

TELEDYNE TECHNOLOGIES INC

Form 8-K/A

August 17, 2004

Table of Contents

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

FORM 8-K/A

(Amendment No. 1)

CURRENT REPORT

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

Date of Report (Date of earliest event reported): June 18, 2004

Teledyne Technologies Incorporated

(Exact name of registrant as specified in its charter)

| | | |
|---|--|--|
| Delaware (State or other jurisdiction of incorporation) | 1-15295 (I.R.S. Employer Identification No.) | 25-1843385 (Commission File Number) |
| 12333 West Olympic Boulevard Los Angeles, California (Address of principal executive offices) | | 90064-1021 (Zip Code) |

Registrant's telephone number, including area code: (310) 893-1600

Not Applicable
(Former name or former address, if changed since last report)

TABLE OF CONTENTS

Item 7. Financial Statements, Pro Forma Financial Information and Exhibits

SIGNATURE

EXHIBIT INDEX

Exhibit 23.1

Table of Contents**Item 7. Financial Statements, Pro Forma Financial Information and Exhibits**

The Form 8-K/A amends the Registrant's current report on Form 8-K dated June 18, 2004 to include the following financial information required to be filed pursuant to Item 7.

| | <u>Page</u> |
|--|-------------|
| (a) Financial Statements of Isco, Inc. | |
| Report of Independent Registered Public Accounting Firm | 2 |
| Consolidated Statement of Operations Year Ended July 25, 2003 | 3 |
| Consolidated Balance Sheet July 25, 2003 | 4 |
| Consolidated Statement of Shareholders' Equity Year Ended July 25, 2003 | 5 |
| Consolidated Statement of Cash Flows Year Ended July 25, 2003 | 6 |
| Notes to Consolidated Financial Statements Year Ended July 25, 2003 | 7 |
| Unaudited Condensed Consolidated Statements of Operations for the Three and Nine Months Ended April 23, 2004 and April 25, 2003 | 18 |
| Condensed Consolidated Balance Sheets April 23, 2004 (unaudited) and July 25, 2003 | 19 |
| Unaudited Condensed Consolidated Statements of Cash Flows for the Nine Months Ended April 23, 2004 and April 25, 2003 | 20 |
| Notes to Unaudited Condensed Consolidated Financial Statements April 23, 2004 | 21 |
| (b) Pro Forma Financial Information. | |
| The unaudited pro forma consolidated financial information of the Registrant and Isco, Inc. for the year ended December 28, 2003 and the six-month period ended June 27, 2004. | 24 |
| (c) Exhibits. | |
| 23.1 Consent of Deloitte & Touche LLP | |

Table of Contents

Report of Independent Registered Public Accounting Firm

Board of Directors and Shareholders

Isco, Inc.

We have audited the accompanying consolidated balance sheet of Isco, Inc. and subsidiaries as of July 25, 2003, and the related consolidated statements of operations, shareholders' equity, and cash flows for the year then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with 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. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, such consolidated financial statements present fairly, in all material respects, the financial position of Isco, Inc. and subsidiaries as of July 25, 2003, and the results of their operations and their cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

/s/ Deloitte & Touche LLP
Lincoln, Nebraska
November 3, 2003
(June 18, 2004 as to Note R)

Table of Contents**ISCO, INC. AND SUBSIDIARIES****CONSOLIDATED STATEMENT OF OPERATIONS
FOR THE YEAR ENDED JULY 25, 2003**

(Amounts in thousands, except per share data)

| | |
|--------------------------------------|----------|
| Net sales | \$60,881 |
| Cost of sales | 28,397 |
| | <hr/> |
| | 32,484 |
| | <hr/> |
| Operating expenses: | |
| Selling, general, and administrative | 24,557 |
| Research and engineering | 6,430 |
| | <hr/> |
| | 30,987 |
| | <hr/> |
| Income from operations | 1,497 |
| | <hr/> |
| Other income (expense): | |
| Investment income | 520 |
| Interest expense | (230) |
| Other, net | 52 |
| | <hr/> |
| | 342 |
| | <hr/> |
| Income before income taxes | 1,839 |
| Provision for income taxes (Note H) | 564 |
| | <hr/> |
| Net income | \$ 1,275 |
| | <hr/> |
| Basic earnings per share (Note K) | \$ 0.22 |
| | <hr/> |
| Diluted earnings per share (Note K) | \$ 0.22 |
| | <hr/> |

| | |
|---|-------|
| Weighted average number of shares outstanding (basic) | 5,696 |
| | <hr/> |
| Weighted average number of shares outstanding (diluted) | 5,863 |
| | <hr/> |

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

Table of Contents**ISCO, INC. AND SUBSIDIARIES****CONSOLIDATED BALANCE SHEET
AS OF JULY 25, 2003**

(Columnar amounts in thousands)

Assets

Current assets:

| | |
|---|----------|
| Cash and cash equivalents | \$ 5,383 |
| Short-term investments (Note C) | 4,629 |
| Accounts receivable-trade, net (Note B) | 10,590 |
| Inventories (Note D) | 9,489 |
| Refundable income taxes | 303 |
| Deferred income taxes (Note H) | 812 |
| Other current assets | 417 |
| | <hr/> |

| | |
|--------------------------------------|--------|
| Total current assets | 31,623 |
| Property and equipment, net (Note E) | 13,768 |
| Long-term investments (Note C) | 4,717 |
| Other assets (Note F) | 4,327 |
| | <hr/> |

| | |
|--------------|----------|
| Total assets | \$54,435 |
| | <hr/> |

Liabilities and Shareholders' Equity

Current liabilities:

| | |
|--|----------|
| Accounts payable | \$ 1,222 |
| Accrued expenses (Note G) | 3,698 |
| Short-term borrowing (Note I) | 2,113 |
| Current portion of long-term debt (Note J) | 503 |
| | <hr/> |

| | |
|---|--------|
| Total current liabilities | 7,536 |
| Deferred income taxes (Note H) | 532 |
| Long-term debt, less current portion (Note J) | 584 |
| Commitments and contingencies (Note P) | |
| Shareholders' equity (Notes K and O): | |
| Preferred stock, \$.10 par value, authorized 5,000,000 shares; issued none | |
| Common stock, \$.10 par value, authorized 15,000,000 shares; issued and outstanding 5,727,838 | 573 |
| Additional paid-in capital | 38,765 |
| Retained earnings | 6,509 |
| Accumulated other comprehensive income (loss) | (64) |
| | <hr/> |

| | |
|--|----------|
| Total shareholders' equity | 45,783 |
| | <hr/> |
| Total liabilities and shareholders' equity | \$54,435 |
| | <hr/> |

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

Table of Contents**ISCO, INC. AND SUBSIDIARIES****CONSOLIDATED STATEMENT OF SHAREHOLDERS' EQUITY****FOR THE YEAR ENDED JULY 25, 2003**

(Amounts in thousands, except per share data)

| | Common stock | Additional paid-in capital | Retained earnings | Accumulated other comprehensive income (loss) | Total shareholders' equity |
|--|-------------------------|---|------------------------------|--|---|
| Balance, July 27, 2002 | \$ 567 | \$38,371 | \$ 6,602 | \$ 36 | \$45,576 |
| Net income | | | 1,275 | | 1,275 |
| Unrealized investment loss, net of tax effect of \$29,000 | | | | (45) | (45) |
| Translation adjustments | | | | (55) | (55) |
| | | | | | <hr/> |
| Total comprehensive income | | | | | 1,175 |
| Cash dividends (\$.24 per share) | | | (1,368) | | (1,368) |
| Director's deferred stock units and incentive stock options | | 162 | | | 162 |
| Issuance of common stock and exercise of stock options | 6 | 232 | | | 238 |
| | <hr/> | <hr/> | <hr/> | <hr/> | <hr/> |
| Balance, July 25, 2003 | \$ 573 | \$38,765 | \$ 6,509 | \$ (64) | \$45,783 |
| | <hr/> | <hr/> | <hr/> | <hr/> | <hr/> |

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

Table of Contents**ISCO, INC. AND SUBSIDIARIES****CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JULY 25, 2003**

(Columnar amounts in thousands)

| | |
|--|----------|
| Cash flows from operating activities: | |
| Net income | \$ 1,275 |
| Adjustments to reconcile net income to net cash flows from operating activities: | |
| Depreciation and amortization | 2,503 |
| Stock-based compensation | 162 |
| Deferred income taxes | 375 |
| Gain on sale of property and equipment | (344) |
| Provision for doubtful accounts | 31 |
| Undistributed losses of AFTCO | 133 |
| Change in operating assets and liabilities: | |
| Accounts receivable-trade | (564) |
| Inventories | (158) |
| Refundable income taxes | (303) |
| Other current assets | 750 |
| Accounts payable | (650) |
| Accrued expenses | (417) |
| Income taxes payable | (176) |
| Other | 262 |
| | <hr/> |
| Total adjustments | 1,604 |
| | <hr/> |
| Cash flows from operating activities | 2,879 |
| | <hr/> |
| Cash flows from investing activities: | |
| Proceeds from maturities of available-for-sale securities | 11,400 |
| Proceeds from maturity of held-to-maturity securities | 3,026 |
| Proceeds from sale of property and equipment | 512 |
| Purchase of held-to-maturity securities | (497) |
| Purchase of available-for-sale securities | (8,436) |
| Purchase of property and equipment | (1,735) |
| Other | (50) |
| | <hr/> |
| Cash flows from investing activities | 4,220 |
| | <hr/> |

| | |
|--|-------------------|
| Cash flows from financing activities: | |
| Cash dividends paid | (1,368) |
| Net change in short-term borrowings | (87) |
| Repayment of long-term debt | (1,132) |
| Issuance of common stock and exercise of stock options | 238 |
| | <u> </u> |
| Cash flows from financing activities | <u>(2,349)</u> |
| Cash and cash equivalents: | |
| Net increase (decrease) | 4,750 |
| Balance at beginning of year | 633 |
| | <u> </u> |
| Balance at end of year | <u>\$ 5,383</u> |

See Note M for supplemental cash flow information.

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

Table of Contents

ISCO, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Year ended July 25, 2003

(Columnar amounts in thousands, except share and per share data)

Note A. Summary of Significant Accounting Policies.

Description of Business. Isco, Inc. and its subsidiaries (the Company) design, manufacture, and market products worldwide. The majority of the Company's revenue comes from sales of products used by industry and government to monitor compliance with water quality regulations and by industries in a variety of research and testing laboratories and by industries in the development of new drugs.

Basis of Presentation. The consolidated financial statements include the accounts of Isco, Inc. and its wholly owned subsidiaries. All inter-company transactions and accounts have been eliminated. Investments in which the Company exercises significant influence over operating and financial policies are accounted for using the equity method.

For fiscal reporting purposes, the Company operates under a 52/53-week year, ending on the last Friday of July. Fiscal year 2003 contained 52 weeks.

Use of Estimates. The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amount of revenues and expenses during the reporting periods. Actual results could differ from those estimates.

Fair Value of Financial Instruments. The carrying values of cash, accounts receivable, accounts payable and short-term borrowing approximate fair value. The fair value of long-term debt, which is based on the borrowing rates and terms currently available to the Company, approximates carrying value.

Cash and Cash Equivalents. Cash and cash equivalents include all cash balances and highly liquid investments with an original maturity of 90 days or less.

Accounts Receivable. Accounts receivable consist primarily of amounts due from normal business activities. The Company maintains an allowance for doubtful accounts to reflect the expected uncollectibility of accounts receivable.

Investments. The Company classifies investments into three categories accounted for as follows: debt securities that the Company has the intent and ability to hold to maturity are classified as held-to-maturity securities and reported at amortized cost; debt and equity securities that are bought and held principally for the purpose of selling them in the near term are classified as trading securities and reported at fair value, with unrealized gains and losses included in earnings; debt and equity securities not classified as either held-to-maturity or trading are classified as available-for-sale securities and reported at fair value, with unrealized gains and losses excluded from earnings and reported, net of tax, as a component of accumulated other comprehensive income. The Company held no trading securities during the periods reported and generally does not trade securities. Sales of available-for-sale securities are recognized using the first-in, first-out method.

Inventories. Inventories are valued at the lower of cost or market, principally on the last-in, first-out (LIFO) basis. Management reviews the inventory balances to determine if inventories can be sold at amounts equal to or greater than their carrying amounts. The review includes identification of slow-moving inventories, obsolete inventories and discontinued products or lines of products. The identification process includes a review of historical performance of the inventory and current operational plans for the inventory. If actual results differ from expectations, inventory balances are adjusted.

Table of Contents

Long-Lived Assets. The Company reviews long-lived assets and certain intangibles for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. In such cases, the expected future cash flows (undiscounted and without interest charges) resulting from the use of the asset are estimated and an impairment loss is recognized if the sum of such cash flows is less than the carrying amount of the asset. Should such an assessment indicate that the value of a long-lived asset or goodwill is impaired; an impairment loss is recognized for the difference between the carrying value of the asset and its estimated fair value.

Property and Equipment. Property and equipment are stated at historical costs. Depreciation is provided using the straight-line and declining balance methods over estimated useful asset lives of 10 to 40 years for buildings and improvements and 3 to 20 years for machinery and equipment.

Other Assets. Acquired intangible assets are amortized on a straight-line basis over estimated useful lives of 3 to 15 years. Acquired intangible assets include intellectual property, engineering drawings, patents, licenses, customer or market lists, and trade names. The Company's investment in the AFTCO joint venture is accounted for under the equity method. The equity method goodwill of approximately \$750,000 was being amortized on a straight-line basis over 10 years through the end of fiscal year 2002. Beginning in fiscal 2003, the Company adopted Statement of Financial Accounting Standards (SFAS) No. 142, *Goodwill and Other Intangible Assets* . SFAS No. 142 provides that goodwill and other intangible assets with indefinite lives shall not be amortized and shall be tested for impairment on an annual basis. There was no impairment that resulted from adoption of this standard. The Company discontinued the amortization of equity method goodwill relating to the AFTCO joint venture upon adoption of this standard. Goodwill and other identifiable intangible assets with indefinite lives are not amortized and are tested annually for impairment. Impairment occurs when the fair value of the asset is less than its carrying amount. Identifiable intangible assets with definite lives are amortized over their estimated useful lives and tested for impairment whenever events or changes in circumstances indicate the carrying amount of the asset may be impaired. Impairment occurs when the fair value of the asset is less than its carrying amount. If impaired, the intangible asset is written down to its fair value.

Revenue Recognition. Revenues are recorded when products are shipped to customers or, in instances where service is performed to customer requirements, upon the successful completion of such service. The Company is generally not contractually obligated to accept returns, except for defective products.

Product Warranty. The majority of the Company's products have a one-year warranty against defective materials and workmanship. The Company's warranty claims have not been material to the consolidated financial statements.

Foreign Currency Translation. The euro (Eu) is the functional currency of the Company's wholly-owned German subsidiary. Exchange gains and losses resulting from transactions denominated in currencies other than the functional currency are included in the results of operations for the year. Assets and liabilities are translated to U.S. dollars at current exchange rates as of each balance sheet date. Income and expense items are translated using average exchange rates during the year. Cumulative currency translation adjustments are presented as a component of accumulated other comprehensive income (loss).

Research and Engineering. Research and engineering costs are expensed as incurred.

Income Taxes. Income taxes are recorded using the liability method. This method recognizes the amount of taxes payable or refundable for the current year. Deferred income taxes reflect the tax consequences on future years of differences between the tax bases of assets and liabilities and their financial reporting amounts.

Stock-Based Compensation. Pursuant to SFAS No. 123 *Accounting for Stock Based Compensation* , management has elected to account for the employee fixed award stock options and nonemployee directors' stock options under the provisions of APB No. 25 *Accounting for Stock Issued to Employees* . As such, no compensation cost has been

recorded relative to these options. Management utilizes the Black-Scholes option pricing model to estimate the fair value of these options.

The Company accounts for performance based awards granted under its employee stock option plans in

Table of Contents

accordance with the provisions of APB 25. Options granted under the performance based awards are subject to variable accounting treatment until the number of options that will vest is known. Options not vested at the end of each performance year are cancelled. Compensation expense is recorded based on the difference between the closing market price at the date the shares vest and the exercise price as determined at the date the shares were granted. Deferred stock units granted to nonemployee directors are accounted for in accordance with SFAS No. 123. Accordingly, directors deferred stock units are recorded as compensation expense at estimated fair value on the date the units are earned by the director.

Earnings (Loss) Per Share. Basic earnings (loss) per share is based on the weighted average number of common shares outstanding during the period. Diluted earnings (loss) per share is based on the weighted average number of common shares outstanding during the period and the dilutive effect of stock options and common stock equivalents outstanding using the treasury stock method.

Comprehensive Income (Loss). Comprehensive income (loss) presented consists of net earnings (loss), unrealized gain (loss) on securities available for sale, and foreign currency translation adjustments. These results are incorporated into the consolidated statement of shareholders' equity. The accumulated other comprehensive income (loss) related to securities available-for-sale and to foreign currency translation adjustments are (\$50,000) and (\$14,000) at July 25, 2003, respectively.

Accounting Pronouncements . In December 2002, the Financial Accounting Standards Board (FASB) issued SFAS No. 148, *Accounting for Stock-Based Compensation - Transition and Disclosure, an amendment of FASB Statement No. 123* . SFAS No. 148 provides alternative methods of transition for a voluntary change to the fair value based method of accounting for stock-based employee compensation. In addition, SFAS No. 148 amends the disclosure requirements of SFAS No. 123, *Accounting for Stock-Based Compensation* , to require prominent disclosures in both annual and interim financial statements about the method of accounting for stock-based employee compensation and the effect of the method used on reported results. The disclosure requirements of SFAS No. 148 are effective for fiscal years ending after December 15, 2002 and for interim periods beginning after December 15, 2002. The Company has elected to delay adoption of the fair value based method of accounting for stock-based compensation, and the alternative methods of transition for such a change. The Company will provide the required disclosures of SFAS No. 148 in the notes to the financial statements.

In May 2003, the FASB issued SFAS No. 150, *Accounting for Certain Financial Instruments with Characteristics of both Liabilities and Equity* . SFAS No. 150 establishes standards for classification and measurement in the balance sheets for certain financial instruments which possess characteristics of both a liability and equity. Generally, it requires classification of such financial instruments as a liability. SFAS No. 150 is effective for financial instruments entered into or modified after May 31, 2003. For financial instruments in existence prior to May 31, 2003, SFAS No. 150 is effective as of September 1, 2003. Certain provisions of SFAS No. 150 have been delayed. The Company believes that the adoption of SFAS No. 150 will have no impact on its consolidated financial statements.

In April 2003, the FASB issued SFAS No. 149, *Amendment of Statement 133 on Derivative Instruments and Hedging Activities* . SFAS No. 149 amends and clarifies accounting for derivative instruments, including certain derivative instruments embedded in other contracts, and for hedging activities under SFAS No. 133. In particular, this Statement clarifies under what circumstances a contract with an initial net investment meets the characteristic of a derivative and whether a derivative containing a financing component warrants special reporting in the statement of cash flows. This Statement is generally effective for contracts entered into or modified after June 30, 2003 and is not expected to have an impact on the Company's consolidated financial statements.

In January 2003, the FASB issued FIN No. 46, *Consolidation of Variable Interest Entities* . A variable interest entity (VIE) is an entity whose equity investors do not have a controlling financial interest or do not have sufficient equity at

risk such that the entity cannot finance its own activities. FIN No. 46 provides that VIEs shall be consolidated by the entity deemed to be the primary beneficiary of the VIE. FIN No. 46 is immediately effective for VIEs created after January 31, 2003. For VIEs created prior to February 1, 2003,

Table of Contents

FIN No. 46 is effective for the Company in the third quarter of fiscal 2004. The Company does not anticipate any impact from the adoption of FIN No. 46.

Note B. Allowance for Doubtful Accounts.

| | 2003 |
|----------------------------------|-------------|
| Allowance at beginning of year | \$144 |
| Provision for doubtful accounts | 31 |
| Accounts written-off (recovered) | (54) |
| | <hr/> |
| Allowance at end of year | \$121 |
| | <hr/> |

Note C. Investments.

An investment loss of \$3,000 was recognized in fiscal 2003.

As of July 25, 2003:

| | Gross Amortized cost | Gross unrealized gains | Gross unrealized losses | Estimated fair value | Carrying value |
|--------------------------------|---------------------------------|-----------------------------------|------------------------------------|-------------------------------------|---------------------------|
| | <hr/> | <hr/> | <hr/> | <hr/> | <hr/> |
| Short-term investments: | | | | | |
| Available-for-sale securities: | | | | | |
| Commercial paper | \$ 797 | \$ 2 | \$ | \$ 799 | \$ 799 |
| Certificates of deposit | 309 | | | 309 | 309 |
| Government agency bonds | 3,507 | 14 | | 3,521 | 3,521 |
| | <hr/> | <hr/> | <hr/> | <hr/> | <hr/> |
| Total short-term investments | 4,613 | 16 | | 4,629 | 4,629 |
| | <hr/> | <hr/> | <hr/> | <hr/> | <hr/> |
| Long-term investments: | | | | | |
| Available-for-sale securities: | | | | | |
| Government agency bonds | 4,561 | 5 | 29 | 4,537 | 4,537 |
| Mutual funds | 251 | | 71 | 180 | 180 |
| | <hr/> | <hr/> | <hr/> | <hr/> | <hr/> |
| Total long-term investments | 4,812 | 5 | 100 | 4,717 | 4,717 |
| | <hr/> | <hr/> | <hr/> | <hr/> | <hr/> |

| | | | | |
|-------------------|---------------|---------------|-------------------|-------------------|
| \$9,425 | \$ 21 | \$ 100 | \$9,346 | \$9,346 |
| <u> </u> | <u> </u> | <u> </u> | <u> </u> | <u> </u> |

Note D. Inventories.

| | 2003 |
|-----------------|-------------------|
| Raw materials | \$3,526 |
| Work-in-process | 2,951 |
| Finished goods | 3,012 |
| | <u> </u> |
| | \$9,489 |
| | <u> </u> |

Had inventories been valued on the first-in, first-out (FIFO) basis, they would have been approximately \$2,303,000 higher than reported on the last-in, first-out (LIFO) basis at July 25, 2003. Approximately 75 percent of inventory has been valued by the LIFO method at July 25, 2003.

Table of Contents**Note E. Property and Equipment.**

| | <u>2003</u> |
|-------------------------------|------------------------|
| Land | \$ 413 |
| Buildings and improvements | 11,721 |
| Machinery and equipment | 17,130 |
| Software | 1,957 |
| Construction-in-progress | <u>203</u> |
| | 31,424 |
| Less accumulated depreciation | <u>17,656</u> |
| | <u>\$13,768</u> |

Note F. Other Assets.

| | <u>2003</u> |
|--|-----------------------|
| Acquired intangible assets, net of accumulated amortization of \$802,000 | \$ 884 |
| Investment in AFTCO, net | 430 |
| Cash value of life insurance | 1,401 |
| Note receivable due March 2008 at 8.0% related party | 1,000 |
| Other | <u>612</u> |
| | <u>\$4,327</u> |

The Company expects amortization expense on acquired intangible assets, all of which are subject to amortization, to be incurred by fiscal year as follows: 2004, \$130,000; 2005, \$122,000; 2006, \$114,000; 2007, \$108,000; and 2008, \$92,000.

Table of Contents**Note G. Accrued Expenses.**

| | 2003 |
|----------------------------------|-------------|
| Salaries, wages, and commissions | \$1,769 |
| Vacation/personal time | 850 |
| Property, payroll, and sales tax | 365 |
| Other | 714 |
| | <hr/> |
| | \$3,698 |
| | <hr/> |

Note H. Income Taxes.

Income tax expense consists of:

| | 2003 |
|----------------|-------------|
| Federal: | |
| Current | \$ 108 |
| Deferred | 644 |
| State: | |
| Current | 68 |
| Deferred | 42 |
| International: | |
| Deferred | (298) |
| | <hr/> |
| | \$ 564 |
| | <hr/> |

The provision for income taxes is reconciled with the amount of income taxes computed at the federal statutory rate as follows:

| | 2003 |
|--|-------------|
| Computed expected federal tax expense | \$ 625 |
| State income taxes, net of federal tax benefit | 106 |
| International income taxes | (18) |
| Exempt foreign sales income | (176) |
| Permanent differences on intangibles | 36 |
| Other | (9) |
| | <hr/> |

\$ 564

The July 25, 2003 components of deferred income tax assets and liabilities resulting from temporary differences between financial and tax reporting are as follows:

| | 2003 |
|---|-------------|
| Deferred tax assets: | |
| Uniform capitalization of inventory costs | \$ 318 |
| Vacation/personal time | 188 |
| Reserve for doubtful accounts | 37 |
| Acquired intangible assets | 386 |
| Net operating, capital and AMT credit loss carry forwards | 809 |
| Other | 270 |
| | 2,008 |
| Gross deferred tax assets | 2,008 |
| Deferred tax liabilities: | |
| Depreciation | (1,728) |
| | \$ 280 |
| Net deferred tax assets | \$ 280 |

Table of Contents

At July 25, 2003, the Company had a German net operating loss carry forward of approximately \$1,900,000 which is not subject to expiration. Realization of deferred tax assets associated with the net operating loss and net capital loss carry forwards is dependent upon generating sufficient taxable income prior to their expiration. Although realization is not assured for deferred tax assets, management believes it is more likely than not that deferred tax assets will be realized through future taxable earnings or alternative tax strategies.

Note I. Short-term Borrowing.

At July 25, 2003, the Company had available \$7,000,000 in lines of credit expiring January 31, 2004. The lines are secured by inventory, accounts receivable, equipment, and intangibles. The lines of credit also support the revolving credit agreements of the Company's German subsidiary, STIP. As such, availability under the lines of credit is reduced by the credit available under those revolving credit agreements, currently Eu2,000,000 (US\$2,300,000).

The Company's German subsidiary maintains a revolving credit agreement that provides for borrowing up to Eu2,000,000 (US\$2,300,000) guaranteed by the Company. This agreement provides for interest rates ranging from 4.7 percent to 8.5 percent and is renewable on a quarterly basis. The amount outstanding under this agreement at July 25, 2003 was \$2,113,000.

The net amount available for borrowing to the Company, under the lines of credit and revolving credit agreements, at July 25, 2003 was approximately \$4,500,000 at a variable rate of 3.0 percent.

Note J. Long-term Debt.

| | 2003 |
|--|-------------|
| Isco, Inc. | |
| Note due December 2003, 6.50% | \$ 475 |
| STIP | |
| Note due March 2009, 7.50% | 175 |
| Note due June 2005, 7.50% | 437 |
| | <hr/> |
| | 1,087 |
| Less current portion of long-term debt | 503 |
| | <hr/> |
| | \$ 584 |
| | <hr/> |

In December 1998 Isco, Inc. borrowed \$5,000,000 from its primary commercial bank. This term loan is repayable in equal installments over 60 months. The note is secured by inventory, accounts receivable, equipment, and intangibles. Under the terms of the loan agreement, the Company is required to maintain a minimum net worth and specified fixed charge coverage and net worth ratios.

The STIP note due March 2009 is repayable in annual installments of Eu25,000 (US\$29,000) with interest payable on a quarterly basis. The STIP note due June 2005 requires quarterly interest payments with principal due in June 2005.

At July 25, 2003, future principal payments due on debt in each of the next five fiscal years are as follows: 2004, \$503,000; 2005, \$466,000; 2006, \$29,000; 2007, \$29,000; 2008, \$29,000 and thereafter, \$31,000.

Note K. Stock Option Plans.

Isco had three stock option plans in effect at July 25, 2003: the 1985 Incentive Stock Option Plan (1985 Plan), the 1996 Stock Option Plan (1996 Plan), and the 1996 Outside Directors Stock Option Plan (1996 Directors Plan). Under each of these plans, options may be granted only during the 10 years following the inception of the plan. The options are exercisable over a period not greater than 10 years from the date of grant.

In July 1985 the Company adopted the 1985 Plan, which authorized the future issuance of up to 174,570

Table of Contents

shares to officers and key employees. During fiscal 1997, the Company adopted the 1996 Plan, which authorized the future issuance of up to 250,000 shares to officers, key employees, and designated individuals. This plan was amended in fiscal year 2000 to increase the number of shares available for options to 500,000. Under both plans, qualified options are to be granted at not less than 100 percent of the fair market value of the common stock when granted. The 1996 Plan also authorized the issuance of nonqualified options that may be granted at not less than 80 percent of the fair market value of the common stock when granted. Shares granted under the 1996 Plan are either fixed awards subject to vesting or performance based awards. The fixed awards granted have vesting terms ranging from immediate vesting to three years. The performance based awards were granted in 2001 under a five year plan with each year subject to annual revenue, income and other performance targets as determined by the Compensation Committee of the Board of Directors. Compensation expense recorded for the performance based awards in 2003 was \$91,000.

During fiscal 1997 the Company adopted the 1996 Directors Plan, which authorized the future issuance of up to 100,000 shares to nonemployee directors of the Company. The options are exercisable, at the date of grant, over a period not greater than 10 years.

Stock option activity under the Plans for fiscal year 2003 is as follows:

| | Stock Options | | | | | |
|---------------------------|----------------------|--------------------------------------|------------------|--------------------------------------|----------------------------|--------------------------------------|
| | 1985 Plan | | 1996 Plan | | 1996 Directors Plan | |
| | Shares | Weighted Average Option Price | Shares | Weighted Average Option Price | Shares | Weighted Average Option Price |
| Outstanding July 26, 2002 | 112,940 | \$11.85 | 390,450 | \$4.84 | 22,834 | \$7.56 |
| Granted | | | 50,600 | \$7.77 | 5,000 | \$8.14 |
| Exercised | | | (48,765) | \$4.92 | | |
| Canceled | (68,540) | \$13.04 | (54,021) | \$5.68 | | |
| | <u>44,400</u> | <u>\$10.01</u> | <u>338,264</u> | <u>\$5.14</u> | <u>27,834</u> | <u>\$7.67</u> |
| Outstanding July 25, 2003 | 44,400 | \$10.01 | 338,264 | \$5.14 | 27,834 | \$7.67 |

The following table summarizes information about stock options outstanding at July 25, 2003:

| | Options Outstanding | | | Options Exercisable | |
|---------------------------------|--|--|-------------------------|--|-------------------------|
| | Shares Outstanding at July 25, 2003 | Weighted Average Remaining Contractual Life | Weighted Average | Shares Exercisable at July 25, 2003 | Weighted Average |
| Range of Exercise Prices | | | | | |

| | | | Option Price | | Option Price |
|--------------------|---------|-----|-------------------------|---------|-------------------------|
| \$4.00 to \$6.00 | 280,723 | 6.0 | \$ 4.45 | 154,676 | \$ 4.50 |
| \$6.01 to \$8.00 | 43,600 | 9.2 | \$ 7.60 | 10,250 | \$ 7.57 |
| \$8.01 to \$10.00 | 81,775 | 2.9 | \$ 9.42 | 81,775 | \$ 9.42 |
| \$10.01 to \$12.00 | 4,400 | 2.0 | \$10.13 | 3,520 | \$10.13 |

The following table summarizes the assumptions used in determining the value of stock options.

| | |
|------------------------------|---------|
| Risk-free interest rate | 3.47% |
| Expected volatility of stock | 46.4% |
| Dividend yield | 2.96% |
| Expected life of options | 7 years |

Table of Contents

Pro forma information regarding net income and earnings per share is required by SFAS No. 148. This information is presented as if the Company had accounted for all stock-based awards under the fair value method:

| | 2003 |
|---|-------------|
| Net income, as reported | \$1,275 |
| Less: Stock-based compensation determined under the fair value based method, net of income tax (tax benefit): | (174) |
| Add: Stock-based compensation expense included in reported net income, net of income tax: | 91 |
| | <hr/> |
| Pro forma net income | \$1,192 |
| | <hr/> |
| Earnings per share: | |
| Basic-as reported | \$ 0.22 |
| | <hr/> |
| Basic-pro forma | \$ 0.21 |
| | <hr/> |
| Diluted-as reported | \$ 0.22 |
| | <hr/> |
| Diluted-pro forma | \$ 0.20 |
| | <hr/> |

Note L. Retirement Plan.

The Company has a defined contribution retirement plan covering Isco, Inc. employees who satisfy age and service requirements. The Company makes annual discretionary profit sharing contributions to the plan. Company contributions to the plan are limited to 15% of aggregate compensation of the participants. There was no Company profit sharing contribution for fiscal year 2003.

Within the plan is a 401(k) salary reduction feature. The Company currently matches the reduction, up to 5% of the employees' compensation, with a 50% matching contribution. During fiscal year 2003, the Company made matching contributions of approximately \$333,000.

Note M. Supplemental Cash Flow Information.

During fiscal year 2003 the Company made income tax payments of approximately \$666,000.

During fiscal year 2003 the Company made interest payments of \$230,000.

Note N. Geographic and Product Group Sales and Geographic Long-lived Assets.

| Net Sales: | 2003 |
|-------------------|-------------------|
| United States | \$44,283 |
| Europe | 8,845 |
| Asia | 4,945 |
| Other | 2,808 |
| | <u> </u> |
| | \$60,881 |
| | <u> </u> |

| Net Sales: | 2003 |
|-----------------------------|-------------------|
| Sampler product line | \$19,642 |
| Flow Meter product line | 11,910 |
| Chromatography product line | 15,234 |
| Other * | 14,095 |
| | <u> </u> |
| | \$60,881 |
| | <u> </u> |

* Other includes other product line revenues, service revenues, and freight billings.

| Long-lived Assets: | 2003 |
|---------------------------|-------------------|
| United States | \$17,982 |
| Europe | 113 |
| | <u> </u> |
| | \$18,095 |
| | <u> </u> |

Table of Contents**Note O. Earnings Per Share.**

The following table provides a reconciliation between basic and diluted earnings per share:

| | 2003 |
|---|-------------|
| Net income for both basic and diluted earnings per share | \$1,275 |
| Weighted average outstanding shares for basic earning per share | 5,696 |
| Effect of diluted earnings per share: | |
| Common stock equivalents and dilutive stock options | 167 |
| Shares outstanding for diluted earnings per share | 5,863 |
| Earnings per share: | |
| Basic | \$ 0.22 |
| Diluted | \$ 0.22 |

Options and other common stock equivalents to purchase 124,775 shares of common stock were outstanding during the period ended July 25, 2003, but were not included in the computation of diluted earnings per share because the options' exercise price was greater than the average market price of the common stock and, therefore, their effect would be anti-dilutive.

Note P. Commitments and Contingencies.

Legal Proceedings. On August 8, 2003, we reached a settlement with Cornell Research Foundation, Inc. (Cornell) related to Isco's patent license agreement. We retained an exclusive patent license agreement as limited by the earlier decision reached by an arbitration panel regarding fields of use and column sizes. In addition, we have obtained a non-exclusive patent license agreement which covers additional fields of use and column sizes for liquid chromatography use. As a result of this settlement, all parties have agreed to drop all legal actions.

In the normal course of business, the Company is involved in various other legal actions. It is management's opinion that none of these legal actions will materially affect the financial position or results of operations of the Company.

Commitments. AFTCO has a \$1,000,000 line of credit commitment from the Company's primary commercial bank which expires January 31, 2004. The Company is the guarantor of this line.

Isco has commitments under long-term operating leases for building space and equipment, many of which contain renewal options. Rent expense incurred on operating leases for fiscal year 2003 was \$242,000. Future minimum rentals on operating leases with non-cancelable lease terms at July 25, 2003 aggregate \$321,000 and are payable by fiscal years as follows: 2004, \$251,000; 2005, \$67,000; and 2006, \$3,000. Isco, Inc., via Isco Holdings, Inc., continues to lease the facilities that were used for a former subsidiary's operation. This facility was vacated in June 2003 and Isco Holdings, Inc. entered into a termination agreement with the landlord, resulting in additional operating lease expenses of approximately \$90,000 which were recognized in selling, general and administrative expenses during the year ended July 25, 2003.

Table of Contents

Note Q. Involuntary Terminations.

During the year reorganization activities took place resulting in the elimination of 16 operating staff positions. In connection with the involuntary terminations, severance and related costs of approximately \$0.6 million were recorded during the year ended July 25, 2003. These costs are included in selling, general and administrative expenses and accrued expenses in the consolidated financial statements. The accrued severance costs remaining at the end of fiscal year 2003 were approximately \$0.1 million.

Note R. Subsequent Event.

On June 18, 2004, the Company was acquired by Teledyne Technologies Incorporated through the acquisition of all of the Company's outstanding common stock.

Table of Contents

ISCO, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

(Unaudited)

(Amounts in thousands, except per share data)

| | Three months ended | | Nine months ended | |
|-------------------------------------|--------------------|----------------|-------------------|----------------|
| | Apr 23 2004 | Apr 25 2003 | Apr 23 2004 | Apr 25 2003 |
| Net sales | \$ 18,093 | \$ 15,057 | \$ 52,633 | \$ 44,813 |
| Cost of sales | 7,965 | 7,358 | 24,358 | 21,048 |
| | 10,128 | 7,699 | 28,275 | 23,765 |
| Operating expenses: | | | | |
| Selling, general and administrative | 7,187 | 5,975 | 19,154 | 18,512 |
| Research and engineering | 1,661 | 1,602 | 5,016 | 4,837 |
| | 8,848 | 7,577 | 24,170 | 23,349 |
| Income from operations | 1,280 | 122 | 4,105 | 416 |
| Other income (expense): | | | | |
| Investment income | 127 | 108 | 447 | 440 |
| Interest expense | (38) | (52) | (118) | (179) |
| Other, net | 42 | 50 | 143 | 136 |
| | 131 | 106 | 472 | 397 |
| Income before income taxes | 1,411 | 228 | 4,577 | 813 |
| Provision for income taxes | 470 | 6 | 1,494 | 170 |
| Net income | \$ 941 | \$ 222 | \$ 3,083 | \$ 643 |
| Basic earnings per share | \$ 0.16 | \$ 0.04 | \$ 0.54 | \$ 0.11 |
| Diluted earnings per share | \$ 0.16 | \$ 0.04 | \$ 0.52 | \$ 0.11 |
| Cash dividends per share | \$ 0.06 | \$ 0.06 | \$ 0.18 | \$ 0.18 |

| | | | | |
|---|-------------------|-------------------|-------------------|-------------------|
| | <u> </u> | <u> </u> | <u> </u> | <u> </u> |
| Weighted average number of shares outstanding-basic | 5,739 | 5,704 | 5,733 | 5,686 |
| | <u> </u> | <u> </u> | <u> </u> | <u> </u> |
| Additional shares assuming exercise of common stock equivalents and dilutive stock options | 180 | 139 | 166 | 158 |
| | <u> </u> | <u> </u> | <u> </u> | <u> </u> |
| Weighted average number of shares outstanding-diluted | 5,919 | 5,843 | 5,899 | 5,844 |
| | <u> </u> | <u> </u> | <u> </u> | <u> </u> |

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

Table of Contents

ISCO, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEETS

(Unaudited)

(Columnar amounts in thousands)

| | Apr 23 2004 | Jul 25 2003 |
|---|------------------------|------------------------|
| | | |
| Assets | | |
| Current assets: | | |
| Cash and cash equivalents | \$ 1,895 | \$ 5,383 |
| Short-term investments | 2,965 | 4,629 |
| Accounts receivable trade, net of allowance for doubtful accounts of \$124,000 and \$121,000 | 10,882 | 10,590 |
| Inventories (Notes 2 and 3) | 8,901 | 9,489 |
| Refundable income taxes | | 303 |
| Deferred income taxes | 991 | 812 |
| Other current assets | 611 | 417 |
| | | |
| Total current assets | 26,245 | 31,623 |
| Property and equipment, net of accumulated depreciation of \$19,228,000 and \$17,656,000 | 12,972 | 13,768 |
| Long-term investments | 14,659 | 4,717 |
| Other assets (Note 4) | 4,367 | 4,327 |
| | | |
| Total assets | \$58,243 | \$54,435 |
| Liabilities and Shareholders Equity | | |
| Current liabilities: | | |
| Accounts payable | \$ 1,698 | \$ 1,222 |
| Accrued expenses | 3,700 | 3,698 |
| Income taxes payable | 980 | |
| Short-term borrowing | 2,313 | 2,113 |
| Current portion of long-term debt | 32 | 503 |
| | | |
| Total current liabilities | 8,723 | 7,536 |
| Deferred income taxes | 606 | 532 |
| Long-term debt, less current portion | 590 | 584 |
| Commitments and contingencies | | |
| Shareholders equity Preferred stock, \$.10 par value, authorized 5,000,000 shares; issued none | | |
| Common stock, \$.10 par value, authorized 15,000,000 shares; issued and outstanding 5,741,946 and 5,727,838 | 574 | 573 |

Edgar Filing: TELEDYNE TECHNOLOGIES INC - Form 8-K/A

| | | |
|---|-------------------|-------------------|
| Additional paid-in capital | 39,305 | 38,765 |
| Retained earnings | 8,559 | 6,509 |
| Accumulated other comprehensive loss (Note 5) | (114) | (64) |
| | <u> </u> | <u> </u> |
| Total shareholders' equity | 48,324 | 45,783 |
| | <u> </u> | <u> </u> |
| Total liabilities and shareholders' equity | \$58,243 | \$54,435 |
| | <u> </u> | <u> </u> |

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

Table of Contents

ISCO, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited)
(Columnar amounts in thousands)

| | Nine Months Ended | |
|--|--------------------------|------------------------|
| | Apr 23 2004 | Apr 25 2003 |
| Cash flows from operating activities: | | |
| Net income | \$ 3,083 | \$ 643 |
| Adjustments to reconcile net income to net cash flows from operating activities: | | |
| Depreciation and amortization | 1,681 | 1,875 |
| Stock-based compensation | 482 | 100 |
| Deferred income taxes | (81) | (210) |
| Loss on asset impairment | 153 | |
| Gain on sale of property and equipment | (284) | (310) |
| Provision for doubtful accounts | 26 | 23 |
| Undistributed (income) losses of AFTCO | (3) | 18 |
| Change in operating assets and liabilities: | | |
| Accounts receivable-trade | (227) | 302 |
| Inventories | 701 | (730) |
| Refundable income taxes | 303 | (204) |
| Other current assets | (186) | (165) |
| Accounts payable | 434 | 314 |
| Accrued expenses | (25) | (770) |
| Income taxes payable | 980 | (176) |
| Other | (142) | (392) |
| | 3,812 | (325) |
| Total adjustments | | |
| | 6,895 | 318 |
| Cash flows from operating activities | | |
| Cash flows from investing activities: | | |
| Proceeds from maturities of available-for-sale securities | 11,850 | 7,350 |
| Proceeds from maturity of held-to-maturity securities | | 2,630 |
| Purchase of held-to-maturity securities | | (497) |
| Purchase of available-for-sale securities | (20,196) | (5,934) |
| Proceeds from sale of property and equipment | 481 | 422 |
| Purchase of property and equipment | (1,113) | (1,504) |
| Other | 4 | (50) |
| | (8,974) | 2,417 |
| Cash flows from investing activities | | |

| | | |
|--|----------|----------|
| | _____ | _____ |
| Cash flows from financing activities: | | |
| Cash dividends paid | (1,032) | (1,025) |
| Net change in short-term borrowings | 38 | (30) |
| Repayment of long-term debt | (475) | (848) |
| Issuance of common stock and exercise of stock options | 60 | 222 |
| | _____ | _____ |
| Cash flows from financing activities | (1,409) | (1,681) |
| | _____ | _____ |
| Cash and cash equivalents: | | |
| Net increase (decrease) | (3,488) | 1,054 |
| Balance at beginning of year | 5,383 | 633 |
| | _____ | _____ |
| Balance at end of period | \$ 1,895 | \$ 1,687 |
| | _____ | _____ |

See Note 7 for supplemental cash flow information.

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

Table of Contents

ISCO, INC. AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
April 23, 2004
(Unaudited)
(Columnar amounts in thousands, except per share data)

Note 1 : In the opinion of management, the accompanying unaudited condensed consolidated financial statements contain all of the adjustments necessary for a fair presentation of the financial position of the Company and the results of operations and cash flows for the interim periods presented herein. All such adjustments are of a normal recurring nature. Results of operations and cash flows for the current unaudited interim period are not necessarily indicative of the results that may be expected for the entire fiscal year. Inter-company transactions and accounts have been eliminated.

While the Company believes that the disclosures presented are adequate to make the information not misleading, it is suggested that these condensed consolidated financial statements be read in conjunction with the consolidated financial statements and notes to the consolidated financial statements included in the Annual Report on Form 10-K for the year ended July 25, 2003.

Note 2 : Inventories are valued at the lower of cost or market, principally on the last-in, first-out (LIFO) basis. The composition of inventories was as follows:

| | <u>Apr 23, 2004</u> | <u>July 25, 2003</u> |
|-----------------|---------------------|----------------------|
| Raw Materials | \$3,229 | \$3,526 |
| Work-in-process | 3,172 | 2,951 |
| Finished goods | 2,500 | 3,012 |
| | <u> </u> | <u> </u> |
| | \$8,901 | \$9,489 |
| | <u> </u> | <u> </u> |

Had inventories been valued on the first-in, first-out (FIFO) basis, they would have been approximately \$2,357,000 and \$2,303,000 higher than reported on the LIFO basis at April 23, 2004 and July 25, 2003, respectively.

Note 3 : During the nine month period ended April 23, 2004, the Company established a \$605,000 reserve against inventory associated with the supercritical fluid extraction (SFE) product line to reflect a lower of cost or market adjustment. The reserve was reflected as a charge to cost of sales in the nine month period ended April 23, 2004. The reserve reflects information obtained which indicates the current value of the inventory will not be recoverable. During the second quarter of fiscal 2004 the Company communicated to its distribution channel its intent to divest this product line within the next fiscal quarter either via a sale of assets or a shutdown of operations. During the third quarter of fiscal 2004, the Company began implementing the shutdown process. No additional write-downs of assets were incurred in connection with this shutdown.

In addition to the inventory reserve, the Company recognized an impairment of \$153,000 related to property and equipment associated with the SFE product line. This charge was included in selling, general, and administrative expenses for the nine month period ended April 23, 2004.

Table of Contents

Note 4 : Other assets were comprised of the following as of April 23, 2004 and July 25, 2003:

| | Apr 23, 2004 | Jul 25, 2003 |
|--|-------------------------|-------------------------|
| Acquired intangible assets, net of accumulated amortization of \$900,000 and \$802,000 | \$ 786 | \$ 884 |
| Investment in AFTCO | 432 | 430 |
| Cash value of life insurance | 1,456 | 1,401 |
| Notes receivable; due March 2008 - related party | 1,000 | 1,000 |
| Other | 693 | 612 |
| | \$ 4,367 | \$ 4,327 |

Note 5 : Comprehensive income for the three month and nine month periods ended April 23, 2004 and April 25, 2003, was as follows:

| | Three months ended | | Nine months ended | |
|---|---------------------------|------------------------|--------------------------|------------------------|
| | Apr 23 2004 | Apr 25 2003 | Apr 23 2004 | Apr 25 2003 |
| Net income | \$941 | \$222 | \$3,083 | \$643 |
| Other comprehensive income (loss), net of income tax (tax benefit): | | | | |
| Foreign currency translation adjustment | 4 | 32 | (10) | (2) |
| Unrealized holding gains (losses) on available-for-sale securities | (79) | (9) | (40) | (19) |
| Comprehensive income | \$866 | \$245 | \$3,033 | \$622 |

Note 6 : As permitted by SFAS 123, the Company accounts for its stock-based compensation on the intrinsic-value method in accordance with Accounting Principles Board Opinion No. 25, *Accounting for Stock Issued to Employees*, and related interpretations. For those options granted to employees as fixed award stock options and non-employee directors stock options, no stock-based employee compensation expense related to the Company's stock option plans is reflected in net income, as all options granted as fixed awards or to non-employee directors had an exercise price equal to market value of the underlying common stock on the date of grant. Pro forma information regarding net

income and earnings per share is required by SFAS No. 148. This information is presented as if the Company had accounted for all stock-based awards under the fair value method:

| | Three months ended | | Nine months ended | |
|---|---------------------------|------------------------|--------------------------|------------------------|
| | Apr 23 2004 | Apr 25 2003 | Apr 23 2004 | Apr 25 2003 |
| Net income, as reported | \$ 941 | \$ 222 | \$3,083 | \$ 643 |
| Less: Stock-based compensation determined under the fair value based method, net of income tax (tax benefit): | (99) | (59) | (244) | (188) |
| Add: Stock-based employee compensation expense included in reported net income, net of income tax (tax benefit): | 337 | 5 | 482 | 100 |
| Pro forma net income | \$1,179 | \$ 168 | \$3,321 | \$ 555 |
| Earnings per share: Basic-As Reported | \$ 0.16 | \$0.04 | \$ 0.54 | \$0.11 |
| Basic-Pro forma | \$ 0.21 | \$0.03 | \$ 0.58 | \$0.10 |
| Diluted-As Reported | \$ 0.16 | \$0.04 | \$ 0.52 | \$0.11 |
| Diluted-Pro forma | \$ 0.20 | \$0.03 | \$ 0.56 | \$0.09 |

Table of Contents

Note 7 : Supplemental Cash Flow Information

The Company made income tax payments of \$292,000 and \$759,000 during the nine-month periods ended April 23, 2004 and April 25, 2003, respectively.

The Company made interest payments of \$118,000 and \$179,000 during the nine-month periods ended April 23, 2004 and April 25, 2003, respectively.

Note 8 : New Accounting Pronouncements

In January and December 2003, the Financial Accounting Standards Board (FASB) issued FASB Interpretation No. 46 (FIN 46) and No. 46, revised (FIN 46R), Consolidation of Variable Interest Entities . These statements, which address the accounting for entities commonly known as special-purpose or off-balance-sheet, require consolidation of certain interests or arrangements by virtue of holding a controlling financial interest in such entities. Certain provisions of FIN 46R related to interests in special purpose entities were applicable for the period ended December 31, 2003. The Company must apply FIN 46R to its interests subject to the interpretation as of the first annual period ending after March 15, 2004. Adoption of this new method of accounting for variable interest entities did not and is not expected to have a material impact on the Company s consolidated financial position, results of operations or cash flows.

Note 9 : Pending Merger

On April 8, 2004 Isco, Inc. and Teledyne Technologies Incorporated (Teledyne) jointly announced a definitive agreement which provides for the merger of Isco, Inc. with a wholly owned subsidiary of Teledyne. Upon the consummation of the merger, which is subject to the approval of Isco s shareholders as well as other customary closing conditions, Teledyne will acquire all of the outstanding shares of Isco for \$16.00 per share in cash. The aggregate consideration for the outstanding Isco shares will be approximately \$96 million (including payments for the settlement of outstanding stock options) or approximately \$76 million taking into account Isco s net cash and investments at April 23, 2004. A special shareholders meeting to vote on the merger will be held June 15, 2004. If holders of two-thirds of the outstanding Isco common stock approve the merger, it will be completed on June 18, 2004. Trading in Isco common stock is expected to cease effective the close of business on June 18, 2004.

Note 10 : Subsequent Event

In May, 2004, the Company received notice that it was entitled to a refund of certain policy premiums of approximately \$650,000 on the health insurance plan the Company had in place for the calendar year ended December 31, 2002. The Company anticipates receiving this refund within the next fiscal quarter. Based on the terms of the policy refund, this gain contingency will be recognized as a reduction in operating expenses in the fourth quarter of the Company s fiscal year 2004.

Table of Contents

Item 7(b)

Teledyne Technologies Incorporated and Isco, Inc. Unaudited Pro Forma Condensed Combined Financial Statements

On June 18, 2004, Teledyne Technologies completed the acquisition of the stock of Isco, Inc. (Isco) for \$16.00 per share in cash. The aggregate consideration for the outstanding Isco shares was approximately \$97.4 million (including payments for the settlement of outstanding stock options) or approximately \$79.4 million (including assumed debt, net of cash and marketable securities acquired). The following unaudited pro forma condensed combined financial statements give effect to the acquisition of Isco as if it occurred at the beginning of Teledyne Technologies 2004 and 2003 fiscal years. The unaudited pro forma condensed combined statements of income combine the historical statements of operations of Teledyne Technologies for the year ended December 28, 2003 and the historical statements of operations of Isco, Inc. for the four quarters ended January 23, 2004, giving effect to the merger as if it occurred at the beginning of the 2003 fiscal year, reflecting only pro forma adjustments expected to have a continuing impact on the combined results. Isco's fiscal year end is July 25, 2003. To properly align Isco's historical results with Teledyne Technologies historical fiscal 2003 year end, Isco's historical third quarter 2003 period ended April 23, 2003, fourth quarter 2003 period ended July 25, 2003, first quarter 2004 period ended October 24, 2003 and second quarter 2004 period ended January 23, 2004 were added and to arrive at a 12 month period that was used for the pro forma presentation. For the six month presentation, Teledyne Technologies historical results for the six months ended June 27, 2004 (which includes Isco's results from the date of acquisition, June 18, 2004 to June 27, 2004) were added to Isco's historical results for the quarterly period from January 24, 2004 to April 23, 2004 and for the period from April 24, 2004 up to the date of the acquisition of June 18, 2004.

These unaudited pro forma condensed combined financial statements are for informational purposes only. They do not purport to indicate the results that would have actually been obtained had the acquisition been completed at the beginning of each period presented. To produce the pro forma financial information, Teledyne Technologies allocated the purchase price using its best estimates of fair value. In addition, the pro forma results are not intended to be a projection of future results and do not reflect any operating efficiencies or cost savings that might be achievable.

Table of Contents

Teledyne Technologies Unaudited Pro Form Combined Statement of Income for the 2003 fiscal year ended December 28, 2003:

| (in millions, except per share amounts) | Fiscal Year 2003 | | | Pro Forma Combined |
|--|----------------------------------|-----------------------|----------------------------------|-----------------------------------|
| | Teledyne Technologies | Isco, Inc. | Pro Forma Adjustments | |
| Net sales | \$840.7 | \$ 65.7 | \$ | \$906.4 |
| Costs and expenses | | | | |
| Cost of sales | 636.7 | 31.1 | 0.7(a) | 668.5 |
| Selling, general and administrative expenses | 157.0 | 30.6 | — | 187.6 |
| Total costs and expenses | 793.7 | 61.7 | 0.7 | 856.1 |
| Income before other income and expense and income taxes | 47.0 | 4.0 | 0.7 | 50.3 |
| Interest and debt expense, net | 0.8 | (0.3) | 1.6(b) | 2.1 |
| Other income (expense) | (1.6) | 0.1 | — | (1.5) |
| Income before income taxes | 44.6 | 4.4 | (2.3) | 46.7 |
| Provision for income taxes | 14.9 | 1.4 | (0.7)(c) | 15.6 |
| Net income | \$ 29.7 | \$ 3.0 | \$(1.6) | \$ 31.1 |
| Basic earnings per common share | \$ 0.92 | | | \$ 0.97 |
| Weighted average common shares outstanding | 32.2 | | | 32.2 |
| Diluted earnings per common share | \$ 0.91 | | | \$ 0.95 |
| Weighted average diluted common shares outstanding | 32.7 | | | 32.7 |

a) To record estimated amortization on intangible assets acquired in the acquisition. The Company is in the process of specifically identifying the amount to be assigned to intangible assets for the Isco acquisition and has made a

preliminary estimate of \$7.2 million as of June 27, 2004, since there was insufficient time between the acquisition date and the end of the second quarter to finalize the valuation. An estimated 10-year useful life amortized on a straight line basis was use to calculate the estimated amortization.

- b) To record estimated interest expense on the net acquisition debt at the rate in effect at the time of the acquisition. The aggregate consideration for the outstanding Isco shares was approximately \$97.4 million (including payments for the settlement of outstanding stock options) or approximately \$79.4 million (including assumed debt, net of cash and marketable securities acquired). The interest rate used to calculate interest expense was Teledyne Technologies then current rate of 1.95%.
- c) To adjust the provision for income taxes to a combined blended effective tax rate of 33.3%. The 2003 provision for taxes includes a \$2.4 million income tax benefit from the reversal of an income tax contingency reserve which was determined to be no longer needed during the third quarter of 2003.

Table of Contents

Teledyne Technologies Unaudited Pro Form Combined Statement of Income for the six months ended June 27, 2004 :

| (in millions, except per share amounts) | <u>Six Months 2004</u> | | | Pro Forma Combined |
|--|----------------------------------|-----------------------|----------------------------------|-----------------------------------|
| | Teledyne Technologies | Isco, Inc. | Pro Forma Adjustments | |
| Net sales | \$458.5 | \$ 29.7 | \$ | \$ 488.2 |
| Costs and expenses | | | | |
| Cost of sales | 346.6 | 12.2 | 0.4(a) | 359.2 |
| Selling, general and administrative expenses | 85.6 | 14.0 | — | 99.6 |
| Total costs and expenses | <u>432.2</u> | <u>26.2</u> | <u>0.4</u> | <u>458.8</u> |
| Income before other income and expense and income taxes | 26.3 | 3.5 | 0.4 | 29.4 |
| Interest and debt expense, net | 0.4 | (0.1) | 0.8(b) | 1.1 |
| Other income (expense) | 0.3 | 0.1 | — | 0.4 |
| Income before income taxes | <u>26.2</u> | <u>3.7</u> | <u>(1.2)</u> | <u>28.7</u> |
| Provision for income taxes | 10.4 | 1.0 | — | 11.4 |
| Net income | <u>\$ 15.8</u> | <u>\$ 2.7</u> | <u>\$ (1.2)</u> | <u>\$ 17.3</u> |
| Basic earnings per common share | <u>\$ 0.49</u> | | | <u>\$ 0.54</u> |
| Weighted average common shares outstanding | <u>32.3</u> | | | <u>32.3</u> |
| Diluted earnings per common share | <u>\$ 0.48</u> | | | <u>\$ 0.52</u> |
| Weighted average diluted common shares outstanding | <u>33.2</u> | | | <u>33.2</u> |

a) To record estimated amortization on intangible assets acquired in the acquisition. The Company is in the process of specifically identifying the amount to be assigned to intangible assets for the Isco acquisition and has made a preliminary estimate of \$7.2 million as of June 27, 2004, since there was insufficient time between the acquisition

date and the end of the second quarter to finalize the valuation. An estimated 10-year useful life amortized on a straight line basis was use to calculate the estimated amortization.

- b) To record estimated interest expense on the net acquisition debt at the rate in effect at the time of the acquisition. The aggregate consideration for the outstanding Isco shares was approximately \$97.4 million (including payments for the settlement of outstanding stock options) or approximately \$79.4 million (including assumed debt, net of cash and marketable securities acquired). The interest rate used to calculate interest expense was Teledyne Technologies then current rate of 1.95%.

Table of Contents

SIGNATURE

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

TELEDYNE TECHNOLOGIES INCORPORATED

By: /s/ Dale A. Schnittjer

Dale A. Schnittjer
Vice President and Chief Financial Officer

Dated: August 17, 2004

Table of Contents

EXHIBIT INDEX

Description

23.1 Consent of Deloitte & Touche LLP