company and the Company Subsidiaries will, taking into account the consummation of the transactions contemplated by the Other Transaction Documents and that certain Intellectual Property and Technology to be licensed or otherwise assigned to the Company or a Company Subsidiary by Seller as contemplated by this Agreement or the Restructuring Agreement, own or have the right to use all of the assets used to conduct the Business prior to the Closing on the same terms as all of the foregoing were owned or used by the Company or such Company Subsidiary to operate the Business (other than with respect to the Corporate-Level Services) in the ordinary course prior to the date hereof.

SECTION 4.08. Real Property. (a) Section 4.08(a) of the Seller Disclosure Schedule sets forth a true and complete list identifying the address and owner of all fee-owned real property owned by the Company or a Company Subsidiary as of the date of this Agreement or to be acquired pursuant to the Restructuring Agreement that is used in the operation or conduct of the Business (such real property of the Company and the Company Subsidiaries, together with the right, title and interest in all buildings, improvements and fixtures thereon and all other appurtenances thereto, the "Owned Property").

(b) Section 4.08(b) of the Seller Disclosure Schedule sets forth a true and complete list, as of the date of this Agreement, of all material real property of which the Company or a Company Subsidiary is a lessee, sublessee, licensee or occupant that is used in the operation or conduct of the Business (such real property, the "Leased Property").

(c) The Company or a Company Subsidiary, as applicable, has good, valid and marketable fee title to all Owned Property, and the Company or a Company Subsidiary, as applicable, has good and valid title to the leasehold estates in all Leased Property, in each case, free and clear of all Liens, except (i) Permitted Liens referenced in

Section 4.07, (ii) Liens set forth in Section 4.08(c)(ii) of the Seller Disclosure Schedule, (iii) leases, subleases, licenses, occupancy or similar agreements set forth in Section 4.08(c)(iii) of the Seller Disclosure Schedule (true and complete copies of which have been made available to Purchaser prior to the date hereof), (iv) Liens that have been placed by any developer, landlord or other third party on any (A) Leased Property or (B) property over which Seller, the Company or any Company Subsidiary has easement rights, in each case, together with any subordination or similar agreements relating thereto, (v) zoning and building codes and other similar Laws, none of which are violated in any material respect by the current use or occupancy of the Owned Property or Leased Property subject thereto, (vi) any conditions that would be shown by a current, accurate survey or physical inspection of any Owned Property, (vii) recorded or unrecorded easements, covenants, rights-of-way and other similar restrictions and (viii) Liens which will be released on the Closing Date. None of the items set forth in clauses (vi) and (vii), individually or in the aggregate, materially impairs the continued use and operation of the Owned Property or Leased Property to which they relate in the operation or conduct of the Business as presently conducted.

(d) As of the date of this Agreement, there is no condemnation, expropriation or other proceeding in eminent domain, pending or, to the knowledge of Seller, threatened, with respect to any Owned Property or any portion thereof or interest therein.

(e) Seller has made available to Purchaser, to the extent in Seller's possession or control, for review true and complete copies of each lease, sublease, license or occupancy agreement in respect of a Leased Property (each, a "Lease"). Each Lease is a valid and binding obligation of the Company or Company Subsidiary party thereto, in full force and effect, and enforceable in accordance with its terms (subject, as to enforcement, to applicable bankruptcy, insolvency, fraudulent transfer, reorganization, moratorium and other laws affecting creditors' rights generally, general principles of equity and the discretion of courts in granting equitable remedies). No written notice has been received by Seller, the Company or any Company Subsidiary alleging that it is in breach or default in any material respect under any Lease, except to the extent that any such breach or default, individually or in the aggregate, would not be reasonably likely to result in a Seller Material Adverse Effect. To the knowledge of Seller, no party to any Lease (other than the Company or a Company Subsidiary, as applicable) is (with or without the lapse of time or the giving of notice, or both) in breach or default in any material respect thereunder, except to the extent that such breach or default, individually or in the aggregate, would not be reasonably likely to result in a Seller Material Adverse Effect.

(f) With respect to any Leased Property or an Owned Property, except for the leases, subleases, licenses, occupancy or similar agreements set forth in Section 4.08(c)(iii) of the Seller Disclosure Schedule, none of the Company or the Company Subsidiaries has subleased or granted to any third party any right to use and occupy all or any portion of such property. None of the Company or the Company Subsidiaries has collaterally assigned or granted a security interest in any Lease that will not be released on the Closing Date.

SECTION 4.09. Intellectual Property. (a) Subject to Section 7.02, the Company or a Company Subsidiary, as applicable, (i) exclusively owns, free and clear of all Liens other than Permitted Liens (except to the extent such Intellectual Property may be licensed on a non-exclusive basis to third parties in the ordinary course of business) all items set forth on Section 4.09(a) of the Seller Disclosure Schedule pursuant to the last sentence of this Section 4.09(a) and (ii) owns or has a right to use, or as of the Closing Date will own or have a right to use, free and clear of all Liens (except for Liens arising to the extent such Intellectual Property may be licensed from third parties) other than Permitted Liens, all material Intellectual Property used or filed by the Company or a Company Subsidiary in the operation or conduct of the Business (such Intellectual Property, the "Company Intellectual Property"). The consummation of the transactions contemplated hereby will not conflict with, alter or impair any such rights in any material respect. Section 4.09(a) of the Seller Disclosure Schedule sets forth a true and complete list, as of August 14, 2011, of (x) all Company Intellectual Property registered or filed, as applicable, by the Company and the Company Subsidiaries, and (y) the Clinicopia suite of software products owned by the Company or a Company Subsidiary.

(b) As of the date of this Agreement, no material claims are pending or, to the knowledge of Seller, have been threatened in writing since January 1, 2009, against Seller or any of its Affiliates by any person with respect to the ownership, validity, enforceability, effectiveness or use of any Intellectual Property or Technology used by the Company or the Company Subsidiaries in the conduct of the Business, except for claims that have been satisfactorily resolved. The Company and the Company Subsidiaries (and Seller or any of its Affiliates, in respect of the Business) have taken reasonable measures to protect (i) their ownership of or right to use Company Intellectual Property and the Company's material proprietary Technology and (ii) the security of their material systems and software.

(c) As of the date of this Agreement, none of the Company or the Company Subsidiaries (or Seller or any of its Affiliates, in respect of the Business) is bound by or a party to any material options, licenses or agreements of any kind relating to the Intellectual Property or Technology of any other person for the use of such Intellectual Property or Technology in the conduct of the Business, except for non-exclusive license agreements relating to computer software licensed in the ordinary course of business.

(d) (i) (A) To the knowledge of Seller, the conduct of the Business as presently conducted does not violate, conflict with or infringe ("Infringe") the Intellectual Property or Technology of any other person and (B) the conduct of the Business as presently conducted does not Infringe the Patents of Aptuit Laurus Private Limited, except in the case of clauses (A) and (B) for such violations, conflicts or infringements that, individually or in the aggregate, would not be reasonably likely to result in a Seller Material Adverse Effect, and (ii) to the knowledge of Seller, as of the date of this Agreement, the Company Intellectual Property and Technology is not being Infringed, except to the extent that any such Infringement, individually or in the aggregate, would not be reasonably likely to result in a Seller Material Adverse Effect.

(e) For purposes of this Agreement, “Intellectual Property” means, collectively:

(i) patents, patent applications and statutory invention registrations, together with all counterparts, reissues, divisions/divisionals, continuations, continuations-in-part, extensions, provisional or supplemental protection certificates, renewals and reexaminations thereof (collectively, “Patents”);

(ii) trademark registrations, trademark applications, service mark registrations, service mark applications and domain name registrations, together with all extensions and renewals thereof and all goodwill associated therewith;

(iii) copyright registrations and copyright applications and rights in copyrighted works and works of authorship, together with all extensions and renewals thereof; and

(iv) service marks, brand names, trade names, trade dress, unregistered copyrights, logos and slogans.

(f) For purposes of this Agreement, “Technology” means, collectively: trade secrets, confidential information, inventions, know-how, formulae, designs, processes, procedures, methods, research records, records of inventions, data, technology, test information, market surveys, marketing know-how and packaging specifications.

SECTION 4.10. Contracts. (a) Section 4.10(a) of the Seller Disclosure Schedule sets forth each written or oral contract, lease or sublease, indenture, license, agreement, purchaser order, commitment and any other legally binding arrangement (“Contracts”), to which the Company or a Company Subsidiary (or Seller, on any of their behalf) is a party or by which it or its properties, rights or assets are bound, in each case, as of the date of this Agreement, that is:

(i) (A) restrictive of the ability of the Company or any Company Subsidiary or the Business to compete in any business or with any person in any geographic area, (B) a Contract that contains a provision for exclusivity or any similar requirement, (C) a Contract that contains a requirement of the Company or any Company Subsidiary or the Business to grant “most favored nation” pricing or terms or (D) restrictive of the ability of the Company or any Company Subsidiary or the Business to solicit or hire any person, in each case that materially impairs the operation or conduct of the Business as it is currently conducted;

(ii) a lease, sublease, license, occupancy agreement or similar agreement with any person under which the Company or any Company Subsidiary is a lessor or sublessor of, or makes available for use by any person, any Owned Property or any Leased Property and is not terminable without penalty by the Company or any Company Subsidiary by notice of not more than 180 days;

(iii) a lease, sublease, license or similar Contract with any person under which (A) the Company or any Company Subsidiary is lessee of, or holds or uses, any machinery, equipment, vehicle or other tangible personal property owned by any person or (B) the Company or any Company Subsidiary is a lessor or sublessor of, or makes available for use by any person, any tangible personal property owned or leased by the Company or a Company Subsidiary, in any such case, that is used in the Business which has an aggregate future Liability or receivable, as the case may be, in excess of \$375,000 in the aggregate;

(iv) (A) for the future purchase of materials, supplies or equipment or (B) a management, service, consulting or other similar Contract, in each case which has an aggregate future Liability to any person in connection with the Business in excess of \$375,000 in the aggregate;

(v) a material license, sublicense, option or other Contract relating in whole or in part to the Company Intellectual Property or Technology (including any license or other Contract under which Seller, the Company or any Company Subsidiary is licensee or licensor of any such Company Intellectual Property or Technology), other than so-called "shrink-wrap" non-exclusive license agreements for computer software licensed to Seller, the Company or any Company Subsidiary with annual fees of less than \$300,000 and other than generally available off-the-shelf desktop software or system development tools licensed on a non-exclusive basis with annual fees of less than \$300,000, but including any customized software, "open source" or similar software or source code escrow agreements;

(vi) a Contract (A) evidencing indebtedness for borrowed money (including any note, bond, debenture or other evidence of indebtedness) of the Company or any Company Subsidiary to any other person (other than the Company or any Company Subsidiary) or (B) other than endorsements for the purpose of collection given in the ordinary course of the Business, under which (i) the Company or a Company Subsidiary has directly or indirectly guaranteed indebtedness for borrowed money or other Liabilities of another person (other than the Company or a Company Subsidiary) or (ii) any person (other than the Company or a Company Subsidiary) has directly or indirectly guaranteed indebtedness or other Liabilities of the Company or any Company Subsidiary;

(vii) a Contract under which the Company or any Company Subsidiary, directly or indirectly, has made or is required to make any advance, loan, extension of credit or capital contribution to, or other investment in, any person (other than extensions of trade credit given in the ordinary course of the Business);

(viii) a mortgage, pledge, security agreement, deed of trust or other Contract granting a Lien (other than a Permitted Lien) upon any Owned Property or any Leased Property, which Lien is not set forth in Section 4.08(c)(ii) of the Seller Disclosure Schedule;

(ix) a Contract (other than a sales, work or purchase order) used in the operation or conduct of the Business between the Company or any Subsidiary of the Company (or Seller on any of their behalf) and any customer set forth in Section 4.18(a) of the Seller Disclosure Schedule or any supplier set forth in Section 4.18(b) of the Seller Disclosure Schedule;

(x) a Contract for the sale of any asset of the Company or any Company Subsidiary or the grant of any preferential rights to purchase any such asset of the Company or any Company Subsidiary, in each case, used in the operation or conduct of the Business and outside the ordinary course of business;

(xi) a material currency exchange, interest rate exchange, commodity exchange or similar Contract;

(xii) a Contract for any joint venture, partnership or similar arrangement;

(xiii) any Contract with Seller, or any Affiliate of Seller (other than the Company or any Company Subsidiary);

(xiv) any Contract with any customer with respect to the Business containing rebates, credits, make-wholes or other similar provisions; or

(xv) any other Contract used in the operation or conduct of the Business entered into outside the ordinary course of business to which the Company or any Company Subsidiary is a party or by or to which the Company or any Company Subsidiary, the assets of the Company or any Company Subsidiary or the Business is bound or subject and that has an aggregate future Liability to any person in excess of \$375,000.

(b) Each Contract set forth in Section 4.10 of the Seller Disclosure Schedule (each, a “Material Contract”) is, as of the date of this Agreement, valid, binding and in full force and effect and enforceable by Seller, the Company or a Company Subsidiary, as applicable, and, to the knowledge of Seller, enforceable by each other party thereto, in accordance with its terms (subject, as to enforcement, to applicable bankruptcy, insolvency, fraudulent transfer, reorganization, moratorium and other laws affecting creditors’ rights generally, general principles of equity and the discretion of courts in granting equitable remedies), except to the extent that the failure of any such Contracts to be valid, binding and in full force and effect, individually or in the aggregate, would not be reasonably likely to result in a Seller Material Adverse Effect. No written notice has been received by Seller, the Company or any Company Subsidiary alleging that it is or is alleged to be in breach or default in any material respect under any Material Contract (or that any event has occurred that, with notice or lapse of time, would constitute such a default or breach), except to the extent that any such breach or default, individually or in the aggregate, would not be reasonably likely to result in a Seller Material Adverse Effect. To the knowledge of Seller, as of the date of this Agreement, no party to any Material Contract (other than the Company or a Company Subsidiary, as applicable) is (with or without the lapse of time or the giving of notice, or both) in breach

or default in any material respect thereunder, except to the extent that such breach or default, individually or in the aggregate, would not be reasonably likely to result in a Seller Material Adverse Effect. Since January 1, 2009 there has not occurred any event that constitutes a default or event of default by any of Seller, the Company or the Company Subsidiaries under any Material Contract, except for defaults or events of default arising in the ordinary course of business consistent with past practice that are immaterial to the Business.

(c) Section 4.10(c) of the Seller Disclosure Schedule sets forth each Contract to which the Company or a Company Subsidiary (or Seller, on any of their behalf) is a party or by which it or its properties, rights or assets are bound, in each case, as of the date of this Agreement, with respect to the Business that is a “master service agreement” or similar arrangement that contains a limitation on liability that is equal to or greater than 200% of any applicable financial metric in the Contract or that does not contain any limitation on liability.

SECTION 4.11. Permits. The Company and each Company Subsidiary validly holds and is in compliance with all the terms and conditions of each material Permit held by the Company or a Company Subsidiary and used in the operation or conduct of the Business as presently conducted, except, in each case, for any such invalidity or noncompliance that, individually or in the aggregate, would not be reasonably likely to result in a Seller Material Adverse Effect. Since January 1, 2009, none of Seller, the Company or any Company Subsidiary has received written notice of any Proceeding relating to the revocation or modification of any Permit, the loss of which, individually or in the aggregate, would be reasonably likely to have a Seller Material Adverse Effect.

SECTION 4.12. Proceedings. Except as set forth in Section 4.12 of the Seller Disclosure Schedule, there are no material lawsuits, claims, suits, actions, arbitrations, investigations, inquiries or other proceedings (“Proceedings”) pending, or to the knowledge of Seller, threatened, against the Company or a Company Subsidiary. None of Seller or any of its Affiliates is a party or subject to or in default under any Injunction of any Governmental Entity or arbitration tribunal applicable in any material respect to the operation or conduct of the Business.

SECTION 4.13. Benefit Plans. (a) Section 4.13(a) of the Seller Disclosure Schedule sets forth a true and complete list of each Company Benefit Plan (excluding any Multiemployer Plan and any such plan, program, agreement, arrangement or understanding that is required by applicable Law) and each material Employee Benefit Plan (excluding any Multiemployer Plan and any such plan, program, agreement, arrangement or understanding that is required by applicable Law). With respect to each Company Benefit Plan (excluding any Multiemployer Plan and any such plan, program, agreement, arrangement or understanding that is required by applicable Law) and each material Employee Benefit Plan (excluding any Multiemployer Plan and any such plan, program, agreement, arrangement or understanding that is required by applicable Law), Seller has made available to Purchaser a current, accurate and complete copy thereof including any amendments thereto (or, with respect to any such oral Company Benefit

Plan and Employee Benefit Plan, a written description thereof) and, to the extent applicable (i) the most recent summary plan description and summary of material modifications and, if no such documents exist with respect to such Company Benefit Plan or Employee Benefit Plan, any other documentation describing such Company Benefit Plan and Employee Benefit Plan that is readily available, (ii) the trust agreement, any insurance contracts or other funding arrangements with respect to such Company Benefit Plan and Employee Benefit Plan, (iii) the most recent annual report on Form 5500 (including any applicable schedules and attachments thereto) filed with the Internal Revenue Service (the "IRS"), (iv) the most recently received determination or opinion letter from the IRS for such Company Benefit Plan and Employee Benefit Plan (if any) and (v) the most recently prepared actuarial valuation report and audited financial statements in connection with such Company Benefit Plan and Employee Benefit Plan.

(b) The pension arrangements which form part of the U.K. Company Benefit Plans are non-trust based pension schemes (a stakeholder pension scheme, a group personal pension plan and a personal pension plan) in respect of which, except as would not be expected to result, individually or in the aggregate, in any material Liability to Purchaser or the Business, (i) the Company and the Company Subsidiaries have complied with all applicable Laws in relation to access and benefits under the U.K. Company Benefit Plans, (ii) the Company and the Company Subsidiaries have paid all contributions that have fallen due and (iii) any non-service related benefits are provided by way of separate insurance and are fully insured. No defined benefit occupational pension schemes are or have been operated by Seller or its subsidiaries and no Employee or former employee of the Company or the Company Subsidiaries has been transferred to Seller or its subsidiaries by virtue of the Transfer of Undertakings (Protection of Employment) Regulations 2006 with an entitlement to benefits under such a scheme.

(c) No U.S. Company Benefit Plan or U.S. Employee Benefit Plan is subject to Title IV or Section 302 of ERISA or Section 412 or 4971 of the Code. Except as set forth in Section 4.13(c) of the Seller Disclosure Schedule, no U.S. Company Benefit Plan provides post-employment welfare (including health, medical or life insurance) benefits and neither Seller, the Company nor any of their respective subsidiaries has any obligation to provide any such post-employment welfare benefits now or in the future to any Employee, other than as required by applicable Law.

(d) Except as would not be expected to result, individually or in the aggregate, in any material Liability to Purchaser or the Business, (i) each U.S. Company Benefit Plan (excluding any Multiemployer Plan and any such plan, program, agreement, arrangement or understanding that is required by applicable Law) and U.S. Employee Benefit Plan (excluding any Multiemployer Plan and any such plan, program, agreement, arrangement or understanding that is required by applicable Law) has been established and is being administered in all respects in accordance with its terms and in compliance with the applicable provisions of all applicable Laws and (ii) all employer and employee contributions required to be made to each U.S. Company Benefit Plan by applicable Law or by the terms of such U.S. Company Benefit Plan have been timely made or, if applicable, accrued to the extent required by GAAP, consistently applied. Each U.S. Company Benefit Plan (excluding any Multiemployer Plan and any such plan,

program, agreement, arrangement or understanding that is required by applicable Law) and U.S. Employee Benefit Plan (excluding any Multiemployer Plan and any such plan, program, agreement, arrangement or understanding that is required by applicable Law) that is intended to be qualified under Section 401(a) of the Code has received a determination letter from the IRS to the effect that such U.S. Company Benefit Plan and U.S. Employee Benefit Plan is qualified and that the plans and trusts related thereto are exempt from Federal income taxes under Sections 401(a) and 501(a), respectively, of the Code, or an application for determination by the IRS that such U.S. Company Benefit Plan and U.S. Employee Benefit Plan is qualified and that plans and trusts related thereto are exempt from Federal income taxes under Sections 401(a) and 501(a), respectively, of the Code has been timely filed and is currently pending, and, to the knowledge of Seller, nothing has occurred, whether by action or failure to act, that could reasonably be expected to cause the loss of such qualification.

(e) Neither Seller, the Company nor any of their respective ERISA Affiliates contributes to, is required to contribute to or, in the past six years, has contributed or been required to contribute to any Multiemployer Plan. Except as set forth in Section 4.13(e) of the Seller Disclosure Schedule, none of Seller, the Company or any of their respective ERISA Affiliates participates in a “multiple employer plan” within the meaning of Section 4063 or 4064 of ERISA with respect to any current or former employee who provides or provided services primarily to the segment of the Business operated in the United States.

(f) Except for matters that, individually or in the aggregate, would not be reasonably likely to result in any material Liability to Purchaser or the Business, (i) each Non-U.S. Company Benefit Plan (excluding any Multiemployer Plan and any such plan, program, agreement, arrangement or understanding that is required by applicable Law) that is required to be registered with the applicable Governmental Entity is registered with such Governmental Entity and, to the knowledge of Seller, nothing has occurred, whether by action or failure to act, that could reasonably be expected to adversely affect such registration, (ii) all Non-U.S. Company Benefit Plans (excluding any Multiemployer Plan and any such plan, program, agreement, arrangement or understanding that is required by applicable Law) that are required by applicable Law or by the terms of such Non-U.S. Company Benefit Plan to be funded are funded to the extent so required and (iii) with respect to all other Non-U.S. Company Benefit Plans (excluding any Multiemployer Plan and any such plan, program, agreement, arrangement or understanding that is required by applicable Law) that are not required by applicable Law or by the terms of such Non-U.S. Company Benefit Plan to be funded, adequate reserves therefor have been established on the accounting statements of the Company or one of the Company Subsidiaries to the extent required by GAAP, consistently applied.

(g) Except for matters that, individually or in the aggregate, would not be reasonably likely to result in any material Liability to Purchaser or the Business, no condition exists that would reasonably be expected to subject the Company or any Company Subsidiary, either directly or by reason of its affiliation with any member of its ERISA Affiliates, to any Tax, fine, Lien, penalty or other material Liability under ERISA, the Code or other applicable Laws.

(h) Except for matters that, individually or in the aggregate, would not be reasonably likely to result in any material Liability to Purchaser or the Business, with respect to any Company Benefit Plan (excluding any Multiemployer Plan and any such plan, program, agreement, arrangement or understanding that is required by applicable Law) and Employee Benefit Plan (excluding any Multiemployer Plan and any such plan, program, agreement, arrangement or understanding that is required by applicable Law), (i) no actions, suits, claims (other than routine claims for benefits in the ordinary course) are pending or, to the knowledge of Seller, threatened, (ii) no facts or circumstances exist that would reasonably be expected to give rise to any such actions, suits or claims, and (iii) no administrative investigation, audit or other administrative proceeding by the Department of Labor, the IRS or other Governmental Entities are pending, to the knowledge of Seller, threatened, or in progress.

(i) Except as set forth in Section 4.13(i) of the Seller Disclosure Schedule, no Company Benefit Plan or Employee Benefit Plan exists that, as a result of the execution of this Agreement or the transactions contemplated by this Agreement (whether alone or in connection with any subsequent event(s)) could (i) result in severance pay or any increase in severance pay upon any termination of employment after the date of this Agreement or (ii) accelerate the time of payment or vesting or result in any payment or funding of compensation or benefits under, increase the amount payable or result in any other material obligation pursuant to, any of the Company Benefit Plans or Employee Benefit Plans. No Company Benefit Plan or Employee Benefit Plan exists that as a result of the execution of this Agreement or the transactions contemplated by this Agreement (whether alone or in action with any subsequent event(s)), could result in payments which would not be deductible under Section 280G of the Code.

SECTION 4.14. Absence of Changes or Events. (a) Since September 30, 2010, there has not been any Seller Material Adverse Effect.

(b) From September 30, 2010, to the date of this Agreement, Seller has caused the Business to be conducted in all material respects in the ordinary course consistent with past practice and:

(i) none of Seller, the Company or a Company Subsidiary has granted to any Employee any material increase in base salary, wages, bonuses, incentive compensation, pension, severance or termination pay, except (A) in the ordinary course of business, (B) in connection with a promotion based on job performance or workplace requirements, (C) as may have been required under existing agreements, including any Company Benefit Plan, or applicable Law or (D) any increases for which Seller (other than the Company or a Company Subsidiary) shall be solely obligated; and

(ii) neither Seller nor its Subsidiaries has taken any action that would have required the consent of Purchaser pursuant to Section 5.02(b)(ii), (viii), (xi), (xii), (xiii), (xv) and (xvi) if taken after the date hereof.

SECTION 4.15. Compliance with Applicable Laws. The Business is, and since January 1, 2009 has been, in compliance in all material respects with all applicable Laws, including the FDA Act, and all applicable United States and non-United States anti-bribery Laws and measures, including the United States Foreign Corrupt Practices Act, and with any order or regulation issued by the Treasury's Office of Foreign Assets Control ("OFAC") or any other applicable anti-money laundering or anti-terrorist-financing statute, rule or regulation. Since January 1, 2009, none of Seller, the Company or a Company Subsidiary has received any written communication from a Governmental Entity that alleges that the Business, the Company or such Company Subsidiary is in material violation of any applicable Laws, including the FDA Act, any applicable United States or non-United States anti-bribery Laws or measures, including the United States Foreign Corrupt Practices Act, or OFAC or any other applicable anti-money laundering or anti-terrorist-financing statute, rule or regulation. To the knowledge of Seller, the Business and its officers, directors, employees, Affiliates and agents have not given, offered, agreed or promised to give, or authorized the giving of, directly or indirectly, any money or other thing of value as a bribe, rebate, payoff, influence payment, kickback or other form of unlawful payment.

SECTION 4.16. Environmental Matters. Except as would not be reasonably likely to result, individually or in the aggregate, in a Seller Material Adverse Effect, (a) the Business is in compliance with all, and since January 1, 2009 has not violated any, applicable Environmental Laws, (b) the Company and the Company Subsidiaries possess and are in compliance with all Environmental Permits and neither the Company nor any of the Company Subsidiaries has received, since January 1, 2009, any written notice from a Governmental Entity that any such Environmental Permits will be revoked, adversely modified, or not renewed in the ordinary course or that any applications for any additional Environmental Permits will not be granted on terms materially similar to the terms sought, (c) none of Seller, the Company or any Company Subsidiary has received since January 1, 2009 any written communication from a Governmental Entity that alleges that the Company or any Company Subsidiary (i) is in violation of any Environmental Law, the substance of which communication has not been fully and finally resolved, (ii) is a potentially responsible party under the Federal Comprehensive Environmental Response, Compensation, and Liability Act of 1980, as amended ("CERCLA") or any similar Environmental Law, or (iii) has Released in violation of any Environmental Law or is otherwise liable for any presence (in the environment or in any buildings or equipment) or Release of Hazardous Material at the Owned Property or Leased Property or at any other location, in each case, in connection with the operation or conduct of the Business or the Owned Property or Leased Property (it being understood that such violation or liability does not include any obligation relating to Law regarding workers' compensation or similar insurance or any product liability matter), (d) there are no pending or, to the knowledge of Seller, threatened in writing since January 1, 2009, Proceedings against the Company or any Company Subsidiary resulting from any (i) violation of applicable Environmental Laws or the Environmental Permits or (ii) presence (in the environment or in any buildings or equipment) or Release of Hazardous Material, in each case, in connection with the operation or conduct of the Business or the Owned Property or Leased Property, (e) neither the Company nor any Company Subsidiary has Released any Hazardous Material

at the Owned Property or the Leased Property, and to the knowledge of Seller, Hazardous Materials currently are not otherwise present at or emanating from the Owned Property or the Leased Property or at any other location in a manner that could reasonably be expected to result in Liability to the Company or any Company Subsidiary or interfere with any operations thereof, in each case, in connection with the operation or conduct of the Business (it being understood that such liability does not include any obligation relating to Law regarding workers' compensation or similar insurance or any product liability matter), (f) since January 1, 2009, neither the Company nor any Company Subsidiaries has assumed or retained, by contract, or to the knowledge of Seller by operation of law, any Liabilities or other obligation under any Environmental Laws or regarding the presence (in the environment or in any buildings or equipment) or Release of or exposure to any Hazardous Materials arising in connection with the operation or conduct of the Business (it being understood that such obligation or Liability does not include any obligation the Company or any Company Subsidiary has to operate or conduct the day-to-day operations of the Business in compliance with applicable Environmental Law or Law regarding workers' compensation or similar insurance or any product liability matter), and (g) to the knowledge of Seller, Seller has made available to Purchaser a copy of all reports of environmental site assessments, audits or investigations concerning material non-compliance with, or material Liability or material obligations under, Environmental Laws affecting the Business (which non-compliance, Liability or obligations have not been fully and finally resolved or satisfied) that are in the possession or control of Seller or its subsidiaries. Except for Sections 4.02(b), 4.05, 4.11, 4.14 and 4.21, the representations and warranties made in this Section 4.16 are Seller's exclusive representations and warranties relating to environmental matters.

SECTION 4.17. Employee and Labor Matters. With respect to the Business and the Employees, (i) as of the date of this Agreement, there is not and, since January 1, 2009, there has not been, any material labor strike, work stoppage or lockout pending or, to the knowledge of Seller, threatened, against Seller, the Company or any Company Subsidiary, (ii) as of the date of this Agreement, to the knowledge of Seller, no material union organizational campaign is in progress, nor has there been any such campaign since January 1, 2009, and no question concerning representation exists, (iii) as of the date of this Agreement, there are no pending material unfair labor practice charges or other material charges against Seller, the Company or any Company Subsidiary or any Employee or former employee of Seller, the Company or any Company Subsidiary employed in the Business before the National Labor Relations Board, the Equal Employment Opportunity Commission or any other Governmental Entity responsible for the prevention of unlawful employment practices or the enforcement of labor or employment Laws, (iv) as of the date of this Agreement, each CTS Employee (as defined in the Restructuring Agreement) provides services with respect to the Business and, except as indicated on Section 7.05(b) (ii) of Schedule B to the Restructuring Agreement, no such CTS Employee is on long-term disability leave, and (v) since January 1, 2009, Seller has not received written notice of the intent of any Governmental Entity responsible for the enforcement of labor or employment Laws to conduct any material investigation or audit and, to the knowledge of Seller, no such investigation or audit is in progress or, to the knowledge of Seller, threatened. There is no collective bargaining

agreement or similar labor agreement in effect with respect to employees of the Company or any Company Subsidiary.

SECTION 4.18. Customers and Suppliers. (a) Section 4.18(a) of the Seller Disclosure Schedule lists the names and addresses of the twenty largest customers of the Business for the period from June 30, 2010 to June 30, 2011. During the period from June 30, 2010 until the date of this Agreement, to the knowledge of Seller, none of the customers identified on Section 4.18(a) of the Seller Disclosure Schedule has notified Seller, the Company or any Company Subsidiary that such customer has cancelled, terminated or otherwise materially altered its relationship with the Business or intends to do so.

(b) Section 4.18(b) of the Seller Disclosure Schedule lists the names and addresses of the twenty largest suppliers of the Business during the period from June 30, 2010 to June 30, 2011. During the period from June 30, 2010 until the date of this Agreement, to the knowledge of Seller, none of the suppliers identified on Section 4.18(b) of the Seller Disclosure Schedule has notified Seller, the Company or any Company Subsidiary in writing that such supplier has cancelled, terminated or otherwise materially altered its relationship with the Business or intends to do so.

SECTION 4.19. Support Services. Except for Corporate-Level Services and services to be provided under the Transition Services Agreement and except for Intellectual Property, Technology, real or personal property or other assets to be licensed (including pursuant to Section 7.02(c)) or otherwise assigned to the Company or a Company Subsidiary as contemplated by this Agreement or the Restructuring Agreement, none of Seller or any of its Affiliates (other than the Company or the Company Subsidiaries) (i) provides material support services ("Support Services") to the Business or Employees; (ii) licenses to or allows the use by the Company and the Company Subsidiaries of material Intellectual Property or material Technology (whether proprietary or owned by a third party) (other than as set forth in Section 7.02), (iii) shares any real or material personal property or other material assets with the Company or the Company Subsidiaries or (iv) has any Contract with the Company or the Company Subsidiaries, in each case, in connection with the operation of the Business.

SECTION 4.20. Recalls; Notice of Defects. (a) Since January 1, 2006, no product sold or distributed by the Company or any Company Subsidiary has been recalled voluntarily or involuntarily and no such recall is being considered by the Company or any Company Subsidiary, whether for itself or on behalf of one of its customers.

(b) Since January 1, 2009, neither the Seller, its Affiliates, the Company nor any Company Subsidiary has (i) received any written notice relating to any actual, threatened or potential Proceeding against any of them for product liability, failure to warn or inspect, strict liability, defects in design, manufacture, materials or workmanship, breach of express or implied warranty or any similar claim under any applicable Law with respect to any services, products, systems, devices or similar items designed, manufactured, modified, distributed, offered for sale or sold by the Business ("Covered

Products”), except as would not, individually or in the aggregate, be reasonably expected to have a Seller Material Adverse Effect and except for notices or Proceedings that have been settled or fully and finally resolved or (ii) initiated, participated in or been subject to any actual or potential recall of a Covered Product.

(c) Since January 1, 2009, each of the products, systems, devices or similar items produced, sold or distributed and the services provided in connection with the Business was, at the time of such production, sale or distribution, in compliance in all material respects with Law, including the FDA Act or any similar law and applicable regulations issued and guidances by the FDA or any similar organization, including those requirements relating to current good manufacturing practice, current good laboratory practice and current good clinical practice and any equivalent Laws of any applicable foreign jurisdiction, in each case, including all manufacturing standards applied, testing procedures used and product specifications disclosed.

SECTION 4.21. Insurance. Section 4.21 of the Seller Disclosure Schedule lists all insurance policies or programs of self-insurance obtained within the past three years that have a policy limit of greater than \$15,000,000 and are owned or held by Seller or any of its Affiliates on the date of this Agreement and cover the Company, any Company Subsidiaries or their assets, properties or personnel with respect to the operation or conduct of the Business. All such insurance policies and programs of insurance are valid and enforceable and all premiums due thereunder have been paid. In the last two years, neither the Company nor any of its Subsidiaries has received any notice of cancellation or termination with respect to such insurance policies and programs, other than in connection with normal renewals of any such insurance policies and programs.

SECTION 4.22. Indebtedness. Section 4.22 of the Seller Disclosure Schedule sets forth, as of the date of this Agreement, (a) all outstanding Funded Indebtedness of the Company and the Company Subsidiaries and (b) all obligations under or in respect of acceptances, letters of credit, bank guarantees, surety bonds or similar arrangements (including reimbursement obligations with respect thereto) with respect to the Liabilities of any person (including the Company and the Company Subsidiaries with respect to a Liability of the Business), other than any such obligations incurred in the ordinary course of business that are not in excess of \$50,000. All of the outstanding Funded Indebtedness of the Company and any of the Company Subsidiaries is prepayable other than any capitalized lease obligations.

SECTION 4.23. No Implied Representations. Notwithstanding anything herein to the contrary, Seller and its Representatives and Affiliates are making no representation or warranty whatsoever, express or implied, beyond those expressly given in this Article IV. It is understood that any financial estimates, forecasts, projections or other predictions and all other information or materials that have been or shall hereafter be provided by or on behalf of Seller, the Company or the Company Subsidiaries or any other person to Purchaser or any of its Affiliates or its or their respective Representatives, whether written or oral, are not, and shall not be relied upon or deemed to be, representations and warranties of Seller, the Company, the Company Subsidiaries or any

of their respective Affiliates or their respective Representatives, except to the extent expressly provided in this Article IV.

ARTICLE V

Covenants of Seller

Seller covenants and agrees as follows:

SECTION 5.01. Access. From the date hereof to the Closing, Seller shall, and shall cause the Company and the Company Subsidiaries to, give Purchaser and its Representatives access, during normal business hours and upon reasonable advance notice, to personnel, properties and Records relating to the Business, to the extent that such access is reasonably requested by Purchaser; provided that such access (a) does not unreasonably disrupt the normal operations of Seller, the Company any Company Subsidiary or the Business, (b) would not be reasonably expected to violate any attorney-client privilege of Seller, the Company or any Company Subsidiary or violate any applicable Law (including antitrust Laws) and (c) would not reasonably be expected to breach any duty of confidentiality owed to any person whether the duty arises contractually, statutorily or otherwise; provided, however, that nothing in this Agreement shall limit any of Purchaser's rights to discovery in connection with litigation. Such rights of access explicitly exclude any Phase II environmental investigations or any air or surface sampling or testing at, on or under any Owned Property or Leased Property.

SECTION 5.02. Ordinary Conduct. (a) From the date hereof to the Closing, except as set forth in Section 5.02 of the Seller Disclosure Schedule or otherwise expressly contemplated or permitted by the terms of this Agreement, including pursuant to the Restructuring and the Restructuring Agreement, Seller shall cause the Company and the Company Subsidiaries to: (i) cause the Business to be conducted in all material respects in the ordinary course in substantially the same manner as currently conducted and (ii) use commercially reasonable efforts consistent with past practice to (A) keep available the services of the Business' present senior officers and employees, (B) preserve the goodwill and business relationships with customers, suppliers and others having business relationships with them and (C) maintain the assets of the Business in good operating condition suitable in all material respects for their intended use.

(b) From the date hereof to the Closing, except as set forth in Section 5.02 of the Seller Disclosure Schedule or otherwise expressly contemplated or permitted by the terms of this Agreement (including pursuant to the Restructuring and the Restructuring Agreement), Seller shall not permit the Company or any Company Subsidiary to do any of the following in respect of the Business without the prior written consent of Purchaser (which consent shall not be unreasonably withheld, conditioned or delayed):

(i) amend the certificate of incorporation, by-laws or other comparable governing documents of the Company or any Company Subsidiary;

(ii) declare or pay any dividend or make any other distribution to any holder of any Shares, whether or not upon or in respect of any shares of the capital stock of the Company, other than, in each case, cash dividends or other distributions of cash;

(iii) purchase, redeem or otherwise acquire or dispose of any shares of capital stock or other voting securities of, or equity interests in, the Company or any Company Subsidiary or issue, deliver, sell, transfer, pledge, grant, extend or enter into similar arrangements, or agree to the foregoing, with respect to (A) any shares of capital stock or other voting securities of, or equity interests in, the Company or any Company Subsidiary or (B) any warrants, options, rights, "phantom" stock rights, stock appreciation rights, stock based performance units, convertible or exchangeable securities or other commitments or undertakings (I) pursuant to which the Company or any Company Subsidiary is or may become obligated to issue, deliver or sell (x) any additional shares of capital stock or other voting securities of, or equity interests in, the Company or any Company Subsidiary, (y) any security convertible into, or exchangeable for, shares of capital stock or other voting securities of, or equity interests in, the Company or any Company Subsidiary or (z) any Voting Debt, (II) pursuant to which the Company or any Company Subsidiary is or may become obligated to issue, grant, extend or enter into any such warrant, option, right, unit, security, commitment or undertaking or (III) that give any person the right to receive any benefits or rights similar to any rights enjoyed by or accruing to the holders of the Shares;

(iv) split, combine, subdivide or reclassify any shares of capital stock or other voting securities of, or equity interests in, the Company or any Company Subsidiary, or issue any other security in respect of, in lieu of or in substitution for any shares of capital stock or other voting securities of, or equity interests in, the Company or any Company Subsidiary;

(v) (A) incur any indebtedness for borrowed money that is not prepayable, (B) guarantee any indebtedness for borrowed money or other Liabilities (other than of the Company or a Company Subsidiary with respect to the Business), or (C) enter into any letters of credit with respect to the Liabilities of any person other than the Company or any Company Subsidiary with respect to the Business;

(vi) loan, advance, invest or make a capital contribution to or in any person, other than (A) advances in the ordinary course of business consistent with past practice or (B) loans, advances, investments or capital contributions to or in the Company or any Company Subsidiary;

(vii) except (A) in the ordinary course of business (solely with respect to clause (1) below), (B) as may be required under an existing Company Benefit Plan, Employee Benefit Plan, or applicable Law or (C) any increases or payments for which Seller or its Affiliates (other than the Company or the Company Subsidiaries) shall be solely obligated, (1) adopt, enter into, amend or terminate

any Company Benefit Plan, Employee Benefit Plan or any plan, agreement, program, policy or arrangement that would be a Company Benefit Plan or Employee Benefit Plan if it were in existence as of the date of this Agreement, provided that the foregoing restrictions shall only be applicable with respect to any actual or prospective Company Benefit Plan or Employee Benefit Plan to the extent that they relate to an Employee, (2) grant to any Employee any material increase in base salary, wages, bonuses or bonus opportunity, incentive compensation, pension, severance or termination pay or (3) grant any severance or termination pay to any Employee;

(viii) adopt a plan or agreement of complete or partial liquidation, dissolution, restructuring, merger, consolidation, restructuring, recapitalization, amalgamation or other reorganization with respect to the Company or any Company Subsidiary;

(ix) except in the ordinary course of business, enter into, renew, materially modify, materially amend, cancel, terminate or fail to use its commercially reasonable efforts to renew any Material Contract (or any Contract that would be a Material Contract if entered into prior to the date hereof), including any license agreements for computer software relating to the Business licensed to Seller, the Company or any Company Subsidiary;

(x) make or commit to any new capital expenditure or commitment therefor with respect to the Business in excess of \$250,000 individually or \$1,000,000 in the aggregate with respect to all such capital expenditures or commitments therefor;

(xi) except as required by a change in Law or by GAAP, change any material accounting principles or practices;

(xii) settle, release, waive or compromise any pending or threatened suit, action, proceeding or investigation in any manner that restricts the operation of the Company, any Company Subsidiary or the Business as currently conducted or for uninsured amounts exceeding \$50,000 individually or \$100,000 in the aggregate required to be paid by the Company or any Company Subsidiary;

(xiii) sell, lease, license or otherwise dispose of any assets, rights or properties of the Business, except for (A) sales of raw materials, work-in-process, finished goods, supplies, parts, spare parts and other inventories, in each case, in the ordinary course of business, (B) assets that are obsolete or no longer used in the Business and (C) cash dividends and other distributions of cash;

(xiv) permit or allow any asset of the Company or any Company Subsidiary to become subject to any Lien that would have been required to be set forth in Section 4.07, 4.08 or 4.09 of the Seller Disclosure Schedule if existing on the date of this Agreement (other than any Permitted Lien);

(xv) acquire by merging or consolidating with, or by purchasing a substantial portion of the assets of, or by any other manner, any business or any corporation, partnership, association or other business organization or division or a substantial portion of the assets thereof (other than inventory) for aggregate consideration in excess of \$100,000;

(xvi) make or change any material Tax election, adopt or change any accounting method with respect to Taxes, file any amended material Tax Return, enter into any closing agreement with respect to Taxes, settle or compromise any proceeding with respect to any material Tax claim or assessment relating to the Company or any Company Subsidiary, surrender any right to claim a refund of material Taxes, or consent to any extension or waiver of the limitation period applicable to any material Tax claim or assessment relating to the Company or any Company Subsidiary; or

(xvii) authorize, or commit or agree to do, whether in writing or otherwise, any of the foregoing actions.

SECTION 5.03. Resignations. On the Closing Date, Seller shall cause to be delivered to Purchaser duly signed resignations, effective immediately after the Closing, of all directors of the Company and each Company Subsidiary, or shall take such other action as is necessary to cause such persons to no longer be directors of the Company or such Company Subsidiary, as applicable, immediately after the Closing.

SECTION 5.04. Confidentiality. From and after the Closing, Seller shall keep confidential, and cause its Affiliates and instruct its and their respective officers, directors, employees and advisors to keep confidential, all nonpublic information relating to the Business, except (a) as required or requested by a Governmental Entity or required pursuant to Law or the rules or regulations of any securities exchange or listing authority or legal, administrative or judicial process, (b) for information that is available on the Closing Date to the public, or thereafter becomes available to the public other than as a result of a breach of this Section 5.04, (c) for information disclosed in connection with the exercise of any remedies provided in any Transaction Document or any Proceeding related to any Transaction Document or the enforcement of rights thereunder or (d) for information disclosed in connection with Tax matters. The covenant set forth in this Section 5.04 shall terminate five years after the Closing Date.

SECTION 5.05. Restructuring. Prior to or simultaneously with the Closing, Seller shall use reasonable best efforts to consummate the Restructuring in accordance with the terms and conditions of the Restructuring Agreement. Seller shall not, and shall not permit any of its Affiliates to, amend, waive, terminate or otherwise modify the terms of the Restructuring Agreement without the prior written consent of Purchaser, which consent shall not be unreasonably withheld or delayed.

SECTION 5.06. Certain Financial Information. (a) Seller shall use reasonable best efforts to deliver to Purchaser the audited combined balance sheets of the Business as of September 30, 2010 and the related audited combined statements of

operations, changes in shareholder's equity and cash flows for the year ended September 30, 2010 with a report thereon (with no exception or qualification) of Ernst & Young, LLP ("E&Y"), independent certified public accountants, including in each case the notes thereto (the "2010 Audited Financial Statements").

(b) Seller shall use reasonable best efforts to deliver to Purchaser (i) an audited combined balance sheet of the Business as of June 30, 2011, together with the related audited combined statements of operations, changes in shareholder's equity and cash flows for the nine month period ended June 30, 2011; provided, that, if the Closing Date is after December 30, 2011, the references to June 30, 2011 in this clause (i) shall be deemed to be September 30, 2011 and the reference to the nine month period shall be deemed to be the year ended, and (ii) an audited combined balance sheet of the Business as of September 30, 2009, together with the related audited combined statements of operations, changes in shareholder's equity and cash flows for the year ended September 30, 2009, in each case, with report(s) thereon (with no exception or qualification) of E&Y, including in each case the notes thereto (collectively, together with the 2010 Audited Financial Statements, the "Additional Financial Statements"). Seller shall provide Purchaser access to E&Y's work papers used in connection with the preparation of Additional Financial Statements (subject to the execution of customary access letters acceptable to E&Y). Seller shall provide reasonable cooperation and assistance to Purchaser in its obtaining such accountants' comfort letters from E&Y, consents for use of their reports and any other pertinent information or documents as reasonably requested by Purchaser in connection with the Additional Financial Statements and Purchaser's Securities and Exchange Commission disclosure obligations.

(c) If requested by Purchaser, following the Closing, Seller shall, and shall cause its Subsidiaries and its Representatives to, reasonably cooperate with and assist Purchaser and its Representatives in connection with the preparation of audited financial statements for the quarter ended September 30, 2011 (the "Audited 9/30/11 Financial Statements") (including using commercially reasonable efforts to assist Purchaser in obtaining management representation letters); provided that, for the avoidance of doubt, Seller shall not be required to prepare or to pay for the audit of the Audited 9/30/11 Financial Statements.

SECTION 5.07. Financing. Prior to the Effective Time, Seller and its representatives shall, and shall cause the Company and the Company Subsidiaries and their respective Representatives to, reasonably cooperate with Purchaser in connection with the Debt Financing, including using commercially reasonable efforts to (i) participate in a reasonable number of due diligence sessions, meetings, presentations and sessions with rating agencies and prospective lenders, if any; (ii) provide information reasonably requested by Purchaser relating to such financing, including financial and other pertinent information regarding the Company as may be reasonably requested by Purchaser, including the financial information required to be delivered under the Debt Commitment Letter; provided, however, that it is understood and agreed that Seller shall not be required to deliver any financial statements not required by Section 5.06; (iii) reasonably cooperating with the execution and delivery of any pledge and security documents and other definitive financing documents on the terms contemplated by the

Debt Commitment Letter or other certificates as may be reasonably requested by Purchaser or otherwise reasonably facilitating the pledging of collateral in connection with the Debt Financing; (iv) at least five days prior to the Closing Date, provide all documentation and other information about the Company and each Company Subsidiary as is reasonably requested in writing by Purchaser at least ten days prior to the Closing Date which is in connection with the Debt Financing and relates to applicable “know your customer” and anti-money laundering rules and regulations, including without limitation the USA PATRIOT Act; (v) assist Purchaser and Lenders in the preparation of all information memoranda (including providing customary authorization letters), lender presentations, rating agency presentations, and similar documents in connection with the Debt Financing; (vi) use commercially reasonable efforts to obtain consents from the accountants of the Business for the use of their reports in materials related to the Debt Financing; and (vii) take all corporate actions, and cause the Company and the Company Subsidiaries to take all corporate actions, in each case as reasonably requested by Purchaser, to permit the consummation of the Debt Financing and direct borrowing or incurrence of all of the proceeds of the Debt Financing by the Company or a Company Subsidiary immediately following the Closing and to permit the proceeds thereof to be made available to the Company or a Company Subsidiary, as applicable; provided, however, that such requested cooperation does not unreasonably interfere with the ongoing operations of the Company and the Company Subsidiaries prior to the Effective Time; and provided, further, that, notwithstanding any of the foregoing, (i) neither Seller nor any of its representatives shall be required to execute or deliver any certificate, agreement, document or other instrument in connection with the Debt Financing, (ii) no action, liability or obligation of the Company or any of the Company Subsidiaries or any of their respective Representatives under any certificate, agreement, arrangement, document or instrument relating to the Debt Financing shall be effective prior to the Effective Time, (iii) neither Seller nor any of its representatives shall at any time, and none of the Company, the Company Subsidiaries and their respective Representatives shall prior to the Effective Time, (A) be required to bear any cost or expense or to pay any commitment or other similar fee or make any other payment, other than reasonable out-of-pocket expenses incidental to cooperation pursuant to this Section 5.07 to be reimbursed by Purchaser pursuant to this Section 5.07, in connection with the Debt Financing (or any alternative financing) or any of the foregoing, (B) incur or have any liability or obligation under any loan agreement or any related document or any other agreement or document related to the Debt Financing (or any alternative financing) or (C) incur any other liability in connection with the Debt Financing (or any alternative financing) and (iv) nothing in this Agreement shall require the board of directors of Seller, the Company or any Company Subsidiary to take any action to approve the Debt Financing (or any alternative financing) in connection with the transactions contemplated by this Agreement prior to the Effective Time; provided that the board of directors of the Company or any such Company Subsidiary (to the extent comprised solely of representatives of Purchaser) may approve the Debt Financing (or any alternative financing) as of the Effective Time. Purchaser shall, promptly upon request by Seller, reimburse Seller for all reasonable and documented out-of-pocket costs incurred by Seller in connection with such cooperation and indemnify Seller for any Loss incurred by Seller arising therefrom (other than arising from information from Seller). For the avoidance of

doubt, the preparation and delivery of the financial statements required by Section 5.06 shall not be covered by the expense reimbursement or indemnification obligations in this Section 5.07.

SECTION 5.08. No Shop. The Seller shall not, and shall cause the Company and the Company Subsidiaries and their respective Affiliates, directors, officers and employees not to, and shall use their reasonable best efforts to cause their representatives or agents not to, do any of the following, directly or indirectly, with any third party (other than with Purchaser regarding the transactions contemplated by this Agreement and other than in connection with the Restructuring): (i) discuss, negotiate, authorize, assist, participate in, recommend, propose or enter into, either as the proposed surviving, merged, acquiring or acquired corporation, any transaction involving a merger, consolidation, business combination, purchase or disposition of (A) a material amount of the business or assets of the Business or (B) any capital stock of or other equity interest in, the Company or Company Subsidiaries as in effect following the Restructuring (any such transaction, an "Acquisition Transaction"), (ii) knowingly facilitate or encourage, solicit or initiate discussions, negotiations or submissions of proposals or offers from any third party in respect of an Acquisition Transaction, or (iii) knowingly furnish or cause to be furnished to any third party any information concerning the Business, the Company or any Company Subsidiary in connection with an Acquisition Transaction.

SECTION 5.09. Insurance. If Purchaser requests, Seller shall maintain in effect for not less than six years after the Effective Time, by prepaid run-off or "tail coverage" endorsement, the coverage provided by directors' and officers' liability, employment practices liability, fiduciary liability, products liability, crime, underground storage tank liability, and errors and omissions liability insurance under which the Company and the Company Subsidiaries are insured as of the Closing Date; provided that with respect to all such coverage (other than directors' and officers' and fiduciary liability coverage, which shall be paid by Seller), the cost of such coverage shall be paid by the Purchaser; and provided further that Seller may substitute prepaid policies of at least the same coverage containing terms and conditions that are no less advantageous to the Company and the Company Subsidiaries thereof so long as such substitution does not result in gaps or lapses in coverage with respect to matters occurring prior to the Effective Time.

ARTICLE VI

Representations and Warranties of Purchaser

Purchaser hereby represents and warrants to Seller as follows:

SECTION 6.01. Organization, Standing and Authority; Execution and Delivery; Enforceability. (a) Purchaser is a Delaware corporation duly organized, validly existing and in good standing under the laws of the State of Delaware. Purchaser has all requisite corporate power and authority to enter into this Agreement and the Other Transaction Documents to which it is a party and to consummate the transactions contemplated hereby and thereby. All corporate acts and other proceedings required to

be taken by Purchaser to authorize the execution, delivery and performance of this Agreement and the Other Transaction Documents to which it is a party and to consummate the transactions contemplated hereby and thereby have been duly and properly taken.

(b) This Agreement has been duly executed and delivered by Purchaser and, prior to Closing, Purchaser will have duly executed and delivered each Other Transaction Document to which it is a party. Assuming that this Agreement has been duly authorized, executed and delivered by Seller, this Agreement constitutes, and, upon the due authorization, execution and delivery of the Other Transaction Documents by Seller of the Other Transaction Document, such Other Transaction Document to which it is a party will constitute, a legal, valid and binding obligation of Purchaser, enforceable against such person in accordance with its terms (subject, as to enforcement, to applicable bankruptcy, insolvency, fraudulent transfer, reorganization, moratorium and other laws affecting creditors' rights generally, general principles of equity and the discretion of courts in granting equitable remedies).

SECTION 6.02. No Conflicts; Consents. (a) The execution and delivery of this Agreement by Purchaser do not, the execution and delivery by Purchaser of each Other Transaction Document to which it is a party will not, and the consummation of the transactions contemplated hereby and thereby and compliance by Purchaser with the terms and conditions hereof and thereof will not, conflict with, result in any breach, violation or infringement of, or constitute a default (with or without notice or lapse of time, or both) under, require consent, or give rise to a right of termination, cancellation, amendment, modification or acceleration of any obligation or to loss of a benefit under, or result in the creation of any Liens upon any of the properties, rights or assets of Purchaser under, any provision of (i) the Governing Documents of Purchaser, (ii) any Contract to which Purchaser is a party or by which any of their respective properties or assets are bound, or (iii) any Injunction or, subject to the matters referred to in paragraph (b) below, applicable Law, other than, in the case of clauses (ii) and (iii) above, any such items that, individually or in the aggregate, would not be reasonably likely to result in a Purchaser Material Adverse Effect.

(b) No Consent of, Filing with, or notification to, any Governmental Entity is required to be obtained or made by or with respect to Purchaser in connection with the execution and delivery of this Agreement or the Other Transaction Documents to which it is a party, the consummation of the Acquisition, the Restructuring and the other transactions contemplated hereby or thereby or the compliance by Purchaser with the terms and conditions hereof and thereof, other than (i) compliance with and Consents and Filings under the HSR Act, (ii) Consents of, and Filings with, any Governmental Entity that are set forth in Section 3.01(c) of the Seller Disclosure Schedule, (iii) those that may be required solely by reason of Seller's or any Affiliate of Seller's (as opposed to any other third party's) participation in the transactions contemplated hereby or by the Other Transaction Documents, (iv) compliance with and Filings or notices required by the rules and regulations of any applicable securities exchange and (v) such other Consents the absence of which, or other Filings the failure to make or obtain which, individually or in

the aggregate, would not be reasonably likely to result in a Purchaser Material Adverse Effect.

SECTION 6.03. Proceedings. There are no (a) outstanding Injunctions of any Governmental Entity or arbitration tribunal against Purchaser, (b) Proceedings pending or, to the knowledge of Purchaser, threatened against Purchaser or any of its Affiliates or (c) investigations by any Governmental Entity which are pending or, to the knowledge of Purchaser, threatened against Purchaser, other than, in each case, any such items that, individually or in the aggregate, would not be reasonably likely to result in a Purchaser Material Adverse Effect.

SECTION 6.04. Securities Act. The Shares are being acquired for investment only and not with a view to, or for sale in connection with, any public distribution thereof.

SECTION 6.05. Financing Commitment; Availability of Funds. Purchaser has received and accepted the executed commitment letter dated August 19, 2011 (including any fee letters or other side letters with respect to fees, the “Debt Commitment Letter”) from the lenders party thereto (collectively, the “Lenders”) pursuant to which the Lenders have committed to provide the full amount of the debt financing required to consummate the transactions contemplated by this Agreement on the terms contemplated thereby and to pay all related fees and expenses. The debt financing contemplated by the Debt Commitment Letter is referred to in this Agreement as the “Debt Financing”. Purchaser has delivered to Seller true and complete copies of the executed Debt Commitment Letter (provided that any fee or side letter may be redacted to omit numerical fee amounts and other matters not related to conditions precedent or other contingencies related to the obligations of the Lenders to fund the full amount of the Debt Financing). The only conditions precedent or other contingencies related to the obligations of the Lenders to fund the full amount of the Debt Financing are those expressly set forth in the Debt Commitment Letter. As of the date hereof, there are no agreements, arrangements or understandings in connection with the Debt Financing other than the Debt Commitment Letter. As of the date hereof, the Debt Commitment Letter, in the form so delivered, is in full force and effect, is a legal, valid and binding obligation of Purchaser and, to the knowledge of Purchaser, the other parties thereto, has not been amended, supplemented or otherwise modified in any respect (and no such amendment, supplement or modification thereto is contemplated as of the date hereof), and the financing commitments thereunder have not been withdrawn or terminated. As of the date hereof, no event has occurred that would constitute a default (or an event which with or without notice, lapse of times or both, would become a default) or breach on the part of Purchaser under any term or condition of the Debt Commitment Letter, and, as of the date hereof, Purchaser has no reason to believe that any term or condition of closing in the Debt Commitment Letter will not be timely satisfied, or that any portion of the Debt Financing to be made thereunder will otherwise not be available to Purchaser to consummate the Acquisition and the other transactions contemplated hereby at the time required pursuant to this Agreement. As of the date hereof, Purchaser has fully paid any and all commitment fees or other fees required by the Debt Commitment Letter to be paid by it on or prior to the date of this Agreement. As of the date of this Agreement

Purchaser has, and as of the Closing Date will have, cash on hand or existing undrawn credit facilities or commitments that are sufficient to enable it to consummate the Acquisition and the other transactions contemplated by this Agreement and the Other Transaction Documents and to pay the related fees and expenses associated therewith.

SECTION 6.06. Solvency. Assuming (i) satisfaction (or waiver) of the conditions to Purchaser's obligations to consummate the transactions contemplated hereby, (ii) the accuracy of the representations and warranties of the Seller set forth herein (for such purposes, such representations and warranties shall be true and correct in all respects without giving effect to any limitations or qualification as to (A) "knowledge" or knowledge of the Seller or (B) "materiality", "Material Adverse Effect", "material" or similar materiality qualification set forth therein), and (iii) estimates, projections or forecasts provided by or on behalf of the Seller or the Company to Purchaser prior to the date hereof have been prepared in good faith on assumptions that were and continue to be reasonable, and after giving effect to the transactions contemplated by this Agreement, including the Debt Financing, and the payment of the Purchase Price, any other repayment or refinancing of existing indebtedness contemplated in this Agreement, or, payment of all amounts required to be paid in connection with the consummation of the transactions contemplated hereby, and payment of all related fees and expenses, each of Purchaser and the Company will be Solvent as of the Closing and immediately after the consummation of the transactions contemplated hereby.

SECTION 6.07. Limitation of Seller's Warranties. Purchaser acknowledges that, except as expressly provided in Article IV:

(a) it is acquiring (i) the Business without any representation or warranty, express or implied, including any representation or warranty as to the merchantability, suitability or fitness for any particular purpose of any of the Company or any Company Subsidiary, in each case by Seller or its Affiliates, or any of its or their Representatives, and (ii) the Company and each Company Subsidiary on an "as is" condition and on a "where is" basis; and

(b) no representation or warranty has been made regarding any information, whether written or oral, or materials provided or made available by Seller or any of its Representatives, including (i) the Confidential Information Memorandum, (ii) any other information, documents or material made available to it or its Representatives in connection with the Acquisition, the Restructuring and the consummation of the other transactions contemplated hereby or (iii) any financial estimate, forecast, projection or other prediction delivered to it.

SECTION 6.08. No Implied Representations. Notwithstanding anything herein to the contrary, Purchaser is making no representation or warranty whatsoever, express or implied, beyond those expressly given in this Article VI.

ARTICLE VII

Covenants of Purchaser

Purchaser covenants and agrees as follows:

SECTION 7.01. Confidentiality. Purchaser acknowledges that the information being provided to it in connection with the Acquisition, the Restructuring and the consummation of the other transactions contemplated hereby and by the Other Transaction Documents (including the terms and conditions of this Agreement and the Other Transaction Documents) is subject to the terms of a confidentiality agreement between Purchaser and an Affiliate of Seller dated as of May 17, 2011 (the "Confidentiality Agreement"), the terms of which are incorporated herein by reference. Effective upon, and only upon, the Closing, the confidentiality provisions of the Confidentiality Agreement shall terminate with respect to information relating solely to the Business; provided that Purchaser acknowledges that any and all other information provided to it by or on behalf of Seller, the Company or any Company Subsidiary or their respective Representatives concerning Seller or any Affiliate of Seller (other than the Company or the Company Subsidiaries) and the terms and conditions of this Agreement and the Other Transaction Documents shall remain subject to the terms and conditions of the Confidentiality Agreement after the Closing Date. Notwithstanding anything to the contrary contained in this Section 7.01, the covenant set forth in this Section 7.01 shall terminate five years after the Closing Date.

SECTION 7.02. No Use of Certain Names; Transitional Trademark License; IP License and Transfers. (a) Following the Closing, Purchaser shall, and shall cause the Company and each Company Subsidiary to, promptly, (i) and in any event within six months after the Closing Date, revise sales and product literature and promotional materials in any media, purchase orders, invoices, shipping documents, packaging and labeling and similar materials ("Collateral") to delete all references to "Aptuit" and "Indigo"; provided that, for a period of six months from the Closing Date, Purchaser, the Company and each Company Subsidiary may continue to distribute Collateral and any Inventory of the Business that uses any reference to "Aptuit" or "Indigo" to the extent that such Collateral and Inventory of the Business exist on the Closing Date or are manufactured within the 90-day period after the Closing Date, and Seller hereby grants to Purchaser, the Company and each Company Subsidiary for such six month period the limited right and a royalty-free paid up license to so use Seller's trademarks, trade dress and other source indicators owned by Seller (and covenants to cause each of its Affiliates to grant Purchaser, the Company and each Company Subsidiary the limited right and a royalty-free paid up license to so use such Affiliate's trademarks, trade dress and other source indicators owned by such Affiliate) that have been used in connection with the manufacture, distribution, marketing and sale of the Business' products, to the extent necessary to allow Purchaser, the Company and each Company Subsidiary to so use such Collateral and Inventory of the Company and the Company Subsidiaries and (ii) and in any event within 75 business days after the Closing Date, (A) remove references to "Aptuit" and "Indigo" from any signage on any Owned Property, Leased Property, vehicles or other assets (other than Inventory and Collateral,

and other than interior signage, heavy machinery, tools and dyes, for which such removal must occur in the next replacement cycle in the ordinary course of business) and (B) remove references to “Aptuit” and “Indigo” from any websites operated in connection with the Business. In no event shall Purchaser, Company or any Company Subsidiary use any reference to “Aptuit” or “Indigo” after the Closing Date in any manner or for any purpose different from the use of “Aptuit” or “Indigo”, respectively, by the Business during the 90-day period preceding the Closing Date. Notwithstanding the foregoing, at all times after the Closing Date, Purchaser, the Company or any Company Subsidiary may (i) use “Aptuit” and “Indigo” as permitted or required by Law and/or in a non-trademark manner to describe the history of the Business and (ii) retain and use without modification any legal documents, business correspondence and similar items that contain the terms “Aptuit” and “Indigo”. Within six months after the Closing Date, Purchaser agrees that it will, and will cause the Company and each Company Subsidiary to, destroy or return to Seller any remaining Collateral and Inventory of the Company and the Company Subsidiaries that contains any reference to “Aptuit” or “Indigo”. “Aptuit” and “Indigo” each means any brand name, trademark or service mark under which the Business has at any time been conducted or which at any time has been used by or in the Business and contains “Aptuit” or “Indigo” respectively, and any name that is confusingly similar thereto. At Purchaser’s request, for six months after the Closing Date, Seller shall display on its websites, in all places where the Business was previously discussed or displayed, a mutually-agreed statement about Purchaser’s new ownership of the Business and a link to any website designated by Purchaser.

(b) Within 30 business days of the Closing, Purchaser shall cause the Company and each Company Subsidiary to file the relevant documents so as to change their respective corporate names to names not including or confusingly similar to “Aptuit”. Within 30 business days of the Closing, to the extent necessary, Purchaser shall cause the Company and each Company Subsidiary to file the relevant documents so as to amend or terminate any certificates of assumed name or d/b/a filings by such entities that contain “Aptuit”. Except as expressly permitted in Section 7.02(a), neither Purchaser nor any of its Affiliates shall use “Aptuit” at any time or in any way following the Closing.

(c) Intellectual Property License. Effective as of and only upon the Closing:

(i) Subject to the terms and conditions of this Agreement, Seller and its subsidiaries (other than the Company and the Company Subsidiaries) hereby grant and agree to grant to Purchaser, the Company and the Company Subsidiaries a non-exclusive, perpetual, irrevocable, non-sublicensable and non-assignable (except as provided in Section 7.02(c)(iii) and (iv)), royalty-free, fully paid up, worldwide license, in connection with the current and future operation of the Business, to use and exercise all rights under all Intellectual Property and Technology (other than trademarks and other source indicators, but including the items listed on Section 7.02(c)(i) of the Seller Disclosure Schedule), that is owned by Seller and its subsidiaries (other than the Company and the Company

Subsidiaries) and is used in connection with the Business as of or prior to Closing (including after giving effect to the Restructuring and Section 7.02(d)).

(ii) Subject to the terms and conditions of this Agreement, the Company and the Company Subsidiaries hereby grant and agree to grant to Seller and its subsidiaries (other than the Company and the Company Subsidiaries) a non-exclusive, perpetual, irrevocable, non-sublicensable and non-assignable (except as provided in Section 7.02(c)(iii) and (iv)), royalty-free, fully paid-up, worldwide license, in connection with the current and future operation of the Retained Business, to use and exercise all rights under all Intellectual Property and Technology (other than trademarks and other source indicators, but including the items listed on Section 7.02(c)(ii) of the Seller Disclosure Schedule or, subject to the last sentence of this Section 7.02(c)(ii), assigned to the Company or a Company Subsidiary pursuant to Section 7.02(d)), that is owned by the Company and the Company Subsidiaries and is used by Seller and its subsidiaries (other than the Company and the Company Subsidiaries) in connection with the Retained Business as of or prior to Closing (including after giving effect to the Restructuring and Section 7.02(d)). For clarity, no license is being granted by the Company or the Company Subsidiaries in connection with any Intellectual Property or Technology assigned pursuant to Section 7.02(d) herein that is exclusively used in the Business.

(iii) Notwithstanding the Assignment provision in Section 12.01 below, Seller and its subsidiaries (other than the Company and the Company Subsidiaries), on the one hand, or Purchaser, the Company and the Company Subsidiaries, on the other hand, as the case may be, may (a) assign the license set forth in Section 7.02(c)(i) or Section 7.02(c)(ii), respectively, in whole or in part to any Affiliate, or in connection with a merger, consolidation, or sale of all, or substantially all, of any of the businesses or any material portion of the assets to which this license relates (including to the purchaser of any site), so long as: (x) the assigning party provides the other party with prompt written notice of such transaction; and (y) the assignment shall be expressly limited to the business in which the assignor was engaged at the time of the assignment, provided that no such assignment pursuant to this Section 7.02(c)(iii) shall relieve the assigning party of its obligations hereunder and (b) assume this license in bankruptcy. In the event of a permitted assignment hereunder, the license granted herein shall bind the parties and their respective successors and assigns.

(iv) Seller and its subsidiaries (other than the Company and the Company Subsidiaries), on the one hand, or the Company and the Company Subsidiaries, on the other hand, as the case may be, may sublicense the license set forth in Section 7.02(c)(i) or Section 7.02(c)(ii), as applicable, to (a) its and their vendors, consultants, contractors and suppliers, in connection with their providing services to Seller or its subsidiaries, or to Purchaser, the Company or the Company Subsidiaries, as applicable; (b) its and their distributors, customers and end-users, in connection with the distribution, licensing, offering and sale of the current and

future products and services of Seller or its subsidiaries, or Purchaser, the Company or the Company Subsidiaries, as applicable.

(v) All rights not expressly granted by a party hereunder are reserved to such party. Each party acknowledges and agrees that: (i) except as provided in the Transition Services Agreement, the other party has no delivery, assistance, training, maintenance, support or related obligations hereunder with respect to any Intellectual Property or Technology licensed hereunder; and (ii) the licenses granted in Section 7.02(c)(i) or Section 7.02(c)(ii) do not include any Intellectual Property or Technology created, invented, developed or acquired by either party after the Closing, but include any patents, continuations, divisions and foreign counterparts that issue after the Closing, solely to the extent they arise from patents and patent applications that existed as of the Closing.

(d) Prior to the Closing, Seller shall, and shall cause its subsidiaries (other than the Company and the Company Subsidiaries) to, execute and deliver, and take all actions necessary to assign, transfer and convey in the name of the Company or a Company Subsidiary all of Seller's or such subsidiaries' right, title and interest in the Intellectual Property and Technology set forth on Section 7.02(d) of the Seller Disclosure Schedule.

SECTION 7.03. Securities Act. Purchaser shall not offer to sell or otherwise dispose of the Shares in violation of any of the registration requirements of the Securities Act of 1933, as amended.

SECTION 7.04. Directors and Officers. (a) Purchaser acknowledges and agrees that neither it nor any of its Affiliates shall make any claim against, or seek any indemnification from, any present or former director or officer of Company or any Company Subsidiary with respect to the execution of their duties up to the termination of their appointment or under, in connection with, arising out of, resulting from or in any way related to the Acquisition, this Agreement, the Other Transaction Documents or any other matter contemplated hereby or thereby, or the process leading up to the Acquisition or the execution and delivery of this Agreement, or the Other Transaction Documents, or otherwise.

(b) Purchaser agrees that all rights to indemnification or exculpation now existing in favor of the directors and officers of Company and each Company Subsidiary, as provided in the Company's or such Company Subsidiary's Governing Documents with respect to any matters occurring prior to the Effective Time, shall survive the Acquisition and shall continue in full force and effect. Purchaser shall not, and shall cause its Affiliates not to, amend, restate, repeal or otherwise modify the indemnification and liability limitation or exculpation provisions of the Company's or any Company Subsidiary's Governing Documents after the Effective Time in any manner that would adversely affect the rights thereunder of individuals who, as of the date hereof and prior to the Effective Time, were directors or officers of the Company or any Company Subsidiary, unless such amendment, restatement, repeal or modification is required by applicable Law.

(c) If Purchaser, the Company or any Company Subsidiary (i) shall consolidate with or merge into any other person and shall not be the continuing or surviving corporation or entity of such consolidation or merger or (ii) shall transfer all or substantially all of its properties and assets to any person, then, and in each such case, proper provisions shall be made so that the successor and assigns of Purchaser, the Company or such Company Subsidiary, as the case may be, shall assume all of the obligations of this Section 7.04.

(d) The parties hereby acknowledge and agree that from and after the Closing each of the present and former directors and officers of the Company or any Company Subsidiary shall be an express third party beneficiary of this Section 7.04.

SECTION 7.05. Financing. (a) Purchaser shall use its reasonable best efforts to take, or cause to be taken, all actions and to do, or cause to be done, all things necessary, proper or advisable to arrange the Debt Financing on the terms and conditions described in the Debt Commitment Letter, and shall not permit without the prior written consent of the Seller, which consent shall not be unreasonably withheld or delayed, any amendment or modification to be made to, or any waiver of any provision under, the Debt Commitment Letter if such amendment, modification or waiver (i) reduces (or could have the effect of reducing) the aggregate amount of the Debt Financing (including by increasing the amount of fees to be paid or original issue discount unless (A) the Debt Financing is increased by a corresponding amount and (B) after giving effect to any of the transactions referred to in clause (A) above, the representation and warranty set forth in Section 6.06 shall be true) or (ii) imposes new or additional conditions or otherwise expands, amends or modifies any of the conditions to the Debt Financing or otherwise expands, amends or modifies any other provision of the Debt Commitment Letter in a manner that would reasonably be expected to (A) prevent or make less likely or materially delay the funding of the Debt Financing (or satisfaction of the conditions to the Debt Financing) on the date of the Closing or (B) adversely impact the ability of Purchaser to enforce its rights against other parties to the Debt Commitment Letter (provided that, subject to compliance with the other provisions of this Section 7.05, Purchaser may amend the Debt Commitment Letter to add additional lenders, arrangers, bookrunners and agents). Purchaser shall promptly deliver to Seller copies of any such amendment, modification or replacement.

(b) Purchaser shall use its reasonable best efforts to (i) maintain in full force and effect the Debt Commitment Letter, (ii) negotiate and enter into definitive agreements with respect thereto on the terms and conditions contemplated by the Debt Commitment Letter or on other terms no less favorable to Seller (including with respect to the conditionality thereof), (iii) comply with its obligations under the Debt Commitment Letter and the definitive agreements with respect thereto, and (iv) satisfy on a timely basis all conditions to funding in the Debt Commitment Letter and such definitive agreements thereto and to consummate the Debt Financing at or prior to the Closing Date, including using its reasonable best efforts (including through litigation pursued in good faith) to cause the lenders and the other persons committing to fund the Debt Financing to fund the Debt Financing at the Closing and (v) to enforce its rights (including, with respect to Debt Financing sources, through litigation pursued in good

faith) under the Debt Commitment Letter. If any portion of the Debt Financing becomes unavailable on the terms and conditions contemplated in the Debt Commitment Letter, Purchaser shall use its reasonable best efforts to arrange to obtain alternative financing from alternative sources in an amount sufficient to consummate the Acquisition and to the extent possible with other terms no less favorable to Purchaser, taken as a whole, than the terms and conditions set forth in the Debt Commitment Letter, as promptly as practicable following the occurrence of such event but no later than the final day of the Outside Date. Notwithstanding anything in this Agreement to the contrary, any Debt Commitment Letter relating to the Debt Financing may be superseded at the option of Purchaser after the date hereof but prior to the Closing by new debt financing commitments (the “New Financing Commitments”) which replace existing debt financing commitments contained in the Debt Commitment Letter; provided, that the terms of the New Financing Commitments shall not (x) reduce (or could have the effect of reducing) the aggregate amount of the Debt Financing (including by increasing the amount of fees to be paid or original issue discount unless (A) the Debt Financing is increased by a corresponding amount and (B) after giving effect to any of the transactions referred to in clause (A) above, the representation and warranty set forth in Section 6.06 shall be true), (y) impose new or additional conditions or adversely amend or expand the conditions to the availability of the Debt Financing at the Closing in any respect, or (z) include other changes that would make the consummation of the Debt Financing less likely or materially delay the consummation of the Debt Financing or adversely impact the ability of Purchaser to enforce its rights against other parties to the Debt Commitment Letter. In such event, the term “Debt Commitment Letter” as used herein shall be deemed to include the commitment letters relating to the New Financing Commitments.

(c) Purchaser shall give Seller prompt notice of any material breach by any party to the Debt Commitment Letter of which Purchaser becomes aware, or any termination of the commitments thereunder of which Purchaser becomes aware. Without limiting the generality of the foregoing, Purchaser shall give Seller prompt notice (A) of any breach or default by any party to the Debt Commitment Letter or definitive agreements related to the Debt Financing of which Purchaser becomes aware, (B) of the receipt of (x) any written notice or (y) other written communication, in each case from any Debt Financing source with respect to any (1) material breach, default, termination or repudiation by any party to the Debt Commitment Letter or definitive agreements related to the Debt Financing or (2) material dispute or disagreement between or among any parties to the Debt Commitment Letter or definitive agreements related to the Debt Financing with respect to the obligation to fund the Debt Financing or the amount of the Debt Financing to be funded at the Closing and (C) if at any time for any reason Purchaser believes in good faith that there is a material possibility that it will not be able to obtain all or any portion of the Debt Financing on the terms and conditions, in the manner or from the sources contemplated by the Debt Commitment Letter or definitive agreements related to the Debt Financing. As promptly as reasonably practicable, but in any event within two Business Days of the date Seller delivers to Purchaser a written request therefor, Purchaser shall provide any information reasonably requested by Seller relating to any circumstance referred to in clause (A), (B) or (C) of the immediately preceding sentence. Purchaser shall keep Seller informed on a reasonably current basis

of the status of its efforts to arrange the Debt Financing and provide to Seller copies of all executed material definitive documents related to the Debt Financing.

(d) Purchaser acknowledges and agrees that the obtaining of the Debt Financing, or any alternative financing, is not a condition to the Closing.

SECTION 7.06. IT Matters.

(a) Prior to Closing, Seller shall, and shall cause its Affiliates to, at Seller's sole expense, use commercially reasonable efforts to separate logically the Enterprise Resource Planning ("ERP") and Customer Relationship Management ("CRM," and together with ERP, the "IT Systems") of the Seller and its Affiliates (other than the Company and the Company Subsidiaries) from the IT Systems of the Company and the Company Subsidiaries, in such a manner that allows the Business to transition to a stand-alone IT System (the "IT Systems Separation"). Seller shall provide Purchaser with regular updates (not less frequently than weekly) on the status of the above separation, and Purchaser shall be allowed to test and validate that the separation has been completed to Purchaser's reasonable satisfaction; provided that such testing and validation shall not unreasonably interfere with the businesses of Seller and its Subsidiaries or with Seller's efforts to comply with the first sentence of this Section 7.06(a). To the extent that the IT Systems Separation is not completed by the Closing, Seller shall continue to effect the IT Systems Separation after the Closing pursuant to the terms of the Transition Services Agreement; provided that any expenses derived from the IT Systems Separation shall be treated as "set up charges" under the Transition Services Agreement and shall be the responsibility of the Providing Party (as defined in the Transition Services Agreement).

(b) Seller acknowledges and agrees that, except as set forth in Section 7.06(b) of the Seller Disclosure Schedule, it will use commercially reasonable efforts to, and will pay all expenses (other than ongoing maintenance and support fees, costs or expenses incurred by the Business after the Closing) related to, causing the Company or a Company Subsidiary to be party as of Closing to all software licenses or related information technology agreements used by the Company and the Company Subsidiaries to conduct their business as of the date hereof, including those agreements to be assigned to Seller under the Restructuring Agreement (the "IT Agreements"). To the extent that as of Closing the Company or a Company Subsidiary is not party to all the IT Agreements, Seller shall continue to effect the transfer, modification or other necessary action in respect of the IT Agreements to the Company or a Company Subsidiary after the Closing (provided that such actions shall be effected not later than 45 days after Closing, and provided that nothing herein shall limit Seller's obligations under the Transition Services Agreement). To the extent that, on or after the Closing, the Seller or any of its Affiliates retain any rights or obligations under any of the IT Agreements, Seller shall be responsible for any fees, relicenses, penalties, costs or expenses that relate to Seller or its Affiliates retaining such rights or obligations, but Seller shall not be required to pay any expenses derived from any additional seats or licenses requested by Purchaser after the Closing under the IT Agreements.

(c) Seller shall, and shall cause its Affiliates to, prior to Closing, take all actions necessary to (i) assign, transfer and convey in the name of the Company or a Company Subsidiary all hardware (including computers and servers, storage and networking assets) owned by the Seller or its Affiliates that is exclusively used in the Business or is Shared Hardware and (ii) physically transfer such hardware and Shared Hardware to the Company or a Company Subsidiary. For the purposes of this Section 7.06(c), “Shared Hardware” shall mean any hardware (including computers (other than individual personal computers and laptops provided to employees of Seller or its Subsidiaries that are not employees of the CTS Business) and servers, storage and networking assets) that are held in the Kansas City, Missouri IT facility and are used to support any applications that are shared between the Business and the Retained Business (other than any applications related to ERP).

(d) Seller shall (and Purchaser shall reasonably cooperate with Seller to) use commercially reasonable efforts to cause the Company or the respective Company Subsidiary prior to Closing to enter into a separate Contract (which may consist of amendments to existing Contracts) with Microsoft Licensing, GP or any of its Affiliates (“MSFT”) in respect of the MSFT software that transfers to the Company and the Company Subsidiaries rights to use the MSFT software substantially in the same manner as such MSFT software has been used by the Company and the Company Subsidiaries prior to Closing (the “MSFT Transfer”). To the extent that as of Closing the MSFT Transfer has not been completed, Seller shall continue to (and Purchaser shall reasonably cooperate with Seller to) effect the MSFT Transfer after the Closing (provided that such transfer shall be effected not later than 45 days after Closing). Seller shall be responsible for any fees, relicenses, penalties, costs or expenses incurred by the Company that relate to the MSFT Transfer (but not any ongoing maintenance and support fees, costs or expenses incurred by the Business after the Closing). The Parties agree that the Company or a Company Subsidiary will, as of the Closing, retain the rights under the agreement entered into with Oracle America, Inc. or any of its Affiliates (“Oracle”) in respect of the Oracle database, and the parties will use commercially reasonable efforts and cooperate with each other and Oracle to, at Seller’s expense, transfer to Seller and its Affiliates the licenses under the Oracle database exclusively used by Seller and its Affiliates in the Retained Business prior to the Closing Date.

ARTICLE VIII

Mutual Covenants

SECTION 8.01. Reasonable Best Efforts. Subject to the terms and conditions set forth in this Agreement (including the provisions set forth in Sections 8.02 and 8.03), each of Seller and Purchaser shall use their respective reasonable best efforts to take, or cause to be taken, all actions, and do, or cause to be done, and to assist and cooperate with the other in doing, all things necessary, proper or advisable to consummate, as promptly as reasonably practicable, the Acquisition, the Restructuring and the other transactions contemplated by this Agreement, including using reasonable best efforts to (i) take all acts necessary to cause the conditions to the Closing to be satisfied as promptly as reasonably practicable, (ii) obtain all necessary Consents of, and

actions or nonactions by, any Governmental Entity and make all necessary Filings with, and notices to, any Governmental Entity and take all reasonable steps as may be necessary to avoid a suit, action, proceeding or investigation by, any Governmental Entity and (iii) execute and deliver any additional instruments necessary to consummate the Acquisition, the Restructuring and the other transactions contemplated by this Agreement. Additionally, each of Seller and Purchaser shall not, and shall not permit any of their respective Affiliates to, take any action that would, or that would reasonably be expected to, result in any of the conditions set forth in Article III not being satisfied in a timely manner.

SECTION 8.02. Antitrust Notification and Other Regulatory Filings. (a) Each of Seller and Purchaser shall, in consultation and cooperation with the other and as promptly as reasonably practicable, but in no event later than 15 business days following the execution and delivery of this Agreement, (i) file with the United States Federal Trade Commission (the “FTC”) and the United States Department of Justice (the “DOJ”) the notification and report form, if any, required under the HSR Act for the transactions contemplated by this Agreement and, after such initial filing, any supplemental information requested in connection therewith pursuant to the HSR Act and (ii) file with all other non-U.S. Governmental Entities any notices and applications necessary to obtain merger control or competition Law approval for the Acquisition. Any such notices and applications, including such HSR Act notification and report form shall be in substantial compliance with the requirements of the HSR Act or other applicable non-U.S. merger control or competition Law, as the case may be. Each of Seller and Purchaser shall (i) furnish to the other party such necessary information and reasonable assistance as the other party may request in connection with its preparation of any filing or submission which is necessary under the HSR Act or any other such non-U.S. merger control or competition Law, (ii) give the other reasonable prior notice of any such filings, notices or applications and, to the extent reasonably practicable, of any communication with, and any inquiries or requests for additional information from, the FTC, the DOJ or any other Governmental Entity, as applicable, regarding the Acquisition, and permit the other to review and discuss in advance and consider in good faith the views of, and secure the participation of, the other in connection with any such filings, notices, applications, communications, requests or inquiries, (iii) unless prohibited by applicable Law or by the applicable Governmental Entity, (A) to the extent reasonably practicable, not participate in or attend any meeting, or engage in any substantive conversation with any Governmental Entity in respect of the Acquisition without the other, (B) to the extent reasonably practicable, give the other reasonable prior notice of any such meeting or conversation, (C) in the event one party is prohibited by applicable Law or by the applicable Governmental Entity from participating or attending any such meeting or engaging in any such conversation, keep such party reasonably apprised with respect thereto, (D) cooperate in the filing of any substantive memoranda, white papers, filings, correspondence or other written communications explaining or defending this Agreement and the Acquisition, articulating any regulatory or competitive argument or responding to requests or objections made by any Governmental Entity and (E) furnish the other party with copies of all correspondence, filings and communications (and memoranda setting forth the substance thereof) between it and its Affiliates and their respective Representatives, on the one hand, and any Governmental Entity or members of any

Governmental Entity's staff, on the other hand, with respect to this Agreement and the Acquisition and (iv) comply with any inquiry or request from the FTC, the DOJ or any other Governmental Entity, as applicable, as promptly as practicable. Any such additional information shall be in substantial compliance with the requirements of the HSR Act or other applicable non-U.S. merger control or competition Law, as the case may be. Purchaser agrees not to extend directly or indirectly any waiting period under the HSR Act or any other non-U.S. merger control or competition Law or enter into any agreement with a Governmental Entity to delay or not to consummate the transactions contemplated by this Agreement, except with the prior written consent of Seller, which consent may be withheld in its sole discretion.

(b) Subject to the terms and conditions set forth in this Agreement, each of Seller and Purchaser shall use (and shall cause their respective subsidiaries to use) reasonable best efforts to (i) obtain any clearance required, (ii) resolve any objections as may be asserted by any Governmental Entity and (iii) avoid or eliminate each and every impediment, in each case, under the HSR Act and any other applicable merger control or competition Law necessary for the consummation of the Acquisition as promptly as reasonably practicable (and in any event no later than the Outside Date). Purchaser's reasonable best efforts shall include (A) contesting and resisting any Proceeding instituted (or threatened to be instituted) challenging any transaction contemplated by this Agreement as violative of any competition or antitrust Law or other such Law, (B) attempting to have repealed, rescinded or made inapplicable any Law or Injunction, and to have vacated, lifted, reversed or overturned any Injunction, that is enacted, entered, promulgated or enforced by a Governmental Entity that would make the transactions contemplated by this Agreement illegal or would otherwise prohibit or materially impair or delay the consummation of the transactions contemplated by this Agreement, (C) proposing, negotiating, committing to and effecting, by consent decree, hold separate order, or otherwise, the sale, divestiture or disposition of businesses, product lines, assets or operations of the Business, and (D) conducting Purchaser's clinical supplies business or the Business in a specified manner, or proposing and agreeing or permitting to conduct Purchaser's clinical supplies business or the Business in a specified manner, including by agreeing to undertakings required by a Governmental Entity that it will take, or refrain from taking, any action, in each case, to the extent necessary to obtain any such clearance, resolve any such objections or avoid or eliminate any such impediments; provided, however, that (x) the obligations in clauses (C) and (D) above shall only apply to the extent any such sale, divestiture, disposition, agreement or undertaking would not, individually or in the aggregate, have a material and adverse effect on the Purchaser's clinical trial business or on the Business (provided that the threshold for materiality shall be measured solely with respect to the Business) and (y) the effectiveness of any such action shall be conditioned upon the consummation of the Acquisition.

(c) Notwithstanding the foregoing, except as provided in clauses (C) and (D) of Section 8.02(b) above, nothing in this Agreement, including this Section 8.02 or the "reasonable best efforts" or other similar standard generally, shall require, or be construed to require, Purchaser to proffer to or agree to, or to permit Seller to proffer to or agree to, sell, divest, lease, license, transfer, dispose of or otherwise encumber or hold

separate or agree to sell, divest, lease, license, transfer, dispose of or otherwise encumber before or after the Effective Time, any assets, licenses, operations, rights, product lines, businesses or interest therein of Purchaser or its respective Affiliates or of the Business (or to consent to any sale, divestiture, lease, license, transfer, disposition or other encumbrance by Seller of any of the Business' assets, licenses, operations, rights, product lines, businesses or interest therein or to any agreement by Seller to take any of the foregoing actions) or to agree to any changes (including through a licensing arrangement) or restriction on, or other impairment of Purchaser's ability to own or operate, any such assets, licenses, operations, rights, product lines, businesses or interests therein or Purchaser's ability, after giving effect to the Restructuring, to vote, transfer, receive dividends or otherwise exercise full ownership rights with respect to the stock of the Company or any Company Subsidiary.

SECTION 8.03. Post-Closing Cooperation. Each of Seller and Purchaser shall cooperate with each other, and shall cause their respective Representatives to cooperate with each other for a period of one year after the Closing to ensure the orderly transition of the Business from Seller to Purchaser and to minimize any disruption to the Business and the other respective businesses of Seller, the Company, the Company Subsidiaries and Purchaser that might result from the transactions contemplated hereby. After the Closing, upon reasonable written notice, each of Seller and Purchaser shall furnish or cause to be furnished to each other and their respective Representatives reasonable access, during normal business hours, to such information, Records (including furnishing copies thereof) and assistance (including access to personnel) relating to the Company, the Company Subsidiaries and the Business (to the extent within the control of such party) as is reasonably necessary (i) for financial reporting and accounting matters, (ii) for the preparation and filing of any Tax Returns, (iii) for other reasonable business purposes, (iv) to facilitate the investigation, litigation, settlement and final disposition of any claims, including Tax Claims or assessments, that may have been or may be made by or against Seller, Purchaser or any of their respective Affiliates or (v) in connection with any investigation by any Governmental Entity or otherwise to comply with applicable Law. The obligation to cooperate pursuant to the preceding sentence insofar as it concerns Taxes shall terminate at the time the relevant applicable statute of limitations expires (giving effect to any extension thereof). Purchaser and Seller each shall reimburse the other party for reasonable out-of-pocket costs and expenses incurred in assisting the other party or their respective Affiliates pursuant to this Section 8.03. Neither Purchaser, nor Seller shall be required by this Section 8.03 to take any action that would unreasonably interfere with the conduct of its business or unreasonably disrupt its normal operations.

SECTION 8.04. Publicity. Seller and Purchaser agree that, from the date hereof through the Closing, no public release or announcement concerning this Agreement or the transactions contemplated hereby shall be issued by either party or its Affiliates without the prior written consent of the other party (which consent shall not be unreasonably withheld or delayed), except as such release or announcement may be required by applicable Law or the rules or regulations of any United States or non-U.S. securities exchange or listing authority based on advice of counsel, in which case the party required to make the release or announcement shall allow the other party a

reasonable opportunity to comment on such release or announcement in advance of such issuance; provided that each of Seller and Purchaser may make internal announcements to their respective employees that are consistent with such party's prior public disclosures regarding the transactions contemplated hereby and otherwise have been made in accordance with this Section 8.04. Seller and Purchaser agree that the initial press release to be issued with respect to the transactions contemplated by this Agreement shall be in the form, of substance and with timing agreed upon by Seller and Purchaser.

SECTION 8.05. Tax Matters. (a) (i) The amount of any refunds of Taxes with respect to the Company and the Company Subsidiaries for any Pre-Closing Tax Period (including that portion of any Straddle Period that ends on the Closing Date determined in accordance with Section 10.03(e)) shall be for the account of Seller to the extent such Taxes are indemnified by Seller pursuant to Section 10.03(a). The amount of any other refunds of Taxes of the Company and the Company Subsidiaries shall be for the account of Purchaser. Notwithstanding the foregoing, any such refunds of Taxes shall be for the account of Purchaser to the extent such refunds are (i) attributable (determined on a marginal basis) to the carryback from a Post-Closing Tax Period of items of loss, deduction or credit, or other Tax items, of the Company or any Company Subsidiary (or any of their respective Affiliates, including Purchaser) or (ii) taken into account for purposes of determining the Closing Working Capital.

(ii) Each of Seller and Purchaser shall forward, or cause to be forwarded, to the party entitled pursuant to Section 8.05(a)(i) to receive the amount of a refund of Taxes the amount of such refund within 10 days after such refund is received, including any interest received in respect thereof from the applicable Taxing Authority.

(iii) If, subsequent to a Taxing Authority's allowance of a refund, such Taxing Authority reduces or eliminates such allowance, any refund, plus any interest received thereon, that is forwarded or reimbursed under Section 8.05(a)(ii) shall be returned to the party that had forwarded or reimbursed such refund and interest, upon the request of such forwarding party, in an amount equal to the applicable reduction, including any interest received thereon.

(b) All Transfer Taxes that arise on the sale of the Shares by Seller under this Agreement shall be borne by Purchaser. Purchaser and Seller agree that any Tax Returns that must be filed in connection with Transfer Taxes shall be prepared and filed when due by the party primarily or customarily responsible under the applicable local Law for filing such Tax Returns, and such party will use its reasonable efforts to provide such Tax Returns to the other party at least ten days prior to the due date for such Tax Returns.

(c) Any VAT that arises on the sale of the Shares by Seller under this Agreement shall be borne by Purchaser to the extent such sale constitutes a taxable supply for VAT purposes and upon receipt of a valid VAT invoice.

(d) (i) Seller shall prepare on behalf of the Company all Tax Returns of the Company for all Pre-Closing Tax Periods and Straddle Periods for which Seller has an indemnity obligation pursuant to Section 10.03(a) (“Seller Prepared Tax Returns”). Seller shall deliver to Purchaser a draft of each Seller Prepared Tax Return at least 30 days prior to the date such Tax Return is required to be filed. Such Seller Prepared Tax Returns shall, unless otherwise required by Law or with the consent of Purchaser, be filed in a manner consistent with past practice and no position shall be taken, election made or method adopted that is inconsistent with positions taken, elections made or methods used in prior periods in filing such Tax Returns; provided that, for the avoidance of doubt, Seller shall not require that the Company or any Company Subsidiary enter into any election, such that the relevant Company or Company Subsidiary assumes any liability for Tax which is primarily a liability of Seller or an Affiliate of Seller. Seller shall cause the Company or the relevant Company Subsidiary to execute and timely file, as prepared, all Seller Prepared Tax Returns that are required to be filed on or prior to the Closing Date, and Purchaser shall cause the Company or the relevant Company Subsidiary to execute and timely file, as prepared, all Seller Prepared Tax Returns that are required to be filed after the Closing Date; provided that in each case Purchaser shall deliver to Seller within 15 days after receiving a Seller Prepared Tax Return a detailed written statement describing all of its objections (if any) thereto, and Seller and Purchaser shall cooperate in good faith to resolve any such objections; provided further that in each case failure of Purchaser to so object shall constitute acceptance thereof.

(ii) Seller shall pay to Purchaser, no later than five business days prior to the due date for filing a Seller Prepared Tax Return that is required to be filed after the Closing Date, the full amount of Taxes due with respect to such Tax Return that are allocable to a Pre-Closing Tax Period, including the portion of Taxes for a Straddle Period that is allocable to a Pre-Closing Tax Period pursuant to Section 10.03(e).

(iii) Purchaser and Seller shall reasonably cooperate, and shall cause their respective Affiliates and Representatives to reasonably cooperate, in preparing and filing all Tax Returns (subject to Section 8.05(d)(i)), and in resolving all disputes and audits with respect to all taxable periods relating to Taxes and in any other matters relating to Taxes, including by maintaining and making available to each other, as reasonably needed, all Records in connection with Taxes; provided, however, that the failure to give such information and other data shall not affect the indemnification provided hereunder except to the extent the indemnifying party has been materially prejudiced as a result of such failure.

(e) Seller and Purchaser shall cooperate as soon as practicable after Closing to make an application pursuant to section 43 VATA for Glasgow and Deeside (to the extent Glasgow and Deeside have not already been removed from the VAT Group prior to the Closing Date) to be excluded from the VAT Group with effect from the Closing Date or such later date as the relevant Taxing Authority may permit. Seller shall cause Glasgow and Deeside to contribute to the Representative Member an amount equal to such proportion of any VAT for which the Representative Member is accountable as is properly attributable to supplies made by Glasgow and Deeside while it was a member of

the VAT Group less such amount of deductible input Tax as is properly attributable to those supplies. The due date for payment of such contribution shall be the later of:

- (i) the fifth business day after Purchaser or the Representative Member makes a demand for payment; and
- (ii) the fifth business day before the last date on which the Representative Member is liable to pay for such VAT to the relevant Taxing Authority in order to avoid any related interest or penalty.

(f) Purchaser shall, to the extent permitted by law, cause the Company and each Company Subsidiary to surrender to Seller or an Affiliate of Seller (the "Claimant Company") such Group Relief as Seller may direct in writing in respect of any accounting period of the Company or Company Subsidiary beginning before the Closing and no consideration shall be payable by the Claimant Company in respect of any claim for Group Relief made in accordance with this Section 8.05(f).

(g) Seller shall use reasonable efforts to avail itself of any available exemptions from any Transfer Taxes or fees applicable to the Acquisition, and to cooperate with Purchaser in providing any information and documentation that may be necessary to obtain such exemptions.

(h) None of Purchaser, any of Purchaser's Affiliates, the Company or the Company Subsidiaries shall take any action (including amending any Tax Return or making any voluntary change in accounting principles or in the treatment of any item for Tax purposes) after the Closing that would materially increase Seller's or any of its Affiliates' liability for Taxes (including any liability of Seller to indemnify Purchaser for Taxes under this Agreement but excluding any liability for Taxes for which Seller is indemnified under Section 10.03(c)), except as required by law. Neither Seller nor any of Seller's Affiliates shall take any action (including amending any Tax Return or making any voluntary change in accounting principles or in the treatment of any item for Tax purposes) that would materially increase Purchaser's or any of its Affiliates' liability for Taxes (including any liability of Purchaser to indemnify Seller for Taxes under this Agreement but excluding any liability for Taxes for which Purchaser is indemnified under Section 10.03(a) or (b)), except as required by law.

(i) For all Tax purposes, each of Purchaser, Seller and their respective Affiliates agrees to treat any indemnity payment under this Agreement as an adjustment to the Purchase Price received by Seller for the transactions contemplated by this Agreement, unless a final determination (as defined in Section 1313 of the Code) provides otherwise.

SECTION 8.06. Record Retention. Each of Seller and Purchaser agrees that, for a period of not less than five years following the Closing Date (or such longer period as may be required by applicable Law), it shall not destroy or otherwise dispose, or permit the destruction or disposal, of any of the Records relating to the Business in its or its Affiliates' possession; provided, however, that Records relating to the finances and

Taxes of the Company and the Company Subsidiaries (“Tax Records”) shall not be destroyed or otherwise disposed of until 60 days following the expiration of the statutes of limitations (including any extensions thereof) for the taxable period or periods to which such Tax Records relate; provided further, however, that such Tax Records may be destroyed or otherwise disposed of 60 days after the expiration of the statutes of limitations (including any extensions thereof) for the taxable period or periods to which such Tax Records relate without any restriction under this Agreement. Except as required by Law, each of Seller and Purchaser shall have the right to destroy all or part of such Records (other than Tax Records) after the fifth anniversary of the Closing Date by giving the other party 20 business days’ prior written notice of such intended disposition and by offering to deliver to such other party, at such other party’s expense, custody of such Records as it intends to destroy. In the event that, at or after the Closing, (a) any document or information relating to the Business is in or comes into the possession of Seller or any of its Affiliates, Seller shall promptly deliver such document or information to Purchaser or (b) any document or information relating to any business of Seller or any of its Affiliates (other than the Business) is in or comes into the possession of Purchaser or any of its Affiliates, Purchaser shall promptly deliver such document or information to Seller. Each of Seller and Purchaser shall cause indices of retained documents to be maintained and copied to the other party upon written request. Each of Seller or Purchaser shall allow reasonable access to retained documents upon written request of the other party within five business days.

SECTION 8.07. Intercompany Arrangements. Each of Seller and Purchaser acknowledges and agrees that except as set forth in Section 8.07 of the Seller Disclosure Schedule (collectively, the “Continuing Arrangements”) and except for arrangements under the Transaction Documents, upon the Closing, all Contracts or other arrangements (including intercompany balances) between Seller or its Affiliates (other than the Company and the Company Subsidiaries), on the one hand, and the Company and a Company Subsidiary, on the other hand, that were entered into prior to the Closing will be canceled, terminated or extinguished, as the case may be, without payment or liability.

SECTION 8.08. Agreement Not To Solicit; Limitations. (a) During the period beginning as of the date hereof and ending on the date that is 24 months after the Closing Date, Seller will not, nor will it permit its directly controlled Affiliates to, directly or indirectly, except with the prior written consent of Purchaser, solicit for employment, employ or assist any other person in employing any Employee; provided that this shall not preclude Seller or any of its Affiliates from (A) hiring any such Employee who has had his or her employment terminated by Purchaser or any of its Affiliates or (B) from making any general solicitation not specifically directed towards any such Employee; provided the Seller and its Affiliates comply with the restrictions on hiring set forth herein.

(b) During the period beginning as of the date hereof and ending on the date that is 24 months after the Closing Date, Purchaser will not, nor will it permit its directly controlled Affiliates to, directly or indirectly, except with the prior written consent of Seller, solicit for employment, employ or assist any other person in employing

any of the persons listed in Section 8.08(b) of the Seller Disclosure Schedule; provided that this shall not preclude Purchaser or any of its Affiliates from (A) hiring any such employee who has had his or her employment terminated by Seller or any of its Affiliates or (B) from making any general solicitation not specifically directed towards any such person; provided the Purchaser and its controlled Affiliates comply with the restrictions on hiring set forth herein.

(c) For a period of 24 months on and after the Closing Date (the “Restricted Period”), Seller shall not, and shall cause its Subsidiaries and controlled Affiliates (each a “Restricted Party”) not to directly or indirectly engage in any business substantially similar to the Business as conducted during the twelve month period prior to the Closing or own the equity securities of, manage, operate or control, any person that engages in a business substantially similar to the Business as conducted twelve month period prior to the Closing; provided, that no Restricted Party shall be prevented from:

(i) acquiring as an investment in the ordinary course of business any securities required to be registered under the Exchange Act of any person to the extent that such acquisitions do not result in such person owning in the aggregate 5% or more of any class of such securities;

(ii) acquiring (through merger, stock purchase or sale of all or substantially all of the assets or otherwise) ownership of or any equity interest in any person, provided that the annual revenues of such person from any business that competes with the Business are not more than 10% of such person’s total annual revenues (based on the most recent full fiscal year revenues of such person); or

(iii) engaging in the PDM Business to the extent substantially all such business is conducted at the Seller’s Verona, Italy or Glasgow, Scotland facilities; provided that sales, corporate level services, executive management and similar activities shall be excluded from such geographic limitation.

SECTION 8.09. Repayment of Indebtedness. Prior to the Closing, the Company shall cause each obligee of Indebtedness to be Repaid to submit a payoff letter (or other appropriate documentation with respect to the satisfaction and cancelation of the Preferred Stock Obligations) with respect to such Indebtedness to be Repaid (including all ancillary obligations thereto (including interest, fees and prepayment premiums) for payoff as of close of business on the Closing Date. Such payoff letters will provide (i) that upon payment of the amounts specified therein by the Company and the Company Subsidiaries, as applicable, or on their behalf, all commitments related to such Indebtedness to be Repaid will be terminated, all obligations related to such Indebtedness to be Repaid (other than indemnification, expense reimbursement and other contingent obligations) will be satisfied, released and discharged and all Liens in or upon any of the assets or properties of the Company or any Company Subsidiary securing such Indebtedness to be Repaid will be satisfied, released and discharged, and (ii) for the filing of all documents necessary to effectuate, or reflect in public record, such satisfaction, release and discharge after such amounts have been paid as specified therein. On the

Closing Date, all Indebtedness to be Repaid shall be repaid by Seller instructing Purchaser to wire a portion of the Purchase Price (before adjustment pursuant to Article II to reflect the Estimated Net Funded Indebtedness) to repay such Indebtedness in accordance with the payoff letters at or immediately prior to the Effective Time. “Indebtedness to be Repaid” means all indebtedness set forth on Section 8.09 of the Seller Disclosure Schedule.

SECTION 8.10. Pre-Closing Occurrence Based Insurance. (a) From and after the Closing Date, the Company and each Company Subsidiary shall cease to be insured by Seller or its Affiliates’ insurance policies or programs of self-insurance, and shall have no access to any such insurance policies or programs of self-insurance other than as set forth in Section 8.10(b).

(b) For any claim that may be asserted against the Company or any Company Subsidiary after the Closing Date arising out of events, incidents, conduct or circumstances that occurred prior to the Closing Date (such claims, “Post-Closing Claims”), the Company and any Company Subsidiary may tender such Post-Closing Claim to Seller for submission by Seller to the applicable insurer under any of the occurrence-based insurance policies of Seller or its Affiliates issued prior to the Closing Date under which the Company or any Company Subsidiary was insured or potentially insured as of the date of the events, incidents, conduct or circumstances giving rise to such Post-Closing Claim (such policies, the “Pre-Closing Occurrence Based Policies” and each such claim a “Noticed Post-Closing Claim”) and Seller shall thereupon tender such Post-Closing Claim to the applicable insurer for coverage; provided, however, that (i) nothing herein shall diminish or affect any right of the Company or any Company Subsidiary under such Pre-Closing Occurrence Based Policies to tender any Post-Closing Claims directly to the applicable insurer should Seller fail or refuse to do so for any reason; and (ii) the Company shall have no recourse to Seller for any uninsured or uncovered amounts for such Post-Closing Claims (including any deductible or other amount for which Seller provides self-insurance), except for amounts attributable to any failure or refusal by Seller to provide timely notice of any Noticed Post-Closing Claim to the applicable insurer upon Seller’s receipt of notice of such Noticed Post-Closing Claim from the Company or any Company Subsidiary. Seller shall notify the Company of all coverage determinations made by the insurer(s) in respect of any Post-Closing Claims and, if any amounts are paid or to be paid by the insurer in respect thereof, shall request that such insurer make payment directly to the Company or applicable Company Subsidiary or shall transfer such insurance proceeds to the Company or the applicable Company Subsidiary, as the case may be, no later than ten (10) days after receipt of such insurance proceeds.

(c) Seller shall not release, commute, buy-back, or otherwise eliminate the coverage available under any Pre-Closing Occurrence Based Policy without the Company’s consent.

(d) Subject to and without modification of the foregoing Sections 8.10(a)-(c), if any Post-Closing Claim is a workers’ compensation claim alleging cumulative trauma injury, then (i) if it is finally determined by a court of law or responsible authority

that the date of loss was in fact prior to the Closing Date, the Seller shall be responsible for the loss exclusively, and neither the Company nor any Company Subsidiary shall be liable for any portion of such loss; and (ii) absent a determination set forth in subsection (d)(i) hereof, Seller shall be responsible for a *pro rata* share of such Post-Closing Claim, with Seller's share and the Company or Company Subsidiary's share calculated based upon the relative periods of time that the injury transpired prior to and on and after the Closing Date.

SECTION 8.11. Litigation Support. In the event and for so long as each party hereto actively is prosecuting, contesting or defending any Proceeding by a third party in connection with (a) any transactions contemplated under this Agreement or (b) any fact, situation, circumstance, status, condition, activity, practice, plan, occurrence, event, incident, action, failure to act, or transaction involving the Business or the Company or any Company Subsidiary, and any of the foregoing require the other party's cooperation due to such party's ownership of the Business or the Company or any Company Subsidiary at a relevant time, the requested party shall, and shall cause its subsidiaries and controlled Affiliates to, cooperate reasonably with the requesting party and its counsel, at the requesting party's expense for any out-of-pocket expenses, in the prosecution, contest or defense, make available its personnel, and provide such testimony and access to its books and records as shall be reasonably necessary in connection with the prosecution, contest or defense; provided that such support (i) does not unreasonably disrupt the normal operations of the requested party, its subsidiaries and controlled Affiliates, and their respective representatives, (ii) would not be reasonably expected to violate any attorney-client privilege of the requested party or violate any applicable Law (including antitrust Laws) and (iii) would not reasonably be expected to breach any duty of confidentiality owed to any person whether the duty arises contractually, statutorily or otherwise.

SECTION 8.12. Further Assurances. Seller and Purchaser agree that, from time to time, whether before, at or after the Closing Date, each of them will execute and deliver such further instruments of conveyance and transfer and take such other action as may be necessary to carry out the purposes and intents of this Agreement.

SECTION 8.13. Service Levels in Transition Services Agreement. Prior to the Closing, Purchaser and Seller shall use reasonable best efforts to agree on the levels of service ("Service Levels") to be provided by each of the Company and Seller pursuant to the Transition Services Agreement. Such Service Levels shall be substantially the same as the levels of service provided for such services during the immediately preceding twelve month period.

ARTICLE IX

Employee Matters

SECTION 9.01. Continuation of Compensation and Benefits. For a period of one year from the Closing Date (or for such longer period as required by applicable Law), Purchaser shall, or shall cause its Affiliates to, provide (a) to each

Employee, to the extent employed by Purchaser or its Affiliates during such period, a base salary or wages, variable pay and incentive or bonus opportunities, in each case, no less favorable than the base salary or wages, variable pay and incentive or bonus opportunities provided to each such Employee as of the Closing and, solely in the case of base salary or wages, listed in Section 7.05 (b)(ii) of Schedule B to the Restructuring Agreement and (b) to Employees in the aggregate, other employee benefits (excluding equity-based compensation) that are substantially comparable in the aggregate to those provided to such Employees by Seller or any of its Affiliates as of the date hereof and listed on Section 4.13(a) of the Seller Disclosure Schedule. Purchaser shall, or shall cause its Affiliates to, provide to each Employee, to the extent employed by Purchaser or its Affiliates during the period from the Closing Date until the first anniversary thereof, whose employment is involuntarily terminated by Purchaser or any of its Affiliates prior to the first anniversary of the Closing Date, severance and termination benefits, to the extent applicable, in an amount equal to the severance and termination benefits that would be due under the applicable severance and termination benefit plans, programs, policies, agreements or arrangements of Purchaser and its Affiliates for similarly situated employees of Purchaser and its Affiliates. Notwithstanding the foregoing, nothing contemplated by this Agreement shall be construed as requiring Purchaser or any of its Affiliates (i) to be obligated to continue the employment of any Employee for any period of time after the Closing Date or (ii) to maintain any specific employee benefit plan, arrangement or program or any employment condition.

SECTION 9.02. Service Credit. From and after the Effective Time, Purchaser and its Affiliates shall (a) recognize, for all purposes under all plans, programs and arrangements established or maintained by Purchaser or any of its Affiliates for the benefit of each Employee, employed as of the Closing, service with Seller and its Affiliates and predecessors prior to the Closing Date to the extent such service was recognized under the corresponding Company Benefit Plan or Employee Benefit Plan, including for purposes of eligibility, vesting and benefit levels and accruals; provided, however, that such service shall not be credited for purposes of benefit accrual under any defined benefit pension plan or to the extent that it would result in a duplication of benefits, (b) waive any pre-existing condition exclusion, actively-at-work requirement or waiting period under all employee health and other welfare benefit plans established or maintained by Purchaser or an Affiliate of Purchaser for the benefit of each Employee, employed as of the Closing, except to the extent such pre-existing condition, exclusion, requirement or waiting period would have applied to such Employee under the corresponding Company Benefit Plan, Employee Benefit Plan or any plan, program, agreement, arrangement or understanding that is required by applicable Law immediately prior to the Closing and (c) provide full credit for any co-payments, deductibles or similar payments credited under the corresponding Company Benefit Plan or Employee Benefit Plan with respect to each Employee prior to the Closing for the plan year in which the Closing occurs.

SECTION 9.03. WARN Act and Other Notices. Purchaser agrees to provide, or to cause its Affiliates to provide, any required notice under the Worker Adjustment and Retraining Notification Act (together with any similar Federal, state or local Law of the United States, the "WARN Act") and to otherwise comply with the

WARN Act with respect to any “plant closing” or “mass layoff” (as defined in the WARN Act) or group termination or similar event affecting Employees (including as a result of the consummation of the transactions contemplated by this Agreement) and occurring on or within 90 days after the Closing Date. Purchaser shall assume liability for, and shall fully indemnify and hold harmless Seller and its Affiliates with respect to, any Liability incurred by Seller or any of its Affiliates pursuant to the WARN Act in connection with any Employee, employed as of the Closing Date, to the extent such liability arises from actions of Purchaser or any of its Affiliates on or after the Effective Time, including with respect to the actions described in the immediately preceding sentence. Seller agrees to provide, or to cause its Affiliates to provide, any required notice under the WARN Act and to otherwise comply with the WARN Act with respect to any “plant closing” or “mass layoff” (as defined in the WARN Act) or group termination or similar event affecting employees of the Company or any Company Subsidiary and occurring prior to the Closing Date. Seller shall assume liability for, and shall fully indemnify and hold harmless Purchaser and its Affiliates with respect to, any Liability incurred by Purchaser or any of its Affiliates pursuant to the WARN Act or any similar applicable Law in connection with any employee of the Company or any Company Subsidiary, to the extent such liability arises from actions of Seller or any of its Affiliates prior to the Effective Time. Seller agrees, upon Purchaser’s request, to cooperate with Purchaser, or to cause its Affiliates to cooperate with Purchaser, with respect to any “plant closing” or “mass layoff” or group termination or similar event which is anticipated to occur within 90 days following the Closing Date.

SECTION 9.04. Special Non-U.S. Provisions. With respect to any Non-U.S. Employees, Purchaser’s and its Affiliates’ obligations under this Article IX shall be modified to the extent necessary to comply with applicable Laws of the foreign countries and political subdivisions thereof in which such Employees are based.

SECTION 9.05. No Third Party Beneficiaries; No Amendment. The provisions of this Article IX are solely for the benefit of the parties to this Agreement and nothing in this Article IX, express or implied, shall confer upon any current or former employee, director or independent contractor of the Business, or legal representative or beneficiary thereof, any rights or remedies, including any right to employment or continued employment for any specified period, or compensation or benefits of any nature or kind whatsoever under this Agreement. Nothing in this Article IX, express or implied, shall be construed to prevent Purchaser or any of its Affiliates from terminating or modifying to any extent or in any respect any benefit plan that Purchaser or any such Affiliate may establish or maintain. Notwithstanding any provision of this Article IX to the contrary, the terms of this Article IX are not intended to, and shall not, constitute an amendment to any employee benefit plan, program or arrangement of Seller, Purchaser or any of their respective Affiliates.

SECTION 9.06. For purposes of Sections 9.02 and 9.03, solely in the case of any CTS STD Employee (as defined in the Restructuring Agreement), all references to the Closing, the Closing Date or the Effective Time shall instead be deemed to refer to such CTS STD Employee’s Delayed Transfer Date (as defined in the Restructuring Agreement).

ARTICLE X

Indemnification

SECTION 10.01. Indemnification by Seller. (a) From and after the Closing, Seller shall indemnify, defend (or where applicable, pay the defense costs for) and hold harmless, Purchaser and its Affiliates and each of their respective officers, directors, employees, agents and representatives, and each of the heirs, executors, successors and assigns of any of the foregoing (collectively, the “Purchaser Indemnitees”) from, against and in respect of, any and all Losses imposed on, sustained, incurred or suffered by any such Purchaser Indemnitee to the extent relating to, arising out of or resulting from:

(i) (A) any breach or inaccuracy of the representation or warranty of Seller made in Section 4.05(b), Section 4.05(d), Section 4.05(f), Section 4.05(g), Section 4.05(h), Section 4.14(a) or Section 4.18, as of the Closing with the same effect as though made as of such time or (B) any breach or inaccuracy of any representation or warranty of Seller made in this Agreement (other than those listed in the preceding clause (A)), as of the Closing with the same effect as though made as of such time, except to the extent such representation or warranty is expressly made as of a specific date (in which case such representation or warranty shall be true and correct as of such date), disregarding for such purpose in the case of this clause (B) any limitations or qualifications as to “materiality”, “Material Adverse Effect”, “material” or similar materiality qualification set forth therein; and

(ii) any breach of (A) any covenant or agreement of Seller or any of its Subsidiaries contained in this Agreement requiring performance at or prior to Closing or (B) any covenant or agreement of Seller or any of its Subsidiaries contained in this Agreement requiring performance after Closing; and

(iii) any Excluded Liability.

provided, however, that this Section 10.01 shall not provide for any indemnification arising out of or relating to Taxes (which are the subject of Section 10.03).

(b) Notwithstanding the foregoing, Seller shall not be required to indemnify any Purchaser Indemnitee and Seller shall not have any liability:

(i) under Section 10.01(a)(i), unless the aggregate of all Losses for which Seller would be liable, but for this clause (i), exceeds on a cumulative basis an amount equal to \$4,500,000, and then only to the extent of any such excess; provided that this clause (i) shall not apply to any claim for indemnification to the extent arising out of a breach or inaccuracy of the representations set forth in Sections 4.01 (Organization, Standing and Authority; Execution and Delivery; Enforceability), 4.03 (Shares) and 12.09 (Fees) (such representations, the “Seller Fundamental Representations”);

(ii) under Section 10.01(a)(i) for any individual item (or series of items arising out of substantially similar facts and circumstances) where the Loss relating thereto is less than \$50,000 and such items shall not be aggregated for purposes of the foregoing clause (i) of this Section 10.01(b); provided that this clause (ii) shall not apply to any claim for indemnification to the extent arising out of a breach or inaccuracy of the Seller Fundamental Representations;

(iii) (A) under Section 10.01(a)(i) in excess of the Escrow Amount; provided, however, that this clause (iii)(A) shall not apply to any claim for indemnification to the extent arising out of a breach of the Seller Fundamental Representations and (B) under Section 10.01(a)(i) (including to the extent arising out of a breach of the Seller Fundamental Representations) in excess of \$410,000,000; and

(iv) under Section 10.01(a)(i) for any Losses arising out of a breach of the representations and warranties contained in Section 4.16, to the extent such Losses (A) are incurred by Purchaser for any Owned Property or Leased Property and exceed the minimum costs reasonably necessary to comply with applicable Environmental Laws, (B) arise at any Owned Property or Leased Property as a result of any site closure, cessation of operations, or change in site use to any use substantially dissimilar to the use of such real property at the Closing (such as, for example, from industrial to commercial or residential use), in each case by or on behalf of Purchaser or any person acquiring such real property from Purchaser or the Company or any Company Subsidiary after the Closing, or (C) arise as a result of any environmental investigation, testing or sampling at, on or under any Owned Property or Leased Property after the Closing by or on behalf of Purchaser or any person acquiring such real property from Purchaser or the Company or any Company Subsidiary after the Closing, except to the extent undertaken (i) pursuant to any obligation under any consent decree, consent order or other specific requirement by or with any Governmental Entity; (ii) to respond to an imminent and substantial endangerment to the environment or human health; (iii) in connection with any requirement arising out of the decommissioning at the Kansas City, Missouri facility of the existing or any previous Environmental Permit issued by the Nuclear Regulatory Commission or any predecessor; or (iv) as required under any Environmental Law in connection with any repair or maintenance activity reasonably undertaken in connection with the operation of the Business, or any expansion of the physical facilities of the Business (provided that with respect to any such expansion, any such investigation, testing or sampling is undertaken in consultation with, and subject to the approval of, Seller, such approval not to be unreasonably withheld, conditioned or delayed).

SECTION 10.02. Indemnification by Purchaser. (a) From and after the Closing, Purchaser shall indemnify, defend (or where applicable, pay the defense costs for and hold harmless, Purchaser and its Affiliates (other than the Company and the Company Subsidiaries) and each of their respective officers, directors, employees, agents and representatives, and each of the heirs, executors, successors and assigns of any of the foregoing (collectively, the "Seller Indemnitees") against, and hold them harmless from,

any Loss suffered or incurred by any such Seller Indemnitee to the extent relating to, arising out of or resulting from:

(i) any breach or inaccuracy of any representation or warranty of Purchaser made in this Agreement, as of the Closing with the same effect as though made as of such time, except to the extent such representation or warranty is expressly made as of a specific date (in which case such representation or warranty shall be true and correct as of such date), disregarding any limitations or qualifications as to “materiality”, “Material Adverse Effect”, “material” or similar materiality qualification set forth therein; and

(ii) any breach of any covenant or agreement of Purchaser contained in this Agreement.

provided, however, that this Section 10.02 shall not provide for any indemnification arising out of or relating to Taxes (which are the subject of Section 10.03).

(b) Notwithstanding the foregoing, Purchaser shall not be required to indemnify any Seller Indemnitee and Purchaser shall not have any liability:

(i) under Section 10.02(a)(i) unless the aggregate of all Losses for which Purchaser would be liable, but for this clause (i), exceeds on a cumulative basis an amount equal to \$4,500,000, and then only to the extent of any such excess;

(ii) under Section 10.02(a)(i) for any individual item (or series of items arising out of substantially similar facts and circumstances) where the Loss relating thereto is less than \$50,000 and such items shall not be aggregated for purposes of the foregoing clause (i) of this Section 10.02(b);

(iii) under Section 10.02(a)(i) in excess of \$25,000,000; and

(iv) under Section 10.02(a)(i) or Section 10.02(a)(ii) to the extent Purchaser’s indemnity obligation otherwise arises as a result of (A) any action taken or omitted to be taken by Seller or any of its Affiliates or (B) any breach by Seller of a representation or warranty or covenant under any Transaction Document.

SECTION 10.03. Tax Indemnification. (a) From and after the Closing, Seller shall indemnify the Purchaser Indemnitees against, and hold them harmless from, without duplication, Losses in respect of: (i) any Taxes of the Company or any Company Subsidiary for Pre-Closing Tax Periods and the portion of any Straddle Period that ends on the Closing Date, (ii) any and all liability (as a result of Treasury Regulations Section 1.1502-6 or any similar provision of state, local or foreign Law or any provision of foreign Law relating to secondary Tax liabilities or otherwise) for Taxes of Seller or any other person (other than the Company or any Company Subsidiary) which is or has ever been affiliated with the Company or any Company Subsidiary or with whom the Company or any Company Subsidiary otherwise joins or has ever joined (or is or has ever been required to join) in filing any consolidated, combined, unitary or aggregate Tax

Return, prior to the Closing Date, (iii) any breach of any covenant or agreement of Seller set forth in Section 5.02(b)(xvi) or Section 8.05, (iv) without duplication any Taxes incurred from the Restructuring that arise (1) on or prior to the Closing Date and (2) after the Closing Date to the extent such Taxes result directly from actions taken pursuant to the Restructuring Agreement (for the avoidance of doubt, any collateral tax consequences, e.g., use of net operating losses, resulting from the Restructuring are excluded from the indemnity obligation pursuant to this Section 10.03(a)), (v) any payments required to be made after the Closing Date under any Tax sharing, Tax indemnity, Tax allocation or similar contracts (whether or not written) to which the Company or any Company Subsidiaries was obligated, or was a party, on or prior to the Closing Date, (vi) all liability for Taxes (other than Taxes described in Section 8.05(b) and (c)) arising (directly or indirectly) as a result of the sale of the Shares or the other transactions contemplated hereby (including, without limitation, any Taxes arising as a result of the recognition by Seller, Company or any Company Subsidiary of any “deferred intercompany gain” or “excess loss account”) and (vii) all liability for Taxes (determined without regard to any deductions, credits, losses or other tax attributes of Purchaser or its Affiliates) attributable to any deemed royalty income under Section 367(d) (or any other applicable provision) of the Code from the transfer of intangible property by Aptuit, Inc. to Aptuit (Wales) Limited in September 2009 (“Covered Taxes”), but only to the extent such liability exceeds the aggregate net Tax benefit actually realized by Purchaser and its Affiliates after Closing from any net operating loss carryforwards or tax credits of the Company as of the Closing (as may be adjusted by any taxing authority, “Pre-Closing Tax Attributes”); provided that Purchaser shall use (or cause its Affiliates after Closing to use) any Pre-Closing Tax Attributes before using (or causing its Affiliates after Closing to use) any other tax attributes, to the extent permissible under applicable Tax Law; provided further that, in each case, Seller shall not indemnify any Purchaser Indemnitee under this Section 10.03 to the extent that the Tax Liability is reflected in Closing Working Capital or would not have arisen but for (x) an action or omission carried out or effected on the Closing Date after Closing by Purchaser or any of its Affiliates, other than any such action or omission carried out (A) in the ordinary course of business of Purchaser or its Affiliates, (B) in order to comply with any applicable Law or as contemplated by this Agreement, (C) taking place with the written approval of Seller or (D) pursuant to a legally binding obligation of the Company or a Company Subsidiary entered into on or prior to Closing or (y) a change in Law or GAAP after the Closing. For the purposes of this Section 10.03(a) other than clause (vii), a Loss shall include a Purchaser Indemnitee’s use of any Tax benefit that arises in a Post-Closing Tax Period to reduce any Tax described in this Section 10.03(a). Notwithstanding clause (vii) of this Section 10.03(a), until either (x) the Adjusted Pre-Closing Tax Attributes have been reduced to zero or (y) the aggregate amount of Covered Taxes realized exceeds the aggregate net Tax benefit that would be realized by Purchaser and its Affiliates in respect of the Pre-Closing Tax Attributes if all Pre-Closing Tax Attributes had been actually utilized, no payment shall be due pursuant to clause (vii) to the extent such Covered Taxes are offset by deductions, credits, losses or other tax attributes of Purchaser or its Affiliates; provided that if this sentence would apply but for the application of clause (x) or (y) hereof, the amount of Covered Taxes indemnifiable pursuant to clause (vii) shall be further reduced by the aggregate net Tax benefit that

would be realized by Purchaser and its Affiliates in respect of the Pre-Closing Tax Attributes if all Adjusted Pre-Closing Tax Attributes were actually utilized.

(b) To the extent not previously indemnified pursuant to clause (vii) of Section 10.03(a), ten (10) Business Days prior to the Tax Guaranty Expiration Date, the Seller shall make a payment to the Purchaser equal to all liability for Covered Taxes through such date but only to the extent such liability exceeds (i) the aggregate net Tax benefit actually realized by Purchaser and its Affiliates after Closing from any Pre-Closing Tax Attributes and (ii) the aggregate net Tax benefit that would be realized by Purchaser and its Affiliates if the Adjusted Pre-Closing Tax Attributes had been actually utilized as of such date.

(c) From and after the Closing, Purchaser shall indemnify the Seller Indemnitees against, and hold them harmless from, without duplication: (i) any Taxes for Post-Closing Tax Periods (A) imposed on the Company or any Company Subsidiary or (B) for which the Company or any Company Subsidiary is liable pursuant to Treasury Regulations Section 1.1502-6 or any similar provision of state, local or foreign Law and (ii) any Taxes that arise solely as a result of the breach of any covenant, undertaking or other agreement of Purchaser contained in Section 8.05.

(d) Any indemnity payment to be made under this Section 10.03 shall be paid within 30 days after the indemnified party makes written demand upon the indemnifying party, but in no case earlier than five (5) business days prior to the date on which the relevant Taxes (including any estimated Tax payments) are required to be paid to the relevant Taxing Authority.

(e) Any Taxes, deductions or credits for a Straddle Period shall be allocated between the Pre-Closing Tax Period and the Post-Closing Tax Period on a closing of the books basis (subject to any overriding allocation required in the United Kingdom by Law), except that in the case of Taxes, deductions or credits determined on a periodic basis, the amount of Tax, deduction or credit shall be allocated on a daily pro rata basis.

(f) The indemnification obligations set forth in Section 10.03 shall survive the Closing until 30 days after the expiration of the applicable statute of limitations (giving effect to any waiver, mitigation or extension thereof) with respect to Taxes imposed by any Taxing Authority; provided that such obligations to indemnify and hold harmless shall not terminate with respect to any item as to which the person to be indemnified or a related party thereto, or any person on behalf of such indemnified person or related party, shall have, before the expiration of the applicable period, previously made a claim by delivering a notice of such claim (stating in reasonable detail the basis of such claim) to the indemnifying party.

SECTION 10.04. Limitations on Liability; Cooperation. (a) Notwithstanding any provision herein, neither Seller nor Purchaser shall in any event be liable to the other party or its Affiliates, officers, directors, employees, agents or representatives on account of any indemnity obligation set forth in Section 10.01 or

Section 10.02 for any indirect, consequential, special, incidental or punitive damages (including lost profits, loss of use, damage to goodwill or loss of business); provided, in each case, that such limitation shall not limit recovery (x) for any direct damages, (y) for diminution in the value of any asset of the Business, as of immediately prior to Closing (before giving effect to the Acquisition but after giving effect to the Restructuring), to the extent relating to, arising out of or resulting from the item giving rise to the applicable indemnity obligation or (z) to the extent arising from payments made to a claimant in a Third Party Claim.

(b) Purchaser and Seller shall cooperate with each other with respect to resolving any Losses or Liabilities with respect to which either party is obligated to indemnify the other party hereunder, including (i) by making reasonable efforts to mitigate or resolve any such Losses or Liabilities and (ii) by filing claims, and seeking to recover available amounts, under applicable insurance policies.

(c) Each of Purchaser and Seller further acknowledges and agrees that, from and after the Closing, its and its Affiliates' sole and exclusive remedy with respect to any and all claims relating to any Transaction Document, the Acquisition or any other transactions contemplated by any Transaction Document, the Business, the Company and the Company Subsidiaries, including under any Law (other than pursuant to Section 12.11, claims with respect to or relating to the Restructuring to the extent the subject of Article V or Section 7.10 of the Restructuring Agreement, claims with respect to the Transition Services Agreement or the Escrow Agreement, and other than claims of, or causes of action arising from, fraud) or Environmental Law (including CERCLA or any similar state law), shall be pursuant to the indemnification provisions set forth in this Article X. In furtherance of the foregoing, each of Purchaser, on the one hand, and Seller, on the other hand, hereby waives, on behalf of itself and each of its Affiliates, from and after the Closing, to the fullest extent permitted under applicable Law or Environmental Law (including CERCLA or any similar state law), any and all rights, claims and causes of action (other than pursuant to Section 12.11, claims with respect to or relating to the Restructuring to the extent the subject of Article V or Section 7.10 of the Restructuring Agreement, claims with respect to the Transition Services Agreement or the Escrow Agreement, and other than claims of, or causes of action arising from, fraud) for damages it or any of its Affiliates may have against Seller (in the case of Purchaser) or Purchaser (in the case of Seller) or any of their respective Affiliates arising under or based upon any Transaction Document, the Acquisition or any other transactions contemplated by any Transaction Document, the Business, the Company or the Company Subsidiaries or any Law or Environmental Law (including CERCLA or any similar state law), except pursuant to the indemnification provisions set forth in this Article X.

SECTION 10.05. Calculation of Losses. (a) For the purposes of the indemnification provisions set forth in this Article X, any Losses or amounts otherwise payable hereunder (including amounts relating to Taxes pursuant to Section 10.03) shall be (a) determined on the basis of the net effect after giving effect to any cash payments, setoffs or recoupment (and any costs and expenses incurred in securing such cash payment, setoff or recoupment), in each case, actually received or, in the case of setoffs, retained by the indemnified party (including any amounts recovered by the indemnified

party under insurance policies net of the net present value of any reasonably expected increases in premiums associated with such policies as the proximate result of such recovery to the extent such increased premiums will be paid by the indemnified party or its Affiliates) as a result of any event giving rise to a claim for such indemnification and (b) reduced to take account of any net Tax benefit actually realized by the indemnified party arising from the incurrence or payment of any such Loss and increased by the amount of any Tax detriment resulting from such indemnification claim (an indemnified party shall be deemed to have “actually realized” a net Tax benefit to the extent that, and at such time as, the amount of Taxes payable by such indemnified party is reduced below the amount of Taxes that such indemnified party would be required to pay but for the receipt of the indemnity payment or the incurrence or payment of such Loss).

(b) For purposes of the indemnification under Section 10.01(a), Seller shall not be liable to the extent of any Losses that are proximately caused as result of (A) any action taken or omitted to be taken by Purchaser or any of its Affiliates or (B) any breach by Purchaser or any of its Affiliates of a representation or warranty or covenant under any Transaction Document (it being understood that, in each case, the calculation of Losses shall not be affected or otherwise limited by any such act or omission that results in the discovery, identification or manifestation of the physical or factual conditions from which such Losses arise that does not exacerbate the underlying conditions or factual circumstances from which such Losses arose, provided that the language in this parenthetical shall be disregarded to the extent such language would otherwise reasonably be read to limit the provisions of Section 10.01(b)(iv) of this Agreement). The calculation of any Losses under this Article X shall take into account the amount by which such matter was reflected in the calculation of the adjustment to the Purchase Price, if any, pursuant to Section 2.02 or in any other Losses that such party or any of its Affiliates were indemnified for pursuant to this Article X or Article V of the Restructuring Agreement. The calculation of any Losses payable to an indemnified party under this Article X relating to, arising out of or resulting from a guarantee, Non-CTS Liability or other similar indirect or contingent Liability also shall take into account whether or not payment of such Liability has been demanded and is due from the indemnified party; provided that for the avoidance of doubt the reimbursement of defense costs and other similar Losses relating to, arising out of or resulting from such Liability shall not be delayed in any way by this sentence.

SECTION 10.06. Termination of Indemnification. (a) The obligations to indemnify and hold harmless a party hereto pursuant to (i) Sections 10.01(a)(i) and 10.02(a)(i) shall terminate when the applicable representation or warranty terminates pursuant to Section 10.06(b), (ii) Section 10.01(a)(ii)(A) shall terminate at the close of business on the 18 month anniversary of the Closing Date and (iii) the other clauses of Sections 10.01 and 10.02 shall not terminate; provided that, as to clauses (i) and (ii) of this sentence, such obligations to indemnify and hold harmless shall not terminate with respect to any item as to which the person to be indemnified or a related party thereto, or any person on behalf of such indemnified person or related party, shall have, before the expiration of the applicable period, previously made a claim by delivering a notice of such claim (stating in reasonable detail the basis of such claim) to the indemnifying party.

(b) The representations and warranties contained in this Agreement shall survive the Closing solely for purposes of Sections 10.01 and 10.02 and shall terminate at the close of business on the 18 month anniversary of the Closing Date; provided that the Seller Fundamental Representations shall survive indefinitely, the representations and warranties in Section 4.16(g) shall terminate at the Closing, and the representations and warranties in paragraphs (a) through (f) of Section 4.16 shall terminate at the close of business on the three year anniversary of the Closing Date.

SECTION 10.07. Procedures Relating to Indemnification for Third Party Claims. (a) If a party intends to seek indemnification (the "indemnified party") with respect to any indemnification provided for under this Agreement in respect of, arising out of or involving a claim or demand made by any person not a party, or an Affiliate of a party, to this Agreement against such indemnified party (a "Third Party Claim"), such indemnified party must notify the party responsible for such indemnification (the "indemnifying party") in writing, and in reasonable detail, of the Third Party Claim within 20 business days after receipt by such indemnified party of written notice of the Third Party Claim; provided that failure to give such notification shall not affect the indemnification provided hereunder except to the extent the indemnifying party shall have been materially and actually prejudiced as a result of such failure (except that the indemnifying party shall not be liable for any defense expenses incurred during the period in which such indemnified party failed to give such notice as required above). Thereafter, such indemnified party shall deliver to the indemnifying party, promptly after such indemnified party's receipt thereof, copies of all notices and documents (including court papers) received by such indemnified party relating to the Third Party Claim.

(b) If a Third Party Claim is made against any indemnified party, the indemnifying party shall be entitled to participate in the defense thereof and, if it so chooses, to assume the defense thereof with counsel selected by the indemnifying party; provided that such counsel is not reasonably objected to by such indemnified party. Should the indemnifying party so elect to assume the defense of a Third Party Claim, the indemnifying party shall not be liable to any indemnified party for legal expenses subsequently incurred by such indemnified party in connection with the defense thereof. If the indemnifying party assumes such defense, each indemnified party shall have the right to participate in the defense thereof and to employ counsel (not to be unreasonably objected to by the indemnifying party), at its own expense, separate from the counsel employed by the indemnifying party, it being understood that the indemnifying party shall control such defense. The indemnifying party shall be liable for the fees and expenses of counsel employed by any indemnified party for any period during which the indemnifying party has not assumed the defense of a Third Party Claim (other than during the period prior to the time the indemnified party failed to give notice of such Third Party Claim as required by Section 10.07(a) as provided above).

(c) If the indemnifying party so elects to defend or prosecute any Third Party Claim, all of the indemnified parties shall cooperate with the indemnifying party in the defense or prosecution thereof. Such cooperation shall include the retention and (upon the indemnifying party's request) the provision to the indemnifying party of Records and information that are reasonably relevant to such Third Party Claim, and

making employees available on a mutually convenient basis to provide additional information and explanation of any material provided hereunder. If the indemnifying party assumes the defense of a Third Party Claim, the indemnifying party may enter into, and the indemnified party shall consent to, any settlement, compromise or discharge of a Third Party Claim that by its terms (i) obligates the indemnifying party to pay the full amount of the Liability in connection with such Third Party Claim, (ii) unconditionally releases such indemnified party completely in connection with such Third Party Claim, (iii) does not require an express admission of wrongdoing by the indemnified party and (iv) does not provide for injunctive or other non-monetary relief affecting the indemnified party in any way.

(d) Notwithstanding the foregoing provisions of this Section 10.07, the indemnifying party shall not be entitled to assume the defense of any Third Party Claim (and shall be liable for the reasonable fees and expenses of counsel incurred by any indemnified party in defending such Third Party Claim) if (i) such indemnifying party has not acknowledged in writing its obligation to indemnify the indemnified party in accordance with this Article X against any Losses that may result from such Third Party Claim, (ii) such indemnified party shall have reasonably determined in good faith, after conferring with its outside counsel, that an actual or a potential conflict of interest relating to the indemnifying party makes representation by the indemnifying party's counsel inappropriate, (iii) such Third Party Claim seeks an order, injunction or other equitable relief or relief for other than money damages against such indemnified party that the indemnified party reasonably determines, after conferring with its outside counsel, cannot be separated from any related claim for money damages or (iv) such Third Party Claim alleges criminal conduct or involves criminal penalties with respect to such indemnified party or its Affiliates.

(e) Whether or not the indemnifying party shall have assumed the defense of a Third Party Claim, no indemnified party shall admit any liability with respect to, or settle, compromise or discharge, such Third Party Claim without the indemnifying party's prior written consent (which consent shall not be unreasonably withheld, delayed or conditioned); provided that such indemnified party shall not enter into, and the indemnifying party shall not be required to consent to the entry into, any settlement, compromise or discharge that (i) requires an express admission of wrongdoing by the indemnifying party or (ii) provides for injunctive or other non-monetary relief affecting the indemnifying party in any way.

(f) If the indemnifying party elects not to defend the indemnified party against a Third Party Claim, the indemnified party shall have the right but not the obligation to assume its own defense and prosecute, appeal, negotiate, resolve, settle, compromise, arbitrate or otherwise pursue such Third Party Claim, in whole or in part, at its sole cost and expense (or, if the matter in question is one for which the indemnified party is entitled to indemnification pursuant to this Article X, at the expense of the indemnifying party); provided that (i) in taking any action with respect to such Third Party Claim, the indemnified party shall act reasonably and in good faith, (ii) the indemnifying party shall have the right to participate in the defense of such Third Party Claim at its sole cost and expense, but the indemnified party shall control such defense,

and (iii) the indemnifying party shall not be obligated to indemnify the indemnified party hereunder for any settlement entered into or any judgment that was consented to without the indemnifying party's prior written consent; provided that the indemnifying party shall not unreasonably withhold such consent; it being understood that the indemnified party's right to indemnification for a Third Party Claim shall not be adversely affected by assuming the defense of such Third Party Claim.

(g) The indemnifying and indemnified party shall use reasonable best efforts to avoid production of confidential information (consistent with Law), and to cause all communications among employees, counsel and other representing any party to a Third Party Claim to be made so as to preserve any applicable attorney-client or work-product privileges.

(h) Nothing in this Section 10.07 shall be construed to apply to procedures relating to indemnification of Tax Claims, which are exclusively governed by Section 10.09.

SECTION 10.08. Procedures Related to Indemnification for Other Claims. In the event any indemnified party should have a claim against any indemnifying party under Section 10.01 or 10.02 that does not involve a Third Party Claim being asserted against or sought to be collected from such indemnified party, the indemnified party shall deliver notice of such claim to the indemnifying party promptly after obtaining knowledge of such claim. The failure by such indemnified party so to notify such indemnifying party shall not relieve such indemnifying party from any liability which it may have to such indemnified party under Section 10.01 or 10.02, except to the extent that such indemnifying party demonstrates that it has been materially and actually prejudiced by such failure. If such indemnifying party disputes its liability with respect to such claim, such indemnifying party and such indemnified party shall proceed in good faith to negotiate a resolution of such dispute and, if not resolved through negotiations, such dispute shall be resolved by litigation in an appropriate court of competent jurisdiction as set forth in Section 12.12.

SECTION 10.09. Procedures Relating to Indemnification of Tax Claims. (a) If a claim relating to Taxes shall be made against any indemnified party (the "Tax Indemnified Party") by any Taxing Authority, which, if successful, might result in an indemnity payment to any Tax Indemnified Party pursuant to Article X, the Tax Indemnified Party shall promptly notify the party responsible for such indemnification (the "Tax Indemnifying Party") in writing of such claim (a "Tax Claim"); provided, however, the failure to give such notice shall not affect the indemnification provided hereunder except to the extent the Tax Indemnifying Party has been materially prejudiced as a result of such failure.

(b) With respect to any Tax Claim for which the Tax Indemnifying Party is solely responsible, the Tax Indemnifying Party shall control all proceedings taken in connection with such Tax Claim (including selection of counsel) and, without limiting the foregoing, may in its sole discretion pursue or forego any and all administrative appeals, Proceedings, hearings and conferences with any Taxing Authority with respect

thereto, and may, in its sole discretion, either pay the Tax claimed and sue for a refund where applicable Law permits such refund suits or contest the Tax Claim in any permissible manner; provided, however, the Tax Indemnifying Party shall not settle or otherwise compromise any Tax Claim that would have a material impact on the Tax Indemnified Party (disregarding any impact on the net operating losses or other tax attributes of the Company or any Company Subsidiary as of the Closing Date). In no case shall any Tax Indemnified Party settle or otherwise compromise any Tax Claim without the Tax Indemnifying Party's prior written consent (which consent shall not be unreasonably withheld). Notwithstanding the foregoing, in the case of a Tax Claim relating to a Straddle Period, (i) neither party shall control the proceedings and each party shall have the right to participate fully in all aspects of the prosecution or defense of such Tax Claim and (ii) neither party shall settle any such Tax Claim without the prior written consent of the other (which consent shall not be unreasonably withheld).

(c) Each party shall cooperate with the other party in contesting any Tax Claim, which cooperation shall include the retention and (upon the other party's request) the provision to the other party of Records and information that are reasonably relevant to such Tax Claim, and making employees available on a mutually convenient basis to provide additional information or explanation of any material provided hereunder.

SECTION 10.10. Escrow. (a) The Escrow Account established in accordance with Section 2.01(d) shall be invested, maintained and disbursed in accordance with the terms and conditions of this Agreement and the Escrow Agreement. The Escrow Amount shall be available to satisfy any and all claims of (i) the Purchaser Indemnitees set forth in Article X of this Agreement or (ii) the Holdings Indemnitees (as such term is defined in the Restructuring Agreement) pursuant to Article V of the Restructuring Agreement. Solely in respect of claims pursuant to Section 10.01(a)(i), Purchaser shall proceed first against the Escrow Account to the extent of the funds available therein to satisfy any such claims and may not proceed directly against Seller with respect thereto unless and until sufficient funds are no longer available in the Escrow Account (either because claims against the Escrow Account exceed the available balance therein or because any remaining balance therein has been distributed to Seller in accordance with the terms of this Agreement or the Escrow Agreement).

(b) On the 18 month anniversary of the Closing Date (the "Original Escrow Expiration Date"), except as otherwise provided in Sections 10.10(c) and 10.10(d), all remaining funds of the Escrow Amount shall be disbursed to Seller, together with the earnings thereon.

(c) If on the Original Escrow Expiration Date (i) the applicable conditions set forth on Section 10.10(c)(i) of the Seller Disclosure Schedule with respect to the Non-CTS Liabilities set forth therein have not been satisfied or (ii) the applicable conditions set forth on Section 10.10(c)(ii) of the Seller Disclosure Schedule with respect to the Non-CTS Liabilities set forth therein have not been satisfied, the Escrow Agent shall retain in the Escrow Account all remaining funds until the date on which all the conditions referenced in clause (i) above have been satisfied (such date, the "Lease Release Date") and the date on which all the conditions referenced in clause (ii) above

have been satisfied (such date, the “PSA Release Date” and the date by which the Lease Release Date and PSA Release Date have occurred, the “Escrow Release Date”); provided, however, that if, on October 1, 2013, the Lease Release Date has occurred and the PSA Release Date has not occurred (such date, the “Escrow Reduction Date”), the Escrow Agent shall disburse to Seller any funds in the Escrow Account to the extent such funds exceed \$12,500,000 and retain \$12,500,000 in the Escrow Account until the earlier of the third anniversary of the Closing Date and the PSA Release Date (such date, the “PSA Final Escrow Release Date”). If, on the PSA Final Escrow Release Date, the Lease Release Date has occurred, all remaining funds in the Escrow Account shall be disbursed to Seller, together with earnings thereon. Notwithstanding the foregoing, any disbursements pursuant to this Section 10.10(c) shall be subject to Section 10.10(d).

(d) Subject to the restrictions in Section 10.10(c), if on the Original Escrow Expiration Date, the Escrow Release Date or the PSA Final Escrow Release Date, there is then pending and unresolved one or more claims of the Purchaser Indemnitees and if the Purchaser Indemnitees have delivered to Seller and to the Escrow Agent a notice on or prior to the Original Escrow Expiration Date, Escrow Release Date or PSA Final Escrow Release Date, respectively, setting forth an updated description in reasonable detail of all such claims to the extent known and the amount of each such claim to the extent reasonably quantifiable, the Escrow Agent shall retain in the Escrow Account, pending resolution of such claims, an amount equal to the aggregate amount so claimed, and upon final disposition of each such claim the Escrow Agent shall disburse to Seller the amount so withheld in excess of the remaining claim as finally resolved. Notwithstanding the foregoing, if, on the Escrow Reduction Date, the aggregate amount of such claims is equal to or greater than \$12,500,000, the Escrow Agent shall not disburse any funds to Seller on the Escrow Reduction Date until such claims are resolved.

(e) Seller agrees that it will only request that the Escrow Agent disburse funds to it from the Escrow Account if it is entitled to such disbursement pursuant to this Section 10.10. Promptly following any event pursuant to which Seller or Purchaser is entitled to a disbursement of funds from the Escrow Account in accordance with this Section 10.10, Purchaser and Seller agree to execute and provide joint written instructions to the Escrow Agent to release from the Escrow Account to Purchaser or Seller, as applicable, any funds permitted to be disbursed hereunder.

ARTICLE XI

Termination

SECTION 11.01. Termination. This Agreement may be terminated and the Acquisition and other transactions contemplated by this Agreement abandoned at any time prior to the Closing by:

(a) the mutual written consent of Seller and Purchaser;

(b) Seller, upon written notice to Purchaser, if there shall have been a breach by Purchaser of any of the representations, warranties, covenants or obligations

contained herein, which breach would result in the failure to satisfy any condition set forth in Section 3.02, and any such breach shall be incapable of being cured or, if capable of being cured, shall not have been cured within 60 days after written notice thereof shall have been received by Purchaser;

(c) Purchaser, upon written notice to Seller, if there shall have been a breach by Seller of any of the representations, warranties, covenants or obligations contained herein, which breach would result in the failure to satisfy any condition set forth in Section 3.01, and any such breach shall be incapable of being cured or, if capable of being cured, shall not have been cured within 60 days after written notice thereof shall have been received by Seller;

(d) Seller or Purchaser, upon written notice to the other party, if the Closing does not occur on or prior to January 31, 2012 (such date, the "Outside Date"); or

(e) Seller or Purchaser, upon written notice to the other party, if any Law, Injunction or other legal restraint or prohibition preventing the Acquisition shall be in effect and shall have become final and nonappealable.

provided, however, that the party seeking termination pursuant to clause (b), (c) or (d) is not in breach in any material respect of any of its representations, warranties, covenants or other agreements contained in this Agreement, which breach would result in the failure to satisfy any condition set forth in Section 3.01(a) or Section 3.02(a) with respect to such party, as applicable.

SECTION 11.02. Return of Confidential Information. If this Agreement is terminated and the Acquisition and other transactions contemplated by this Agreement are abandoned as provided in this Article XI:

(a) notwithstanding any provision in the Confidentiality Agreement to the contrary, Purchaser shall return to Seller all documents and other material received by Purchaser, its Affiliates and their respective Representatives from Seller, its Affiliates (including the Company and the Company Subsidiaries) and their respective Representatives relating to the Acquisition and the other transactions contemplated by this Agreement, whether so obtained before or after the execution hereof; and

(b) all confidential information received by Purchaser, its Affiliates and their respective Representatives with respect to Seller, its Affiliates (including the Company and the Company Subsidiaries) and their respective Representatives or the Business, shall be treated in accordance with the Confidentiality Agreement, which shall remain in full force and effect notwithstanding the termination of this Agreement.

SECTION 11.03. Consequences of Termination. In the event of termination by Seller or Purchaser pursuant to this Article XI, written notice thereof shall promptly be given to the other party and the Acquisition and other transactions contemplated by this Agreement shall be terminated, without further action by either party. If this Agreement is terminated and the Acquisition and other transactions contemplated by this Agreement are abandoned as provided in this Article XI, this

Agreement shall become void and of no further force or effect, except for the provisions of (a) Section 7.01 relating to the obligation of Purchaser to keep confidential certain information and data obtained by it, (b) Section 8.04 relating to publicity, (c) this Article XI, (d) Section 12.03 relating to certain expenses, and (e) Section 12.09 relating to finder's fees and broker's fees. Nothing in this Article XI shall be deemed to release either Seller or Purchaser from any Liability for any breach by such party of the terms and provisions of this Agreement prior to such termination or to impair the right of either party to compel specific performance by the other party of its obligations under this Agreement that survive such termination.

ARTICLE XII

Miscellaneous

SECTION 12.01. Assignment. This Agreement and the rights and obligations hereunder and under the Other Transaction Documents shall not be assignable or transferable by any party hereto without the prior written consent of the other parties hereto (including by operation of Law in connection with a merger, consolidation or sale of substantially all the assets of any party hereto); except that either party may assign (including by operation of Law in connection with a merger, consolidation or sale of substantially all the assets of any party hereto); all or any of its rights, interests and obligations hereunder or under the Other Transaction Documents to (i) any of its Affiliates or (ii) following Closing, (A) in the case of Purchaser, any subsequent purchaser (whether by merger, consolidation or sale) of all or substantially all of the Business or any material portion of the assets thereof and (B) in the case of Seller, any subsequent purchaser of all or substantially all of the Retained Business or any material portion of the assets thereof; provided that (x) such assignment shall not relieve the assigning party of any of its obligations hereunder and (y) Purchaser may assign in whole or in part, its rights under this Agreement without the consent of any other party thereto for collateral security purposes to any Lender, provided that no such assignment shall relieve Purchaser of any of its obligations hereunder. Any attempted assignment in violation of this Section 12.01 shall be void.

SECTION 12.02. No Third Party Beneficiaries. Except as expressly provided in Sections 7.04, 12.01, 12.12, 12.13, 12.14 and 12.15 and Article X (it being understood that each Lender is an intended beneficiary of Section 12.01, 12.12, 12.13, 12.14 and 12.15), this Agreement is for the sole benefit of the parties hereto and their permitted assigns, and nothing herein expressed or implied shall give or be construed to give to any person, other than the parties hereto and such assigns, any legal or equitable rights hereunder.

SECTION 12.03. Expenses. Whether or not the transactions contemplated by this Agreement are consummated, and except as otherwise specifically provided in this Agreement (including in Sections 2.02(b) and 10.07), all costs and expenses incurred in connection with this Agreement and the transactions contemplated hereby shall be paid by the party incurring such costs or expenses. For the avoidance of doubt, Seller shall be responsible for all Seller Transaction Expenses.

SECTION 12.04. Amendments. This Agreement may not be amended, except by an instrument in writing signed on behalf of each of the parties hereto. By an instrument in writing, Purchaser, on the one hand, or Seller, on the other hand, may waive compliance by the other party or parties with any term or provision of this Agreement that such other party or parties were or are obligated to comply with or perform. Any such waiver shall only be effective in the specific instance and for the specific and limited purpose for which it was given and shall not be deemed a waiver of any other provision of this Agreement or of the same breach or default upon any recurrence thereof. No failure on the part of any party to exercise, and no delay in exercising, any right hereunder shall operate as a waiver thereof nor shall any single or partial exercise of any right hereunder preclude any other or further exercise thereof or the exercise of any other right.

SECTION 12.05. Notices. All notices or other communications required or permitted to be given hereunder shall be in writing and shall be delivered by hand; sent by email; sent by facsimile (with confirmation of receipt); or sent, postage prepaid, by registered, certified or express mail or reputable overnight courier service and shall be deemed given when so delivered by hand, emailed or, if by facsimile, when receipt is so confirmed or, if mailed, three (3) days after mailing (or one (1) business day in the case of overnight mail or overnight courier service), as follows (or at such other address for a party as shall be specified by like notice):

(a) if to Purchaser,

Catalent Pharma Solutions, Inc.
14 Schoolhouse Road
Somerset, New Jersey 08873

Attention: Samrat Khichi, Senior Vice President, Chief
Administrative Officer & General Counsel &
Secretary

Facsimile: 732-537-6490

Email: Sam.Khichi@catalent.com

with a copy to:

Simpson Thacher & Bartlett LLP
425 Lexington Avenue
New York, NY 10017

Attention: Peter Martelli

Facsimile: 212-455-2502

Email: pmartelli@stblaw.com, and

(b) if to Seller,

Aptuit, LLC
Two Greenwich Office Park
Greenwich, CT 06831
Attention: John Fikre
Facsimile: (203) 422-0266
Email: john.fikre@aptuit.com

with a copy to:

Welsh, Carson, Anderson & Stowe
320 Park Avenue, Suite 2500
New York, NY 10022
Attention: Brian Regan
Facsimile: (212) 893-9583
Email: bregan@welshcarson.com

with a copy to:

Cravath, Swaine & Moore LLP
Worldwide Plaza
825 Eighth Avenue
New York, NY 10019
Attention: Thomas E. Dunn, Esq.
Craig F. Arcella, Esq.
Facsimile: (212) 474-3700
Emails: tdunn@cravath.com
carcella@cravath.com

(c) if to WCAS (for purposes of the Limited Guaranty Agreements),

Welsh, Carson, Anderson & Stowe
320 Park Avenue, Suite 2500
New York, NY 10022
Attention: Brian Regan
Facsimile: (212) 893-9583
Email: bregan@welshcarson.com

with a copy to:

Cravath, Swaine & Moore LLP
Worldwide Plaza
825 Eighth Avenue
New York, NY 10019

Attention: Thomas E. Dunn, Esq.
Craig F. Arcella, Esq.
Facsimile: (212) 474-3700
Emails: tdunn@cravath.com
carcella@cravath.com

SECTION 12.06. Interpretation; Exhibits and Seller Disclosure Schedule; Certain Definitions. (a) The definitions of the terms herein shall apply equally to the singular and plural forms of the terms defined. Whenever the context may require, any pronoun shall include the corresponding masculine, feminine and neuter forms. The words “include”, “includes” and “including” shall be deemed to be followed by the phrase “without limitation”. The word “will” shall be construed to have the same meaning and effect as the word “shall”. The word “or” shall be construed to have the same meaning and effect as the inclusive term “and/or”. The word “extent” in the phrase “to the extent” shall mean the degree to which a subject or other thing extends, and such phrase shall not mean simply “if”. All terms defined in this Agreement shall have their defined meanings when used in any certificate or other document made or delivered pursuant hereto, unless otherwise defined therein. Unless the context requires otherwise, (i) any definition of or reference to any agreement, instrument or other document herein shall be construed as referring to such agreement, instrument or other document as from time to time amended, supplemented or otherwise modified (subject to any restrictions on such amendments, supplements or modifications set forth therein), (ii) the words “herein”, “hereto”, “hereby”, “hereof” and “hereunder”, and words of similar import, shall be construed to refer to this Agreement in its entirety and not to any particular provision hereof, (iii) all references herein to Articles, Sections or Exhibits shall be construed to refer to Articles, Sections or Exhibits of this Agreement and (iv) the headings contained in this Agreement, the Seller Disclosure Schedule, any Exhibit and in the table of contents to this Agreement are for reference purposes only and shall not affect in any way the meaning or interpretation of this Agreement. The Seller Disclosure Schedule and all Exhibits are hereby incorporated in and made a part of this Agreement as if set forth in full herein. Any capitalized term used in the Seller Disclosure Schedule or any Exhibit, but not otherwise defined therein, shall have the meaning ascribed to such term in this Agreement. In the event of an ambiguity or a question of intent or interpretation, this Agreement shall be construed as if drafted jointly by the parties, and no presumption or burden of proof shall arise favoring or disfavoring any party by virtue of the authorship of any provisions of this Agreement.

(b) For all purposes hereof:

“§” means lawful money of the United States of America.

“Affiliate” means, with respect to any specified person, any other person directly or indirectly controlling or controlled by or under direct or indirect common control with such specified person; provided, that (i) BHP PTS Holdings L.L.C. and its affiliates (other than Purchaser and its subsidiaries) shall be deemed to not be an affiliate of Purchaser or its subsidiaries under this Agreement other than as Purchaser Indemnitees and (ii) WCAS and its affiliates (other than Seller and its Subsidiaries) shall be deemed to not be an affiliate of Seller or its subsidiaries under this Agreement other than as Seller Indemnitees. For purposes of this definition, “control” when used with respect to any specified person means the power to direct the management and policies of such person, directly or indirectly, whether through the ownership of voting securities, by contract or otherwise, and the terms “controlling” and “controlled” have meanings correlative to the foregoing.

“Adjusted Pre-Closing Tax Attributes” means, from time to time, the Pre-Closing Tax Attributes (i) reduced by the amount of any Pre-Closing Tax Attributes actually utilized by Purchaser or its Affiliates as of such time and (ii) adjusted to take into account any applicable limitations under the Code that exist immediately after the Closing, including those imposed pursuant to Section 382, 383 and 384, on the ability of Purchaser or its Affiliates to utilize any such unutilized Pre-Closing Tax Attributes as of such time.

“business day” means any day, other than a Saturday or Sunday, on which commercial banks are not required or authorized to close in New York City or London.

“Chubb Matter” means the UCB Pharma Proceeding described in Item 1 of Section 4.12 of the Seller Disclosure Schedule, with respect to which a claim has been filed with the Chubb Group of Insurance Companies.

“Code” means the U.S. Internal Revenue Code of 1986, as amended.

“Company Benefit Plan” means any “employee pension benefit plan” (within the meaning of Section 3(2) of ERISA), any “employee welfare benefit plan” (within the meaning of Section 3(1) of ERISA) and any other plan, program, policy, agreement, arrangement or understanding providing for severance or retention benefits, profit-sharing, fees, bonuses, stock options, stock appreciation, stock purchase or other equity-related rights, incentive or deferred compensation, change-in-control benefits, fringe benefits, vacation benefits, insurance, health or medical benefits, dental benefits, employee assistance programs, disability benefits, workers’ compensation benefits or post-employment or retirement benefits that is sponsored, maintained or contributed to, or required to be maintained or contributed to, by the Company or a Company Subsidiary for the benefit of any current or former employee, director or independent contractor of the Business.

“Company Subsidiary” means the entities listed on Section 4.04(a) of the Seller Disclosure Schedule.

“Confidential Information Memorandum” means the Clinical Trial Supplies Information Package dated as of May 2011.

“Corporate-Level Services” means advertising, accounting, tax, legal, human resources, information technology, treasury operations, investor relations and quality assurance services provided by Seller and its Affiliates to the Business.

“CTS Liabilities” has the meaning ascribed to such term in the Restructuring Agreement.

“Employee” means each CTS Employee (as defined in the Restructuring Agreement) employed by the Company or any Company Subsidiary as of immediately prior to the Closing.

“Employee Benefit Plan” means any “employee pension benefit plan” (within the meaning of Section 3(2) of ERISA), any “employee welfare benefit plan” (within the meaning of Section 3(1) of ERISA) and any other plan, program, policy, agreement, arrangement or understanding providing for severance or retention benefits, profit-sharing, fees, bonuses, stock options, stock appreciation, stock purchase or other equity-related rights, incentive or deferred compensation, change-in-control benefits, fringe benefits, vacation benefits, insurance, health or medical benefits, dental benefits, employee assistance programs, disability benefits, workers’ compensation benefits or post-employment or retirement benefits that is sponsored, maintained or contributed to, or required to be maintained or contributed to, by Seller or any of its Affiliates (excluding the Company or any Company Subsidiary) for the benefit of any Employee.

“Environmental Law” means any Law or Injunction relating to pollution, protection of the environment or natural resources, endangered or threatened species, or the preservation or restoration of natural resources, including CERCLA.

“Environmental Permits” means all licenses, certificates, permits, waivers, authorizations, registrations and approvals by any Governmental Entity required under or pursuant to Environmental Laws for the operation and conduct of the Business as currently conducted.

“ERISA” means the Employee Retirement Income Security Act of 1974, as amended.

“ERISA Affiliate” means, with respect to any entity, any other entity (whether or not incorporated) that, together with such entity, would be treated as a single employer under Section 414 of the Code or Section 4001 of ERISA.

“Estimated Net Funded Indebtedness” means an estimate, prepared by Seller and delivered to Purchaser no later than two business days prior to the Closing Date, of Net Funded Indebtedness.

“Estimated Working Capital Adjustment” means the difference, if any, between (i) the Target Working Capital and (ii) an estimate, prepared by Seller and

delivered to Purchaser at least two business days prior to the Closing Date, of the Closing Working Capital.

“Excluded Liabilities” means any: (a) Non-CTS Liabilities; (b) Liabilities relating to or arising from the Restructuring (for avoidance of doubt, this clause (b) shall not include any CTS Liabilities); (c) Seller Transaction Expenses; (d) Funded Indebtedness; or (e) Liabilities relating to or arising from the Chubb Matter.

“FDA” means the United States Food and Drug Administration.

“FDA Act” means the U.S. Food, Drug, and Cosmetic Act, 21 U.S.C. §301 et. seq., and all applicable regulations promulgated by the FDA, as amended.

“Funded Indebtedness” means, as of any time, without duplication, the outstanding principal amount of, premium (if any) in respect of, accrued and unpaid interest on, and other payment obligations (including, without limitation, any prepayment premiums payable as a result of the consummation of the Acquisition) arising under, any obligations of the Company or any Company Subsidiary consisting of (i) indebtedness for borrowed money, (ii) indebtedness issued in substitution or exchange for borrowed money or obligations for the deferred purchase price of property or services (but excluding any trade payables and accrued expenses arising in the ordinary course of business), (iii) indebtedness evidenced by any note, bond, debenture or other similar instrument, (iv) obligations under any interest rate, currency or other hedging agreements, (v) capitalized lease obligations that are properly classified as a liability on a balance sheet in accordance with GAAP, (vi) bank overdrafts and outstanding checks to the extent treated as bank overdrafts or otherwise included in the financial statements of the Company (without duplication), (vii) any obligations under any sale and leaseback transaction or any synthetic lease (irrespective of the tax classification of such sale and leaseback transaction), (viii) the Preferred Stock Obligations and (ix) any obligation arising with respect to any transaction which is the functional equivalent of or takes the place of indebtedness but which does not constitute a liability on the balance sheet; in each case, as of such date. Notwithstanding the foregoing, “Funded Indebtedness” shall not include any obligations under operating leases or under synthetic leases which, if they were leases, would be operating leases or any intercompany obligations among any of the Company and the Company Subsidiaries that are CTS Liabilities. For the avoidance of doubt, the Verona Debt (as defined in the Seller Disclosure Schedule) shall be treated as indebtedness for borrowed money for purposes of this Agreement.

“GAAP” means generally accepted accounting principles in the United States.

“Governing Documents” means the legal document(s) by which any person (other than an individual) establishes its legal existence or which govern its internal affairs. For example, the “Governing Documents” of a corporation are its certificate of incorporation and by-laws, the “Governing Documents” of a limited partnership are its limited partnership agreement and certificate of limited partnership and

the “Governing Documents” of a limited liability company are its operating agreement and certificate of formation.

“Governmental Entity” means any supranational, national, Federal, state, provincial or local, whether U.S. or non-U.S., government or any court of competent jurisdiction, governmental agency, commission, authority or instrumentality, or any self-regulatory authority.

“Group Relief” means any amount eligible for surrender by way of group relief under Part 5 of the Corporation Tax Act 2010 in the United Kingdom and any eligible unrelieved foreign tax which may be surrendered in accordance with The Double Taxation Relief (Surrender of Relievable Tax Within a Group) Regulations 2001 (SI 2001/1163) in the United Kingdom and any refund of Tax eligible to be surrendered or claimed under section 963 of the Corporation Tax Act 2010 in the United Kingdom.

“Hazardous Material” means any petroleum or petroleum products, byproducts or distillates; radioactive materials or wastes; asbestos in any form; urea formaldehyde foam insulation; polychlorinated biphenyls; and any other chemical, material, substance or waste that in relevant form, quantity or concentration is prohibited, limited or regulated as “hazardous” or “toxic” by any Governmental Entity.

“Injunction” means any temporary restraining order, preliminary or permanent injunction or other judgment, order or decree of any Governmental Entity.

“Inventory” means all raw materials, work-in-process, parts, spare parts, packaging materials, labels, supplies, finished goods and other inventories (including in transit, on consignment or in the possession of any third party).

“knowledge of Seller” means the current actual knowledge of (i) each of the persons identified in Section 12.06(b)(ii)(A) of the Seller Disclosure Schedule after such person’s reasonable inquiry of his or her applicable direct reports and (ii) each of the persons identified in Section 12.06(b)(ii)(B) of the Seller Disclosure Schedule.

“Law” means any law (including any common law), statute, legally binding rule, ordinance, judgment, code, order, injunction, decree, agency requirement, arbitration award, permit or regulation of a Governmental Entity.

“Liabilities” means, with respect to any person, indebtedness, bonds, guarantees, payables, commitments and other obligations of such person to make payments or provide other consideration, whether arising under Contract, Law or Proceeding, primary or secondary, direct or indirect, absolute or contingent, known or unknown, inchoate or otherwise, matured or unmatured, liquidated or unliquidated, accrued or unaccrued, whether or not recorded or reflected or required to be recorded or reflected on the books and records or financial statements of such person.

“Losses” means losses, claims, damages, costs, charges or expenses, settlement payments, Liabilities, awards, judgments, fines, penalties, demands,

assessments or deficiencies (including, without limitation, interest and penalties due and payable with respect thereto and all related reasonable legal fees and expenses).

“Multiemployer Plan” means a multiemployer plan within the meaning of Section 4001(a)(3) of ERISA.

“Net Funded Indebtedness” means, as of any time, an amount equal to the aggregate Funded Indebtedness of the Company and the Company Subsidiaries at such time.

“Non-CTS Liabilities” has the meaning ascribed to such term in the Restructuring Agreement.

“Non-U.S. Company Benefit Plan” means any Company Benefit Plan that is maintained primarily for the benefit of current and former employees and independent contractors of the Business who provide services primarily to the segment of the Business operated outside of the United States.

“Non-U.S. Employee Benefit Plan” means any Employee Benefit Plan that is maintained primarily for the benefit of individuals who provide services primarily to Seller and its Affiliates outside of the United States.

“Non-U.S. Employees” means all Employees who do not provide services primarily to the segment of the Business operated in the United States.

“Other Transaction Documents” means the Transaction Documents other than this Agreement.

“Permits” means all licenses, certificates, permits, authorizations, registrations and approvals by any Governmental Entity, excluding any and all Environmental Permits.

“person” means any individual, firm, corporation, partnership, limited liability company, trust, joint venture, Governmental Entity or other entity, including such person’s successors and assigns.

“Post-Closing Tax Period” means all taxable periods or portions thereof beginning after the Closing Date.

“Pre-Closing Tax Period” means all taxable periods or portions thereof ending on or before the Closing Date.

“Preferred Stock Obligations” means all payment obligations with respect to the Series A Preferred Stock and Series B Preferred Stock of Aptuit Intermediate Holdings, Inc.

“Prime Rate” means the rate of interest from time to time publicly announced by Citibank, N.A., in its New York City office, as its prime or base rate, calculated on the basis of the actual number of days elapsed divided by 365.

“Purchaser Material Adverse Effect” means any change, effect, event or occurrence that has a material adverse effect on the ability of Purchaser to (a) consummate the Acquisition or the other transactions contemplated by this Agreement or (b) perform its obligations under this Agreement and the Other Transaction Documents, in each case, in a timely manner.

“Records” means all books and records, including books of account; ledgers; general, financial and accounting records; files; invoices; lists of customers and suppliers; other distribution lists; billing records; sales and promotional literature; manuals; and customer and supplier correspondence; in each case, in any form or medium.

“Release” means any release, spill, emission, leaking, dumping, injection, pouring, deposit, disposal, discharge, dispersal, leaching or migration into or through the environment (including ambient air, surface water, groundwater, land surface or subsurface strata).

“Representatives” mean, with respect to any specified person, such person’s officers, directors, employees, agents, counsel, auditors and other representatives.

“Restructuring” has the meaning ascribed to such term in the Restructuring Agreement.

“Seller Disclosure Schedule” means Seller’s disclosure schedule attached hereto and incorporated herein.

“Seller Material Adverse Effect” means any change, effect, event, circumstance, state of facts or occurrence that, individually or in the aggregate, has or would reasonably be expected to have a material adverse effect (a) on the assets, liabilities, financial condition or results of operations of the Business or, after giving effect to the Restructuring, the Companies and the Company Subsidiaries, taken as a whole, (b) on the ability of Seller to consummate the Acquisition, the Restructuring or the other transactions contemplated by this Agreement or (c) on the ability of Seller to perform its obligations under this Agreement and the Other Transaction Documents, in the case of each of clauses (b) and (c), in a timely manner. For purposes of this Agreement, “Seller Material Adverse Effect” shall exclude any such change, effect, event or occurrence to the extent resulting from (i) changes, effects, events or occurrences in the credit, financial or capital markets of, or the economy in general in the United States or the United Kingdom or in the global economy in general, including changes in interest or exchange rates, (ii) changes, effects, events or occurrences in applicable Law or applicable accounting regulations or principles or interpretations thereof or prospective changes in applicable Law or applicable accounting regulations or principles, or any

changes or prospective changes in the interpretation or enforcement of any of the foregoing, or any changes or prospective changes in general legal, regulatory, legislative or political conditions, (iii) changes, effects, events or occurrences in general in any of the industries or geographic areas in which the Business participates or operates, (iv) the execution and delivery of this Agreement or any Other Transaction Document, the consummation of the Acquisition, the consummation of the Restructuring, the identity of, or any facts or circumstances relating to, Purchaser or its Affiliates or any action or inaction by Purchaser or its Affiliates, or the announcement or other publicity with respect to any of the foregoing (including the impact thereof on relationships, contractual or otherwise, with customers, suppliers, distributors, partners, employees, labor unions or regulators or any litigation resulting or arising therefrom) (provided that the exception in this clause (iv) shall not apply to the representations and warranties contained in Section 4.02(a) and (b), Section 4.07(b), the second sentence of Section 4.09(a) or Section 4.13(i)), (v) any acts or threats of terrorism, sabotage, military action or war (whether or not declared) or any escalation or worsening of the foregoing, any hurricane, flood, tornado, earthquake, pandemics or natural disaster, whether or not caused by any person, or any national or international calamity or crisis (provided that the exception in this clause (v) shall not apply to the extent there is any physical damage or destruction of assets of the Business or the Company or any Company Subsidiary), (vi) the taking of, or failure to take, any action (A) by Seller, the Company, any Company Subsidiary or any of their respective Affiliates required or otherwise contemplated by this Agreement (provided that the exception in this subclause (A) shall not apply with respect to the actions (or the failure to take actions) of Seller, the Company and the Company Subsidiaries to comply with Section 5.02) or (B) consented to or requested by Purchaser in writing, (vii) any actions taken by Seller, the Company, any Company Subsidiary or any of their respective Affiliates that are permitted or required by this Agreement to obtain approval or consent from any Governmental Entity in connection with the consummation of the Acquisition and the transactions contemplated by this Agreement, (viii) any change or prospective change in the credit ratings of the Company or any Company Subsidiary or (ix) the failure of the Company, the Company Subsidiaries or the Business to meet any internal or external projections, estimates, budgets, predictions, plans, milestones or forecasts (it being understood that the underlying facts giving rise or contributing to such change or such failure in (viii) and (ix) may be taken into account in determining whether there has been a Seller Material Adverse Effect if such facts are not otherwise excluded under this definition), except, in the cases of clauses (i), (ii), (iii) and (v), to the extent that the Business or, after giving effect to the Restructuring, the Companies and the Company Subsidiaries, taken as a whole, are materially disproportionately affected thereby as compared with other participants in the industries in which the Business participates or operates (in which case the incremental materially disproportionate impact or impacts may be taken into account in determining whether a Seller Material Adverse Effect has occurred, or is reasonably likely to occur).

“Seller Transaction Expenses” means the aggregate amount of all third-party fees and out-of-pocket costs and expenses incurred at any time at or prior to the Closing by the Company or any Company Subsidiary (including contingent expenses ultimately payable by the Company or any of the Company Subsidiaries as the result of the transactions contemplated hereby), in each case, in connection with this Agreement,

the Acquisition and the Restructuring, which amounts shall include all brokerage or financial advisory fees, out-of-pocket costs, expenses and disbursements, commissions or finders' fees, including those of financial advisors, counsel, accountants or other advisors or service providers. For the avoidance of doubt, Seller Transaction Expenses shall not include any such fees, costs, expenses or disbursements incurred after the Closing (other than contingent expenses referred to in the parenthetical in the prior sentence pursuant to the Agreement entered into by Seller or its Subsidiaries prior to the Closing) by the Company or any Company Subsidiary to the extent such fees, costs, expenses or disbursements accrued after the Closing Date.

“Solvent” when used with respect to any person, means that, as of any date of determination, (a) the amount of the “fair saleable value” of the assets of that person as of such date, exceed (i) the value of all “liabilities of such person, including contingent and other liabilities” as of such date, as such quoted terms are generally determined in accordance with applicable federal Laws governing determinations of the insolvency of debtors and (ii) the amount that will be required to pay the probable liabilities of that person on its existing debts (including contingent liabilities) as such debts become absolute and matured, (b) that person will not have, as of such date, an unreasonably small amount of capital for the operation of the businesses in which it is engaged or proposed to be engaged following such date and (c) that person will be able to pay its liabilities, including contingent and other liabilities, as they mature. For purposes of this definition, each of the phrases “not have an unreasonably small amount of capital for the operation of the businesses in which it is engaged or proposed to be engaged” and “able to pay its liabilities, including contingent and other liabilities, as they mature” means that such person will be able to generate enough cash from operations, asset dispositions or refinancing, or a combination thereof, to meet its obligations as they become due.

“Straddle Period” means any taxable period that includes (but does not end on) the Closing Date.

“subsidiary” of any person means another person, an amount of the voting securities, other voting ownership or voting partnership interests of which is sufficient to elect at least a majority of its board of directors or other governing body (or, if there are no such voting interests, fifty percent (50%) or more of the equity interests of which) is owned directly or indirectly by such first person or by another subsidiary of such person.

“Substitution Agreement” means the Substitution Agreement dated August 8, 2011 between Aptuit (Singapore) Private Limited, Aptuit (Asia) Private Limited, Aptuit, LLC, Aptuit, Inc., Aptuit Laurus Private Limited and Dr. Satyanarayana.

“Tax” means all national, Federal, state, provincial and local, whether U.S. or non-U.S., taxes, charges, fees, levies, duties, rates, impositions, withholdings and similar assessments, including income, gross receipts, excise, real and personal property, profits, estimated, severance, occupation, production, capital gains, capital stock, goods and services, environmental, employment, withholding, stamp, value added, VAT, alternative or add-on minimum, sales, transfer, use, license, payroll and franchise taxes or

any other tax, custom, duty or governmental fee, or other like assessment or charge of any kind whatsoever, imposed by any Taxing Authority, and such term shall include all interest, penalties, surcharges and additional amounts due in respect thereof imposed by any Taxing Authority regardless of whether such taxes, charges, fees, levies, duties, rates, impositions, withholdings and similar assessments are chargeable directly or primarily against or attributable directly or primarily to the Company or any Company Subsidiary or any other person and of whether any amount in respect of any of them is recoverable from any other person.

“Tax Guaranty Expiration Date” means the fifth anniversary of the Closing Date.

“Tax Liability” means any Liability with respect to Taxes.

“Tax Return” means all returns, reports, elections, forms or similar statements required to be filed with any Taxing Authority (including any schedules or attachments thereto and amendments thereof) including, without limitation, any information return, claim for refund, amended return and declaration or estimated Tax.

“Taxing Authority” means any Governmental Entity responsible for the imposition or administration of any Tax.

“Transaction Documents” means (a) this Agreement, (b) the Escrow Agreement, (c) the Restructuring Agreement and (d) the Transition Services Agreement.

“Transfer Taxes” means all transfer, documentary, sales, use, registration, and other similar Taxes (including all applicable real estate transfer Taxes and real property transfer gains Taxes) and related amounts (including any penalties, interest and additions to Tax) incurred in connection with this Agreement, except VAT, Non-U.S. GST and similar value-added Taxes.

“Transition Services Agreement” means the Transition Services Agreement in the form attached as Exhibit A to the Restructuring Agreement, which form shall not be amended without the written consent of the Purchaser.

“U.K. Company Benefit Plan” means any Non-U.S. Company Benefit Plan that is maintained primarily for the benefit of Employees and former employees and independent contractors of the Business who provide services primarily to the segment of the Business operated in the United Kingdom.

“U.S. Company Benefit Plan” means a Company Benefit Plan that is not a Non-U.S. Company Benefit Plan.

“U.S. Employee Benefit Plan” means an Employee Benefit Plan that is not a Non-U.S. Employee Benefit Plan.

“VAT” means United Kingdom value added tax.

“VATA” means the Value Added Tax Act 1994.

(c) The following defined terms have the meanings ascribed to such terms in the Sections set forth below:

<u>Term</u>	<u>Section</u>
\$	Section 12.06(b)
2010 Audited Financial Statements	Section 5.06(A)
Accounting Firm	Section 2.02(b)
Acquisition	Recitals
Acquisition Transaction	Section 5.08
Additional Financial Statements	Section 5.06(b)
Adjusted Pre-Closing Tax Attributes	Section 12.06(b)
Adjusted Purchase Price	Schedule A
Affiliate	Section 12.06(b)
Agreement	Preamble
Audited 9/30/11 Financial Statements	Section 5.06(c)
Balance Sheet	Section 4.05(a)
Business	Recitals
business day	Section 12.06(b)
CERCLA	Section 4.16
Chubb Matter	Section 12.06(b)
Claimant Company	Section 8.05(f)
Closing	Section 2.01(a)
Closing Date	Section 2.01(a)
Closing Net Funded Indebtedness	Section 2.02(a)
Closing Working Capital	Section 2.02(a)
Code	Section 12.06(b)
Collateral	Section 7.02
Company	Recitals
Company Benefit Plan	Section 12.06(b)
Company Intellectual Property	Section 4.09(a)
Company Subsidiary	Section 12.06(b)
Confidential Information Memorandum	Section 12.06(b)
Confidentiality Agreement	Section 7.01
Consent	Section 4.02(b)
Continuing Arrangements	Section 8.07
Contracts	Section 4.10
control	Section 12.06(b)
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SECTION 12.07. Counterparts. This Agreement may be executed in one or more counterparts, all of which shall be considered one and the same agreement, and shall become effective when one or more such counterparts have been signed by each of the parties hereto and delivered to the other parties hereto. Delivery of an executed counterpart of a signature page of this Agreement by facsimile, email or other electronic imaging means shall be as effective as delivery of a manually executed counterpart of this Agreement.

SECTION 12.08. Entire Agreement. This Agreement, the Other Transaction Documents and the Confidentiality Agreement contain the entire agreement and understanding between the parties hereto with respect to the subject matter hereof and supersede all prior agreements and understandings relating to such subject matter.

SECTION 12.09. Fees. Seller hereby represents and warrants that the only brokers or finders that have acted for it in connection with this Agreement or the transactions contemplated hereby or that may be entitled to any brokerage fee, finder's fee or commission in respect thereof are J.P. Morgan Securities LLC and Seller shall pay all fees or commissions which may be payable to J.P. Morgan Securities LLC. Purchaser represents and warrants that no brokers or finders have acted for it in connection with this Agreement or the transactions contemplated hereby based on upon arrangement made by or on behalf of Purchaser for which the Company or any Company Subsidiary could have any Liability prior to the Closing or Seller or any of its Affiliates (other than the Company or any Company Subsidiary) could have any Liability.

SECTION 12.10. Severability. If any term, covenant, restriction or provision of this Agreement is held by a court of competent jurisdiction or other authority to be invalid, illegal, void or incapable of being enforced by any applicable Law or public policy, all other terms, covenants, restrictions and provisions of this Agreement shall nonetheless remain in full force and effect and shall in no way be affected, impaired or invalidated. Upon such determination that any term, covenant, restriction or other provision is invalid, illegal, void or incapable of being enforced, the parties hereto shall negotiate in good faith to modify this Agreement so as to effect the original intent of the parties as closely as possible in a mutually acceptable manner in order that the transactions contemplated by this Agreement are consummated as originally contemplated to the fullest extent possible.

SECTION 12.11. Enforcement. The parties hereto agree that irreparable damage would occur if any of the provisions of this Agreement were not performed in accordance with their specific terms or were otherwise breached. It is accordingly agreed that the parties hereto shall be entitled to equitable relief, including in the form of an injunction or injunctions, to prevent breaches of this Agreement and to enforce specifically the terms and provisions of this Agreement in an appropriate court of competent jurisdiction as set forth in Section 12.12, this being in addition to any other remedy to which any party is entitled at law or in equity, but in any event, subject to the limitations provided in this Agreement. The right to specific enforcement shall include the right of the parties to cause the Restructuring, the Acquisition and the other transactions contemplated by this Agreement to be consummated on the terms and subject to the conditions set forth in this Agreement. The parties hereto further agree (a) to cooperate fully in any attempt by the other party to obtain any such equitable remedy, (b) to waive any requirement for the security or posting of any bond in connection with any such equitable remedy and (c) not to assert that a remedy of specific enforcement is unenforceable, invalid, contrary to Law or inequitable for any reason, or to assert that a remedy of monetary damages would provide an adequate remedy. The parties hereto acknowledge and agree that such right of specific enforcement is an integral part of the transactions contemplated by this Agreement and without that right, the parties hereto would not have entered into this Agreement.

SECTION 12.12. Consent to Jurisdiction. Each party hereto hereby (a) agrees that any Proceeding, directly or indirectly, arising out of, under or relating to this Agreement, any Other Transaction Documents or any transaction contemplated hereby or thereby, or for recognition or enforcement of any judgment, will be heard and determined in the Chancery Court of the State of Delaware (and each agrees that no such Proceeding relating to this Agreement will be brought by it or any of its Affiliates except in such court), subject to any appeal, provided that if jurisdiction is not then available in the Chancery Court of the State of Delaware, then any such claim, suit, action or other proceeding may be brought in any Delaware state court or any Federal court located in the State of Delaware and (b) irrevocably and unconditionally submits to the exclusive jurisdiction of any such court in any such Proceeding. Each party hereto further agrees that service of any process, summons, notice or document by United States registered mail to such party's respective address set forth in Section 12.05 shall be effective service of process for any Proceeding in Delaware with respect to any matters as to which it has

submitted to jurisdiction in this Section 12.12. Each party hereto (i) irrevocably and unconditionally waives any objection to the laying of venue of any Proceeding arising out of this Agreement, any Other Transaction Documents or any transaction contemplated hereby or thereby in any court referred to in the first sentence of this Section 12.12, (ii) irrevocably and unconditionally waives and agrees not to plead or claim in any such court that any such Proceeding brought in any such court has been brought in an inconvenient forum and (iii) agrees that a final judgment in any such Proceeding brought in any such court shall be conclusive and may be enforced in other jurisdictions by suit on the judgment or in any other manner provided by Law. Notwithstanding the foregoing, each of the parties hereto further agrees that it will not bring or support any action or proceeding against the Lenders in any way relating to this Agreement or any of the transactions contemplated by this Agreement, including but not limited to any dispute arising out of or relating in any way to the commitments to provide the Debt Financing or the performance thereof, in any forum other than any state or Federal court located in the Borough of Manhattan in the City of New York.

SECTION 12.13. Waiver of Jury Trial. Each party hereto hereby waives, to the fullest extent permitted by applicable Law, any right it may have to a trial by jury in respect of any litigation directly or indirectly arising out of, under or in connection with this Agreement, any Other Transaction Document or any transaction contemplated hereby or thereby (including with respect to the Debt Financing or the Lenders). Each party hereto (a) certifies that no representative, agent or attorney of any other party has represented, expressly or otherwise, that such other party would not, in the event of litigation, seek to enforce the foregoing waiver and (b) acknowledges that it and the other parties hereto have been induced to enter into this Agreement and the Other Transaction Documents, as applicable, by, among other things, the mutual waivers and certifications in this Section 12.13.

SECTION 12.14. GOVERNING LAW. THIS AGREEMENT SHALL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE INTERNAL LAWS OF THE STATE OF DELAWARE, REGARDLESS OF THE LAWS THAT MIGHT OTHERWISE GOVERN UNDER APPLICABLE PRINCIPLES OF CONFLICTS OF LAWS THEREOF. Notwithstanding the foregoing, the Debt Commitment Letter, the rights and duties of the parties thereunder and any claims or disputes arising thereunder or related thereto shall be governed by, and construed in accordance with, the law of the jurisdiction provided under the governing law provisions of the Debt Commitment Letter.

SECTION 12.15. Waiver of Direct Claim. Seller (on behalf of itself and any of its stockholders, partners, members, Affiliates, directors, officers, employees, agents and representatives) hereby (i) waives any rights or claims against any Lender in connection with this Agreement, the Debt Financing or the Debt Commitment Letter, whether at law or equity, in contract, in tort or otherwise, and (ii) agrees not to commence (and if commenced agrees to dismiss or otherwise terminate) any Proceeding against any Lender in connection with this Agreement or the Acquisition (including any Proceeding relating to the Debt Financing or the Debt Commitment Letter); provided that for the

avoidance of doubt this Section 12.15 shall not affect or diminish in any respect Seller's rights and remedies under Section 12.11.

IN WITNESS WHEREOF, the parties hereto have duly executed this Agreement as of the date first written above.

APTUIT, LLC,

By /s/ Timothy C. Tyson

Name: Timothy C. Tyson

Title: Chief Executive Officer

CATALENT PHARMA SOLUTIONS, INC.,

By /s/ Scott Houlton

Name: Scott Houlton

Title: President, Development and Clinical
Services

February 28, 2011

Mr. David Heyens
c/o Catalent Pharma Solutions, Inc.
14 Schoolhouse Road
Somerset, NJ 08873

Dear David:

As you are aware, in connection with the grant to you of nonqualified stock options (the "Options") on May 7, 2007 and October 23, 2009, in each case, under the 2007 PTS Holdings Corp. Stock Incentive Plan, as amended (the "Plan"), you entered into (i) a Nonqualified Stock Option Agreement with PTS Holdings Corp. (the "Company"), effective as of May 7, 2007, as subsequently amended on October 23, 2009 (the "2007 Option Agreement") and (ii) a Nonqualified Stock Option Agreement with the Company, effective as of October 23, 2009 (the "2009 Option Agreement").

Notwithstanding anything to the contrary in the 2007 Option Agreement and/or the 2009 Option Agreement, as applicable, in the event of the termination of your employment with the Company or any of its subsidiaries for any reason (other than by the Company or one of its subsidiaries for Cause (as defined in each of the 2007 Option Agreement and 2009 Option Agreement)) after September 30, 2012:

1. You will have the opportunity to become vested in any portion of the Exit Option (as defined in the 2009 Option Agreement) that otherwise would have vested within 12 months following your termination of employment pursuant to Sections 3(c) and (d) of the 2009 Option Agreement, as applicable, in each case, only to the extent the applicable performance goals have been attained;
2. You may exercise the Vested Portion (as defined in each of the 2007 Option Agreement and 2009 Option Agreement) of the Time Option (as defined in each of the 2007 Option Agreement and 2009 Option Agreement) and/or the EBITDA Option (as defined in the 2009 Option Agreement) for a period ending on the earlier of (A) the third anniversary of the such termination of Employment (as defined in the Plan) and (B) the Expiration Date (as defined in each of the 2007 Option Agreement and 2009 Option Agreement); and
3. You may exercise the Vested Portion of the Exit Option that became vested after the date of termination pursuant to the terms and conditions of the 2009 Option Agreement, as amended by this letter agreement, for a period ending on the earlier of (A) 90 days following the date on which such portion of the Exit Option vests and (B) the Expiration Date.

Except as expressly set forth above, the 2007 Option Agreement and the 2009 Option Agreement shall remain in full force and effect.

This letter agreement and any dispute hereunder shall be construed, interpreted and governed in accordance with the laws of the State of Delaware without regards to conflicts of laws principles thereof.

This letter agreement may be executed by fax or pdf and in any number of counterparts, all of which, when taken together, shall constitute one and the same instrument.

[The remainder of this page intentionally left blank.]

If the foregoing terms and conditions are acceptable and agreed to by you, please sign on the line provided below to signify such acceptance and agreement and return the executed copy to the undersigned.

PTS HOLDINGS CORP.

By: /s/ John Chiminski

Name: John Chiminski

Title: President and Chief Executive Officer

Accepted and Agreed

/s/ David Heyens

David Heyens

2007 PTS HOLDINGS CORP.
STOCK INCENTIVE PLAN

NONQUALIFIED STOCK OPTION AGREEMENT

THIS AGREEMENT (the "**Agreement**"), is made effective as of _____, (the "**Date of Grant**"), between PTS Holdings Corp. (the "**Company**") and the individual named on the signature page hereto (the "**Participant**").

R E C I T A L S:

WHEREAS, the Company has adopted the Plan (as defined below), the terms of which are hereby incorporated by reference and made a part of this Agreement; and

WHEREAS, the Committee (as defined in the Plan) has determined that it would be in the best interests of the Company and its stockholders to grant the Options (as defined below) provided for herein to the Participant pursuant to the Plan and the terms set forth herein.

NOW, THEREFORE, in consideration of the mutual covenants hereinafter set forth, the parties agree as follows:

1. **Definitions.** Whenever the following terms are used in this Agreement, they shall have the meanings set forth below. Capitalized terms not otherwise defined herein shall have the same meanings as in the Plan.

(a) **Cause:** "Cause" shall mean "Cause" as such term may be defined in any employment agreement in effect at the time of the Participant's termination of Employment between the Participant and the Company or its Subsidiaries or Affiliates, or, if there is no such employment agreement or such term is not defined therein, "Cause" shall mean (i) the Participant's willful failure to perform duties which is not cured within 15 days following written notice, (ii) the Participant's conviction or confessing to or becoming subject to proceedings that provide a reasonable basis for the Company to believe that the Participant has engaged in a (x) felony, (y) crime involving dishonesty, or (z) crime involving moral turpitude and which is demonstrably injurious to the Company and its Subsidiaries, (iii) the Participant's willful malfeasance or misconduct which is demonstrably injurious to the Company and its Subsidiaries, or (iv) breach by the Participant of the material terms of any agreement with the Company or its Subsidiaries, including, without limitation, any non-competition, non-solicitation or confidentiality provisions thereof. For purposes of this definition, no act or failure to act shall be deemed "willful" unless effected by the Participant not in good faith.

(b) **EBITDA Option:** An Option with respect to which the terms and conditions are set forth in Section 3(b) of this Agreement.

(c) **Expiration Date:** The tenth anniversary of the Date of Grant.

(d) **Exit Option:** Collectively, the Tier I Exit Option and the Tier II Exit Option.

(e) **Fiscal Year**: Each fiscal year of the Company (which, for the avoidance of doubt, ends on or about June 30th of any given year).

(f) **Good Reason**: “Good Reason” shall mean “Good Reason” as such term may be defined in any employment agreement in effect at the time of the Participant’s termination of Employment between the Participant and the Company or its Subsidiaries or Affiliates, or, if there is no such employment agreement or such term is not defined therein, “Good Reason” shall mean, without the Participant’s consent, (i) a substantial diminution in the Participant’s position or duties, adverse change in reporting lines, or assignment of duties materially inconsistent with his position, (ii) any reduction in the Participant’s base salary, (iii) failure of the Company to pay compensation or benefits when due, (iv) moving the Participant’s then-principal business location more than 50 miles or (v) failure to provide the Participant with an annual bonus opportunity at the same level as established for the Participant in connection with his or her commencement of employment with the Company and its Subsidiaries or Affiliates, as applicable, in each case, which is not cured within 30 days following the Company’s receipt of written notice from the Participant describing the event constituting Good Reason.

(g) **Options**: Collectively, the Time Option, the EBITDA Option, and the Exit Option to purchase Shares granted under this Agreement.

(h) **Plan**: The 2007 PTS Holdings Corp. Stock Incentive Plan, as it may be amended or supplemented from time to time.

(i) **Securityholders Agreement**: The Securityholders Agreement dated as of May 7, 2007 among the Company and the other parties thereto, as it may be amended or supplemented from time to time.

(j) **Subscription Agreement**: The Subscription Agreement entered into between the Company and the Participant in a form reasonably acceptable to the Company, as it may be amended or supplemented from time to time.

(k) **Tier I Exit Option**: An Option with respect to which the terms and conditions are set forth in Section 3(c) of this Agreement.

(l) **Tier II Exit Option**: An Option with respect to which the terms and conditions are set forth in Section 3(d) of this Agreement.

(m) **Time Option**: An Option with respect to which the terms and conditions are set forth in Section 3(a) of this Agreement.

(n) **Vested Portion**: At any time, the portion of an Option which has become vested, as described in Section 3 of this Agreement.

(o) **Vesting Reference Date**:

2. **Grant of Options**. The Company hereby grants to the Participant the right and option to purchase, on the terms and conditions hereinafter set forth, all or any part of

the number of Shares subject to the Time Option, the EBITDA Option, and the Exit Option set forth on Schedule A attached hereto, subject to adjustment as set forth in the Plan. The Option Price shall be \$850 per Share. The Options are intended to be nonqualified stock options, and are not intended to be treated as an option that complies with Section 422 of the Code.

3. Vesting of the Options.

(a) Vesting of the Time Option. Subject to the Participant's continued Employment through the applicable vesting date, the Time Option shall vest and become exercisable with respect to twenty percent (20%) of the Shares subject to such Time Option on each of the first five anniversaries of the Vesting Reference Date. Notwithstanding the foregoing, in the event of a Change in Control, the Time Option shall, to the extent not then vested or previously forfeited or cancelled, become fully vested and exercisable.

(b) Vesting of the EBITDA Option.

(i) In General. Subject to the Participant's continued Employment through the applicable vesting date, the EBITDA Option shall vest and become exercisable with respect to twenty percent (20%) of the Shares subject to the EBITDA Option on each of the first five anniversaries of the Vesting Reference Date (each such anniversary, an "**EBITDA Option Performance Vesting Date**") if, as of the last day of the Fiscal Year ending immediately prior to the applicable EBITDA Option Performance Vesting Date, the EBITDA goal set forth on Schedule B (the "**EBITDA Goal**") for the applicable Fiscal Year is achieved or exceeded.

(ii) Catch-Up. Notwithstanding the foregoing, subject to the Participant's continued Employment through the applicable vesting date, if the portion of the EBITDA Option that is scheduled to vest in respect of a given Fiscal Year does not vest because the EBITDA Goal is not achieved or exceeded in respect of such Fiscal Year (any such Fiscal Year, a "**Missed Year**"), then the portion of the EBITDA Option that was eligible to vest but failed to vest due to the failure to achieve or exceed the EBITDA Goal in such Missed Year shall nevertheless vest and become exercisable if and when the Cumulative EBITDA Goal set forth on Schedule B for any completed Fiscal Year that is subsequent to any Missed Year (any such Fiscal Year, an "**Achieved Year**") is achieved or exceeded, with vesting to occur on the EBITDA Option Performance Vesting Date that occurs immediately following the last day of the Achieved Year.

Such EBITDA Goals shall be adjusted in good faith to reflect acquisitions, divestitures and other similar corporate transactions that would affect the EBITDA Goals.

(c) Vesting of the Tier I Exit Option. Subject to the Participant's continued Employment through the applicable vesting date, the Tier I Exit Option shall vest on the date, if any, when either (i) Blackstone shall have received cash proceeds or marketable securities from the sale of its investment in the Company aggregating in excess of 2.5 times the amount of its initial investment in the Company (such initial investment equaling \$914,680,907.54) (the "**Initial Investment**") or (ii) Blackstone shall have received a cash Internal Rate of Return of at least 20% on its Initial Investment. For purposes of this Agreement, "**Internal Rate of Return**"

means, as of a given date, the internal rate of return compounded annually from April 10, 2007 with respect to the Initial Investment). Notwithstanding the foregoing, subject to the Participant's continued Employment through the applicable vesting date, in the event that the 2.5 multiple hurdle or the 20% Internal Rate of Return hurdle (each as described in this Section 3(c)) is not met, but the 1.75 multiple hurdle or the 15% Internal Rate of Return hurdle (each as described below) is met, the Tier I Exit Option shall vest based on straight line interpolation between the two points.

(d) Vesting of the Tier II Exit Option. Subject to the Participant's continued Employment through the applicable vesting date, the Tier II Exit Option shall vest on the date, if any, when either (i) Blackstone shall have received cash proceeds or marketable securities from the sale of its investment in the Company aggregating in excess of 1.75 times the Initial Investment or (ii) Blackstone shall have received a cash Internal Rate of Return of at least 15% on its Initial Investment.

(e) Termination of Employment. If the Participant's Employment terminates for any reason, the Option, to the extent not then vested and exercisable, shall be immediately canceled by the Company without consideration. Notwithstanding anything to the contrary in this Agreement, (x) in the event of the termination of the Participant's Employment (i) by the Company without Cause, (ii) by the Participant for Good Reason, (iii) due to death or Disability or (iv) due to the Company's election not to extend the employment term under any employment agreement in effect at the time of the Participant's termination of Employment between the Participant and the Company, to the extent applicable, the Participant shall be deemed vested in any portion of the Time Option that would otherwise have vested within 12 months following such termination of Employment and (y) in the event of the termination of the Participant's Employment for any reason (other than by the Company for Cause) after September 30, 2012, the Participant shall have the opportunity to become vested in any portion of the Exit Option that otherwise would have vested within 12 months following such termination of Employment pursuant to Section 3(c) and 3(d) hereof, as applicable, in each case, only to the extent the applicable performance goals have been attained.

4. Exercise of Options.

(a) Period of Exercise. Subject to the provisions of the Plan and this Agreement, the Participant may exercise all or any part of the Vested Portion of an Option at any time prior to the Expiration Date. Notwithstanding the foregoing, if the Participant's Employment terminates prior to the Expiration Date, the Vested Portion of an Option shall remain exercisable for the period set forth below:

(i) Death or Disability. If the Participant's Employment is terminated due to the Participant's death or Disability, the Participant may exercise the Vested Portion of an Option for a period ending on the earlier of (A) one year following such termination of Employment and (B) the Expiration Date;

(ii) Termination by the Company Other than for Cause or Due to Death or Disability. If the Participant's Employment is terminated other than by the Company for Cause or due to death or Disability, the Participant may exercise the Vested

Portion of an Option that became vested on or prior to the date of termination for a period ending on the earlier of (A) 90 days following such termination of Employment and (B) the Expiration Date; and

(iii) Termination by the Company for Cause. If the Participant's Employment is terminated by the Company for Cause, the Vested Portion of an Option shall immediately terminate in full and cease to be exercisable;

provided, however, that, in the event of the termination of the Participant's Employment for any reason (other than a termination by the Company for Cause) after September 30, 2012, the Participant may exercise the Vested Portion of (x) the Time Option and/or the EBITDA Option for a period ending on the earlier of (A) the third anniversary of such termination of Employment and (B) the Expiration Date and (y) the Exit Option that became vested after the date of termination pursuant to Section 3(e) above for a period ending on the earlier of (A) 90 days following the date on which such portion of the Exit Option vests and (B) the Expiration Date.

(b) Method of Exercise.

(i) Subject to Section 4(a) of this Agreement and Section 6(c) of the Plan, the Vested Portion of an Option may be exercised by delivering to the Company at its principal office written notice of intent to so exercise; provided that, the Option may be exercised with respect to whole Shares only. Such notice shall specify the number of Shares for which the Option is being exercised and shall be accompanied by payment in full of the Option Price. The payment of the Option Price may be made at the election of the Participant (i) in cash or its equivalent (*e.g.*, by check), (ii) in Shares having a Fair Market Value equal to the aggregate Option Price for the Shares being purchased and satisfying such other requirements as may be imposed by the Committee; provided, that such Shares have been held by the Participant for more than six months (or such other period as established from time to time by the Committee in order to avoid adverse accounting treatment applying generally accepted accounting principles), (iii) partly in cash and partly in such Shares, (iv) if there is a public market for the Shares at such time, to the extent permitted by the Committee and subject to such rules as may be established by the Committee, through the delivery of irrevocable instructions to a broker to sell Shares obtained upon the exercise of the Option and to deliver promptly to the Company an amount out of the proceeds of such sale equal to the aggregate option price for the Shares being purchased, or (v) using a net settlement mechanism whereby the number of Shares delivered upon the exercise of the Option will be reduced by a number of Shares that has a Fair Market Value equal to the Option Price, provided that the Participant tenders cash or its equivalent to pay any applicable withholding taxes. The Participant shall not have any rights to dividends or other rights of a stockholder with respect to Shares subject to an Option until the Participant has given written notice of exercise of the Option, paid in full for such Shares and, if applicable, has satisfied any other conditions imposed by the Committee pursuant to the Plan.

(ii) Notwithstanding any other provision of the Plan or this Agreement to the contrary, absent an available exemption to registration or qualification, an Option may not be exercised prior to the completion of any registration or qualification of an

Option or the Shares under applicable state and federal securities or other laws, or under any ruling or regulation of any governmental body or national securities exchange that the Committee shall in its sole discretion determine to be necessary or advisable; provided, that the Company shall use commercially reasonable efforts to take such actions as are necessary and appropriate to register or qualify the Shares subject to the Option so it may be exercised.

(iii) Upon the Company's determination that an Option has been validly exercised as to any of the Shares, the Company shall issue certificates in the Participant's name for such Shares. However, the Company shall not be liable to the Participant for damages relating to any delays in issuing the certificates to the Participant, any loss by the Participant of the certificates, or any mistakes or errors in the issuance of the certificates or in the certificates themselves.

(iv) In the event of the Participant's death, the Vested Portion of an Option shall remain exercisable by the Participant's executor or administrator, or the person or persons to whom the Participant's rights under this Agreement shall pass by will or by the laws of descent and distribution as the case may be, to the extent set forth in Section 4(a) of this Agreement. Any heir or legatee of the Participant shall take rights herein granted subject to the terms and conditions hereof.

(v) As a condition to the exercise of any Option evidenced by this Agreement, the Participant shall execute the Securityholders Agreement and the Subscription Agreement.

5. No Right to Continued Employment. Neither the Plan nor this Agreement shall be construed as giving the Participant the right to be retained in the employ of, or in any consulting relationship to, the Company or any Affiliate. Further, the Company or any Affiliate may at any time dismiss the Participant or discontinue any consulting relationship, free from any liability or any claim under the Plan or this Agreement, except as otherwise expressly provided herein.

6. Legend on Certificates. The certificates representing the Shares purchased by exercise of an Option shall be subject to such stop transfer orders and other restrictions as the Committee may deem advisable under the Plan or the rules, regulations, and other requirements of the Securities and Exchange Commission, any stock exchange upon which such Shares are listed or quoted or market to which the Shares are admitted for trading and, any applicable federal or state or any other applicable laws and the Company's Certificate of Incorporation and Bylaws, and the Committee may cause a legend or legends to be put on any such certificates to make appropriate reference to such restrictions.

7. Transferability. An Option may not be assigned, alienated, pledged, attached, sold or otherwise transferred or encumbered by the Participant otherwise than by will or by the laws of descent and distribution, and any such purported assignment, alienation, pledge, attachment, sale, transfer or encumbrance shall be void and unenforceable against the Company or any Affiliate; provided that the designation of a beneficiary shall not constitute an assignment, alienation, pledge, attachment, sale, transfer or encumbrance. No such permitted transfer of an

Option to heirs or legatees of the Participant shall be effective to bind the Company unless the Committee shall have been furnished with written notice thereof and a copy of such evidence as the Committee may deem necessary to establish the validity of the transfer and the acceptance by the transferee or transferees of the terms and conditions thereof. During the Participant's lifetime, an Option is exercisable only by the Participant.

8. **Withholding.** The Participant may be required to pay to the Company or any Affiliate and the Company or its Affiliates shall have the right and are authorized to withhold any applicable withholding taxes in respect of an Option, its exercise, or any payment or transfer under or with respect to an Option and to take such other action as may be necessary in the opinion of the Committee to satisfy all obligations for the payment of such withholding taxes. The Participant may elect to pay any or all of such withholding taxes as provided in Section 4 of the Plan.

9. **Securities Laws.** Upon the acquisition of any Shares pursuant to the exercise of an Option, the Participant will make or enter into such written representations, warranties and agreements as the Committee may reasonably request in order to comply with applicable securities laws or with this Agreement.

10. **Notices.** Any notice under this Agreement shall be addressed to the Company in care of its Chief Financial Officer and a copy to the General Counsel, each copy addressed to the principal executive office of the Company and to the Participant at the address appearing in the personnel records of the Company for the Participant or to either party at such other address as either party hereto may hereafter designate in writing to the other. Any such notice shall be deemed effective upon receipt thereof by the addressee.

11. **Governing Law.** This Agreement shall be governed by and construed in accordance with the laws of the State of Delaware without regard to conflicts of laws.

12. **Options Subject to Plan, Securityholders Agreement and Subscription Agreement.** By entering into this Agreement the Participant agrees and acknowledges that the Participant has received and read a copy of the Plan, the Securityholders Agreement and the Subscription Agreement. The Options and the Shares received upon exercise of an Option are subject to the Plan, the Securityholders Agreement and the Subscription Agreement. For the avoidance of doubt, the Participant further agrees and acknowledges that (x) this Agreement, in addition to any other stock option agreements previously entered into or to be entered into by the Participant at any time following the date hereof, shall be considered a "Stock Option Agreement" under the Subscription Agreement and (y) the Options, in addition to any other stock options previously awarded or to be awarded at any time following the date hereof, shall be considered "Options" under the Subscription Agreement. The terms and provisions of the Plan, the Securityholders Agreement and the Subscription Agreement, as each may be amended from time to time are hereby incorporated by reference. In the event of a conflict between any term or provision contained herein and a term or provision of the Plan, the Securityholders Agreement or the Subscription Agreement, the applicable terms and provisions of the Plan, the Securityholders Agreement or the Subscription Agreement will govern and prevail. In the event of a conflict between any term or provision of the Plan and any term or provision of the Securityholders Agreement or the Subscription Agreement, the applicable terms and provisions of the

Securityholders Agreement or the Subscription Agreement, as applicable, will govern and prevail.

13. **Amendment.** The Committee may waive any conditions or rights under, amend any terms of, or alter, suspend, discontinue, cancel or terminate this Agreement, but no such waiver, amendment, alteration, suspension, discontinuance, cancellation or termination shall materially adversely affect the rights of the Participant hereunder without the consent of the Participant.

14. **Signature in Counterparts.** This Agreement may be signed in counterparts, each of which shall be an original, with the same effect as if the signatures thereto and hereto were upon the same instrument.

[The remainder of this page intentionally left blank.]

IN WITNESS WHEREOF, this Agreement has been executed and delivered by the parties hereto.

PTS HOLDINGS CORP.

By _____

Its

DAVID HEYENS

The number of Shares subject to each Option is set forth below:

Time Option:

EBITDA Option:

Tier I Exit Option:

Tier II Exit Option:

Option Agreement

EBITDA Goals

Fiscal Year	EBITDA Goal (dollars in millions)	Cumulative EBITDA Goal (dollars in millions)
2011		
2012		
2013		
2014		
2015		

“EBITDA” is defined as internally reported operating earnings increased by depreciation and amortization and is based on fiscal year 2010 internally budgeted foreign exchange rates. Future performance will be translated at constant foreign exchange rates in order to gauge performance against EBITDA goals in consideration of foreign currency fluctuations, which may occur.

Statement Regarding Computation of Ratio of Earnings to Fixed Charges

	Successor						Predecessor
	For the Fiscal Year Ended June 30, 2011	For the Fiscal Year Ended June 30, 2010	For the Fiscal Year Ended June 30, 2009	For the Fiscal Year Ended June 30, 2008	For the Fiscal Year Ended June 30, 2007	For the Period April 10, 2007 to June 30, 2007	For the Period July 1, 2006 to April 9, 2007
<u>(in millions, except for ratios)</u>							
Earnings/(loss) from continuing operations before income taxes and noncontrolling interest	\$ (15.4)	\$ (246.1)	\$ (234.3)	\$ (542.7)	\$ (134.9)	\$ (168.0)	\$ 33.1
Plus Fixed Charges:							
Interest expense	166.0	161.6	183.2	204.3	58.1	45.6	12.5
Capital interest	0.1	1.4	—	—	—	—	—
Estimated interest within rental expense	6.0	6.7	6.6	4.6	0.9	0.9	3.6
Total Fixed Charges	172.1	169.7	189.8	208.9	59.0	46.5	16.1
Plus: amortization of capitalized interest	1.5	2.5	2.5	2.5	0.3	0.3	0.5
Less: Interest expense capitalized	0.1	1.4	—	—	—	—	—
Earnings	<u>158.1</u>	<u>(75.3)</u>	<u>(42.0)</u>	<u>(331.3)</u>	<u>(75.6)</u>	<u>(121.2)</u>	<u>49.7</u>
Ratio of earnings to fixed charges							3.1
Shortfall	(14.0)	(245.0)	(231.8)	(540.2)	(134.6)	(167.7)	

EX-21.1 LIST OF SUBSIDIARIES

CATALENT PHARMA SOLUTIONS, INC. SUBSIDIARIES
(AS OF JUNE 30, 2011)

NAME (STATE OF ORGANIZATION)

WHOLLY OWNED SUBSIDIARIES OF CATALENT PHARMA SOLUTIONS, INC.

1. Allcaps Weichgelatine kapseln GmbH & Co. KG (GERMANY)
2. Allcaps Weichgelatine kapseln Verwaltungs GmbH (GERMANY)
3. Catalent Argentina S.A.I.C. (ARGENTINA)
4. Catalent Australia Holding Pty Ltd. (AUSTRALIA)
5. Catalent Australia Pty Ltd. (AUSTRALIA)
6. Catalent Belgium Holding S.A. (BELGIUM)
7. Catalent Belgium S.A. (BELGIUM)
8. Catalent Brasil Ltda. (BRAZIL)
9. Catalent Canada, Inc. (CANADA)
10. Catalent Cosmetics AG (SWITZERLAND)
11. Catalent France Beinheim S.A. (FRANCE)
12. Catalent France Limoges Holding S.A.S. (FRANCE)
13. Catalent France Limoges S.A.S. (FRANCE)
14. Catalent Germany Holding II GmbH (GERMANY)
15. Catalent Germany Holding III GmbH (GERMANY)
16. Catalent Germany Schorndorf GmbH (GERMANY)
17. Catalent Italy Holding S.r.l. (ITALY)
18. Catalent Italy S.p.A. (ITALY)
19. Catalent Japan K.K. (JAPAN)
20. Catalent Netherlands Holding B.V. (NETHERLANDS)
21. Catalent Pharma Solutions, LLC (DELAWARE)
22. Catalent Pharma Solutions GmbH (SWITZERLAND)
23. Catalent Pharma Solutions Limited (UNITED KINGDOM)
24. Catalent PR Humacao, Inc. (PUERTO RICO)
25. Catalent U.K. Swindon Holding II Limited (UNITED KINGDOM)
26. Catalent U.K. Swindon Encaps Limited (UNITED KINGDOM)
27. Catalent U.K. Swindon Zydis Limited (UNITED KINGDOM)
28. Catalent U.K. Packaging Holding Limited (UNITED KINGDOM)
29. Catalent U.K. Packaging Limited (UNITED KINGDOM)
30. Catalent USA Packaging, LLC (DELAWARE)
31. Catalent USA Paintball, Inc. (DELAWARE)
32. Catalent USA Woodstock, Inc. (ILLINOIS)
33. Catalent US Holding I, LLC (DELAWARE)
34. Catalent US Holding II, LLC (DELAWARE)
35. Catalent Uruguay S.A. (URUGUAY)
36. F&F Holding GmbH (GERMANY)
37. Glacier Corporation (VERMONT)
38. R.P. Scherer DDS B.V. (NETHERLANDS)
39. R.P. Scherer GmbH & Co. KG (GERMANY)*
40. R.P. Scherer Technologies, LLC (NEVADA)
41. R.P. Scherer Verwaltungs GmbH (GERMANY)*
42. Top Shot Publishers Limited (IRELAND)

* indicates presence of third party minority interest

CHIEF EXECUTIVE OFFICER CERTIFICATION

I, John R. Chiminski, certify that:

1. I have reviewed this annual report on Form 10-K for the period ended June 30, 2011 of Catalent Pharma Solutions, Inc. (the “Registrant”);

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the Registrant as of, and for, the periods presented in this report;

4. The Registrant’s other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the Registrant and have:

a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the Registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

c) Evaluated the effectiveness of the Registrant’s disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

d) Disclosed in this report any change in the Registrant’s internal control over financial reporting that occurred during the Registrant’s most recent fiscal quarter (the Registrant’s fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the Registrant’s internal control over financial reporting; and

5. The Registrant’s other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the Registrant’s auditors and the audit committee of the Registrant’s board of directors (or persons performing the equivalent functions):

a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the Registrant’s ability to record, process, summarize and report financial information; and

b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the Registrant’s internal control over financial reporting.

Dated: September 16, 2011

/s/ John R. Chiminski

John R. Chiminski
President and
Chief Executive Officer
(Principal Executive Officer)

CHIEF FINANCIAL OFFICER CERTIFICATION

I, Matthew M. Walsh, certify that:

1. I have reviewed this annual report on Form 10-K for the period ended June 30, 2011 of Catalent Pharma Solutions, Inc. (the “Registrant”);

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the Registrant as of, and for, the periods presented in this report;

4. The Registrant’s other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the Registrant and have:

a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the Registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

c) Evaluated the effectiveness of the Registrant’s disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

d) Disclosed in this report any change in the Registrant’s internal control over financial reporting that occurred during the Registrant’s most recent fiscal quarter (the Registrant’s fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the Registrant’s internal control over financial reporting; and

5. The Registrant’s other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the Registrant’s auditors and the audit committee of the Registrant’s board of directors (or persons performing the equivalent functions):

a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the Registrant’s ability to record, process, summarize and report financial information; and

b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the Registrant’s internal control over financial reporting.

Dated: September 16, 2011

/s/ Matthew M. Walsh

Matthew M. Walsh
Senior Vice President and
Chief Financial Officer
(Principal Financial Officer)

