DANAHER CORP /DE/
Form 10-Q
April 21, 2011
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UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

(Mark One)

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

For the quarterly period ended April 1, 2011

OR

¨ **TRANSITION REPORT UNDER SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the transition period from ______ to ______

Commission File Number: 1-8089

DANAHER CORPORATION

(Exact name of registrant as specified in its charter)

Delaware	**59-1995548**
(State of Incorporation)	**(I.R.S. Employer Identification number)**

2200 Pennsylvania Avenue, N.W., Suite 800W

Washington, D.C.	**20037-1701**
(Address of Principal Executive Offices)	**(Zip Code)**

Registrant s telephone number, including area code: 202-828-0850

2099 Pennsylvania Avenue, N.W., 12th Floor

Washington, D.C. 20006

(Former Name, Former Address and Former Fiscal Year, if Changed Since Last Report)

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

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 during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes x No ¨

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

Large accelerated filer	x	Accelerated filer	¨
Non-accelerated filer	¨ (Do not check if a smaller reporting company)	Smaller reporting company	¨

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

The number of shares of common stock outstanding at April 15, 2011 was 664,056,433.

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DANAHER CORPORATION

CONSOLIDATED CONDENSED BALANCE SHEETS

($ in thousands)

	April 1, 2011	December 31, 2010 (Note 1)
ASSETS		
Current Assets:		
Cash and equivalents	$ 1,593,559	$ 1,632,980
Trade accounts receivable, net	2,210,224	2,159,503
Inventories:		
Finished goods	601,487	582,331
Work in process	230,236	185,658
Raw material and supplies	453,209	412,194
Total inventories	1,284,932	1,180,183
Prepaid expenses and other current assets	1,043,177	1,070,215
Total current assets	6,131,892	6,042,881
Property, plant and equipment, net	1,177,703	1,160,886
Investment in joint venture	523,231	511,283
Other assets	727,658	696,498
Goodwill	10,934,931	10,482,998
Other intangible assets, net	3,539,466	3,322,584
Total assets	$ 23,034,881	$ 22,217,130
LIABILITIES AND STOCKHOLDERS EQUITY		
Current Liabilities:		
Notes payable and current portion of long-term debt	$ 58,922	$ 40,761
Trade accounts payable	1,239,137	1,169,185
Accrued expenses and other liabilities	2,025,796	2,110,756
Total current liabilities	3,323,855	3,320,702
Other long-term liabilities	2,319,298	2,339,755
Long-term debt	2,668,039	2,783,907
Stockholders equity:		
Common stock - $0.01 par value	7,370	7,295
Additional paid-in capital	2,682,929	2,412,401
Retained earnings	11,362,018	10,945,928
Accumulated other comprehensive income	606,862	345,386
Total Danaher stockholders equity	14,659,179	13,711,010
Non-controlling interest	64,510	61,756
Total stockholders equity	14,723,689	13,772,766

Total liabilities and stockholders equity	$ 23,034,881	$ 22,217,130

See the accompanying Notes to Consolidated Condensed Financial Statements.

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DANAHER CORPORATION

CONSOLIDATED CONDENSED STATEMENTS OF EARNINGS

($ and shares in thousands, except per share amounts)

(unaudited)

	Three Months Ended April 1, 2011	Three Months Ended April 2, 2010
Sales	$ 3,345,702	$ 3,007,829
Cost of sales	1,582,314	1,539,117
Gross profit	1,763,388	1,468,712
Operating costs and other:		
Selling, general and administrative expenses	969,702	866,331
Research and development expenses	217,573	180,836
Earnings from unconsolidated joint venture	(14,475)	
Operating profit	590,588	421,545
Non-operating income (expense):		
Interest expense	(30,725)	(30,044)
Interest income	2,115	1,553
Earnings from continuing operations before income taxes	561,978	393,054
Income taxes	(141,732)	(100,307)
Earnings from continuing operations	420,246	292,747
Earnings from discontinued operations, net of income taxes	9,112	7,486
Net earnings	$ 429,358	$ 300,233
Earnings per share from continuing operations:		
Basic	$ 0.64	$ 0.45
Diluted	$ 0.61	$ 0.43
Earnings per share from discontinued operations:		
Basic	$ 0.01	$ 0.01
Diluted	$ 0.01	$ 0.01
Net earnings per share:		
Basic	$ 0.65	$ 0.46

Diluted	$	0.63*	$	0.45*
Average common stock and common equivalent shares outstanding (in thousands):				
Basic		661,599		648,968
Diluted		688,328		680,122

* Earnings per share amounts do not add due to rounding.

See the accompanying Notes to the Consolidated Financial Statements.

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DANAHER CORPORATION

CONSOLIDATED CONDENSED STATEMENT OF STOCKHOLDERS EQUITY

($ and shares in thousands)

(unaudited)

($ and shares in thousands)	Common Stock Shares	Common Stock Amount	Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Income	Non-Controlling Interest	Comprehensive Income
Balance, December 31, 2010	729,516	$ 7,295	$ 2,412,401	$ 10,945,928	$ 345,386	$ 61,756	
Net earnings				429,358			429,358
Dividends declared				(13,268)			
Common stock based award activity	1,704	17	73,194				
Common stock issued in connection with LYONs conversions including tax benefit of $41.1 million	5,740	58	197,334				
Unrealized gain on available-for-sale securities (net of tax expense of $4.6 million)					8,459		8,459
Increase from translation of foreign financial statements					253,017		253,017
Non-controlling interest acquired						2,754	
Balance, April 1, 2011	736,960	$ 7,370	$ 2,682,929	$ 11,362,018	$ 606,862	$ 64,510	$ 690,834

See the accompanying Notes to the Consolidated Financial Statements.

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DANAHER CORPORATION

CONSOLIDATED CONDENSED STATEMENTS OF CASH FLOWS

($ in thousands)

(unaudited)

	Three Months Ended April 1, 2011	April 2, 2010
Cash flows from operating activities:		
Net earnings	$ 429,358	$ 300,233
Less: earnings from discontinued operations, net of tax	9,112	7,486
Net earnings from continued operations	420,246	292,747
Non-cash items:		
Depreciation	49,443	47,026
Amortization	55,580	45,967
Stock compensation expense	22,776	16,482
Earnings from unconsolidated joint venture	(14,475)	
Change in trade accounts receivable, net	63,211	38,346
Change in inventories	(44,200)	(73,878)
Change in accounts payable	27,374	90,454
Change in prepaid expenses and other assets	29,117	41,606
Change in accrued expenses and other liabilities	(175,162)	(103,252)
Total operating cash flows from continuing operations	433,910	395,498
Total operating cash flows from discontinued operations	2,573	(1,619)
Net cash flows from operating activities	436,483	393,879
Cash flows from investing activities:		
Payments for additions to property, plant and equipment	(48,424)	(37,285)
Proceeds from disposals of property, plant and equipment	2,410	331
Cash paid for acquisitions	(517,420)	(1,263,242)
Total investing cash flows from continuing operations	(563,434)	(1,300,196)
Total investing cash flows from discontinued operations	(1,521)	(1,118)
Net cash used in investing activities	(564,955)	(1,301,314)
Cash flows from financing activities:		
Proceeds from issuance of common stock	50,480	30,313
Payment of dividends	(13,268)	(12,962)
Net proceeds (repayments) of borrowings (maturities of 90 days or less)	17,271	(7,522)
Repayments of borrowings (maturities greater than 90 days)	(2,021)	(2,919)
Net cash provided by (used in) financing activities	52,462	6,910
Effect of exchange rate changes on cash and equivalents	36,589	(15,027)

Net change in cash and equivalents	(39,421)	(915,552)
Beginning balance of cash and equivalents	1,632,980	1,721,920
Ending balance of cash and equivalents	$ 1,593,559	$ 806,368
Supplemental disclosures:		
Cash interest payments	$ 36,369	$ 36,570
Cash income tax payments (refunds)	$ 93,285	$ (6,863)

See the accompanying Notes to the Consolidated Financial Statements.

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DANAHER CORPORATION

NOTES TO CONSOLIDATED CONDENSED FINANCIAL STATEMENTS

(unaudited)

NOTE 1. GENERAL

The consolidated condensed financial statements included herein have been prepared by Danaher Corporation (the Company) without audit, pursuant to the rules and regulations of the Securities and Exchange Commission. Certain information and footnote disclosures normally included in financial statements prepared in accordance with accounting principles generally accepted in the United States have been condensed or omitted pursuant to such rules and regulations; however, the Company believes that the disclosures are adequate to make the information presented not misleading. The condensed financial statements included herein should be read in conjunction with the financial statements and the notes thereto included in the Company s Annual Report on Form 10-K for the year ended December 31, 2010 (the 2010 Annual Report on Form 10-K).

In the opinion of the registrant, the accompanying financial statements contain all adjustments (consisting of only normal recurring accruals) necessary to present fairly the financial position of the Company at April 1, 2011 and December 31, 2010, and its results of operations and cash flows for the three months ended April 1, 2011 and April 2, 2010. Please see Note 3 for a discussion of the impact on the financial statement presentation resulting from the Company s discontinuance of its Pacific Scientific Aerospace business.

Effective January 1, 2011, the Company adopted, on a prospective basis, the provisions of recently updated accounting standards related to revenue recognition associated with contractual arrangements involving multiple elements and contractual arrangements involving tangible products that include software. As a result of adopting these standards, reported sales for the three months ended April 1, 2011 were not significantly different than sales that would have been reported under the previous accounting rules. The Company cannot reasonably estimate the effect of adopting these standards on future financial periods as the impact will vary depending on the nature and volume of new or materially modified transactions in any given period.

Total comprehensive income for the periods presented was as follows ($ in millions):

	Three Months Ended	
	April 1, 2011	April 2, 2010
Net earnings	$ 429.4	$ 300.2
Change in foreign currency translation adjustment	253.0	(127.3)
Unrealized gain on available-for-sale securities, net of income tax	8.4	12.1
Comprehensive income	$ 690.8	$ 185.0

NOTE 2. ACQUISITIONS & PENDING ACQUISITION

The Company continually evaluates potential acquisitions that either strategically fit with the Company s existing portfolio or expand the Company s portfolio into a new and attractive business area. The Company has completed a number of acquisitions that have been accounted for as purchases and have resulted in the recognition of goodwill in the Company s financial statements. This goodwill arises because the purchase prices for these businesses reflect a number of factors including the future earnings and cash flow potential of these businesses; the multiple to earnings, cash flow and other factors at which similar businesses have been purchased by other acquirers; the competitive nature of the process by which the Company acquired the business; and the complementary strategic fit and resulting synergies these businesses bring to existing operations.

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The Company makes an initial allocation of the purchase price at the date of acquisition based upon its understanding of the fair value of the acquired assets and assumed liabilities. The Company obtains this information during due diligence and through other sources. In the months after closing, as the Company obtains additional information about these assets and liabilities, including through tangible and intangible asset appraisals, and learns more about the newly acquired business, it is able to refine the estimates of fair value and more accurately allocate the purchase price. Only items identified as of the acquisition date are considered for subsequent adjustment. The Company is continuing to evaluate certain pre-acquisition contingencies associated with certain of its 2011 and 2010 acquisitions and is also in the process of obtaining valuations of acquired intangible assets and certain acquisition related liabilities in connection with these acquisitions. The Company will make appropriate adjustments to the purchase price allocation prior to completion of the measurement period, as required.

The following briefly describes the Company s acquisition activity for the three months ended April 1, 2011. For a complete description of the Company s acquisition and divestiture activity for the year ended December 31, 2010, please refer to Note 2 to the Consolidated Financial Statements included in the 2010 Annual Report on Form 10-K.

During the first three months of 2011, the Company completed the acquisition of two businesses (including the previously announced acquisition of EskoArtwork, a leading full service solutions provider for the digital packaging design and production market), for total consideration of $517 million in cash, net of cash acquired. The businesses acquired manufacture and distribute products and/or provide services in the product identification and water quality markets and were acquired to complement existing units of the Industrial Technologies and Environmental segments. The aggregate annual sales of the businesses acquired at the time of their respective acquisitions, in each case based on the company s revenues for its last completed fiscal year prior to the acquisition, were $252 million. The Company preliminarily recorded an aggregate of $249 million of goodwill related to these acquisitions.

The following table summarizes the aggregate estimated fair values of the assets acquired and liabilities assumed at the date of acquisition for the acquisitions consummated during the three months ended April 1, 2011 ($ in millions):

	Total
Accounts receivable	$ 65.5
Inventory	31.6
Property, plant and equipment	3.4
Goodwill	248.5
Other intangible assets, primarily trade names, customer relationships and patents	237.3
Accounts payable	(15.8)
Other assets and liabilities, net	(50.3)
Non-controlling interest acquired	(2.8)
Net cash consideration	$ 517.4

The unaudited pro forma information for the periods set forth below gives effect to all prior acquisitions as if they had occurred at the beginning of the period. The pro forma information is presented for informational purposes only and is not necessarily indicative of the results of operations that actually would have been achieved had the acquisitions been consummated as of that time (unaudited, $ in millions, except per share amounts):

	Three Months Ended April 1, 2011	Three Months Ended April 2, 2010
Sales	$ 3,401.8	$ 3,225.8
Net earnings from continuing operations	425.4	302.2
Diluted earnings per share from continuing operations	$ 0.62	$ 0.45

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Pending Acquisition

On February 6, 2011, the Company and Beckman Coulter, Inc. entered into a definitive agreement pursuant to which a wholly-owned subsidiary of the Company is making a cash tender offer to acquire all of the outstanding shares of common stock of Beckman Coulter for $83.50 per share, for an aggregate purchase price of approximately $6.8 billion including debt assumed and net of cash acquired (to be followed by a second step cash-out merger at the offer price). The offer is subject to customary conditions, including tender of a majority of the outstanding shares (on a fully diluted basis) into the offer, receipt of applicable regulatory approvals and the absence of a material adverse change with respect to Beckman Coulter. On March 9, 2011, Danaher received notification of early termination of the waiting period under the Hart-Scott-Rodino Antitrust Improvements Act of 1976, as amended (the HSR Act), applicable to the offer and accordingly, the portion of the closing conditions relating to the HSR Act has been satisfied. The Company anticipates completing the offer in the second quarter of 2011. Beckman Coulter develops, manufactures and markets products that simplify, automate and innovate complex biomedical testing. Its diagnostic systems are found in hospitals and other clinical settings around the world and produce information used by physicians to diagnose disease, make treatment decisions and monitor patients. Scientists use its life science research instruments to study complex biological problems including causes of disease and potential new therapies or drugs. Beckman Coulter had revenues of approximately $3.7 billion in 2010, and will become part of the Company s Life Sciences & Diagnostics segment.

The Company anticipates financing the acquisition of Beckman Coulter through a combination of available cash, proceeds from the issuance of commercial paper and proceeds from the issuance of securities. The Company may also enter into one or more additional credit facilities and/or may replace its existing credit facilities with a new facility with an increased borrowing limit in order to expand borrowing capacity under its commercial paper program and issue commercial paper in amounts in excess of the program s current capacity. The Company may also enter into one or more bridge loan agreements to provide temporary financing pending the implementation of more permanent financing arrangements.

NOTE 3. DISCONTINUED OPERATIONS

In January 2011, the Company announced that it has agreed to sell its Pacific Scientific Aerospace business for a sale price of $685 million in cash. This business, which is part of the Industrial Technologies segment and supplies safety, security and electric power components to commercial and military aerospace markets globally, had annual revenues of $377 million in 2010. The transaction is subject to customary closing conditions and is expected to close in the second quarter of 2011. Upon closing of the transaction, the Company expects to report an after-tax gain on the sale of approximately $210 million or $0.30 per diluted share. The Company has reported the Pacific Scientific Aerospace business as a discontinued operation in this Form 10-Q. Accordingly, the results of operations for all periods presented have been reclassified to reflect the business as a discontinued operation and the assets and liabilities of the business have been reclassified as held for sale for all periods presented. The Company allocated a portion of consolidated interest expense to discontinued operations based on the ratio of the Pacific Scientific Aerospace net assets to the Company s consolidated net assets.

The key components of income from discontinued operations related to the Pacific Scientific Aerospace business were as follows ($ in millions):

	Three Months Ended	
	April 1, 2011	**April 2, 1010**
Net sales	$ 97.6	$ 84.4
Operating expenses	(82.8)	(72.6)
Allocated interest expense	(0.6)	(0.6)
Earnings before taxes	14.2	11.2
Income taxes	(5.1)	(3.7)
Earnings from discontinued operations, net of income taxes	$ 9.1	$ 7.5

The components of assets and liabilities classified as discontinued operations and included in other current assets and other current liabilities related to the Pacific Scientific Aerospace businesses consisted of the following ($ in millions):

	April 1, 2011	December 31, 2010
Accounts receivable, net	$ 59.8	$ 59.5
Inventories	51.3	45.0
Prepaid expenses and other	14.2	14.0
Property, plant & equipment, net	32.0	31.4
Goodwill and other intangibles, net	277.9	277.3
Total assets	435.2	427.2
Accounts payable	47.6	46.6
Accrued expenses and other	45.1	46.2
Total liabilities	$ 92.7	$ 92.8

NOTE 4. STOCK-BASED COMPENSATION

On May 11, 2010, the Company s Board of Directors approved a two-for-one stock split (effected in the form of a dividend by issuing one additional share of common stock for each issued share of common stock) which was paid on June 10, 2010 to stockholders of record at the close of business on May 25, 2010. All prior period share and per share amounts set forth in this report, including earnings per share and the weighted average number of shares outstanding for basic and diluted earnings per share for each respective period, have been adjusted to reflect the stock split.

On May 11, 2010, the Company s Board of Directors authorized the repurchase of up to 20 million shares of the Company s common stock from time to time on the open market or in privately negotiated transactions (which repurchase program replaces the repurchase program that was authorized by the Board in April 2005). There is no expiration date for the Company s repurchase program. The timing and amount of any shares repurchased will be determined by the Company s management based on its evaluation of market conditions and other factors. The repurchase program may be suspended or discontinued at any time. Any repurchased shares will be available for use in connection with the Company s equity compensation plans (or any successor plan) and for other corporate purposes. At April 1, 2011, the Company had 20 million shares remaining for stock repurchases under the existing Board authorization.

Stock options and RSUs have been issued to directors, officers and other employees under the Company s 1998 Stock Option Plan and the 2007 Stock Incentive Plan. In addition, in connection with the November 2007 Tektronix acquisition, the Company assumed the Tektronix 2005 Stock Incentive Plan and the Tektronix 2002 Stock Incentive Plan (the Tektronix Plans) and assumed certain outstanding stock options, restricted stock and RSUs that had been awarded to Tektronix employees under the plans.

These plans operate in a similar manner to the Company s 2007 Stock Incentive Plan and 1998 Stock Option Plan. No further equity awards will be issued under the 1998 Stock Option Plan or the Tektronix Plans. The 2007 Stock Incentive Plan provides for the grant of stock options, stock appreciation rights, RSUs, restricted stock or any other stock based award In May 2009, the Company s shareholders approved amendments to the 2007 Stock Incentive Plan that, among other items, authorized the issuance of an additional 14 million shares pursuant to the plan bringing the total number of shares authorized for issuance under the plan to 38 million. No more than 12 million of the 38 million authorized shares may be granted in any form other than stock options or stock appreciation rights.

Stock options granted under the 2007 Stock Incentive Plan, the 1998 Stock Option Plan and the Tektronix Plans generally vest pro-rata over a five-year period and terminate ten years from the grant date, though the specific terms of each grant are determined by the Compensation Committee of the Company s Board of Directors (Compensation Committee). The Company s executive officers and certain other employees have been awarded options with different vesting criteria. Option exercise prices for options granted by the Company under these plans equal the closing price of the Company s common stock on the NYSE on the date of grant. Option exercise prices for the options outstanding under the Tektronix Plans were based on the closing price of Tektronix common stock on the date of grant. In connection with the Company s assumption of these options, the number of shares underlying each option and exercise price of each option were adjusted to reflect the substitution of Danaher stock for the Tektronix stock underlying these awards.

RSUs issued under the 2007 Stock Incentive Plan and the 1998 Stock Option Plan provide for the issuance of a share of the Company s common stock at no cost to the holder. Most RSU awards granted prior to the third quarter of 2009 are subject to performance criteria determined by the Compensation Committee, and RSU awards granted during or after the third quarter of 2009 to members of the Company s senior management are also subject to performance criteria. The RSUs that have been granted under the 2007 Stock Incentive Plan and the 1998 Stock Option Plan generally provide for time-based vesting over a five year period, although the specific time-based vesting terms vary depending on grant date and on whether the recipient is a member of senior management. Prior to vesting, RSUs do not have dividend equivalent rights, do not have voting rights and the shares underlying the RSUs are not considered issued and outstanding.

Restricted shares issued under the Tektronix 2005 Stock Incentive Plan were granted subject to certain time-based vesting restrictions such that the restricted share awards are fully vested after a period of five years. Holders of restricted shares have the right to vote such shares and receive dividends. The restricted shares are considered issued and outstanding at the date the award is granted.

The options, RSUs and restricted shares generally vest only if the employee is employed by the Company on the vesting date or in other limited circumstances and unvested options and RSUs are forfeited upon retirement before age 65 unless the Compensation Committee determines otherwise. To cover the exercise of options and vesting of RSUs, the Company generally issues new shares from its authorized but unissued share pool, although it may issue treasury shares in certain circumstances. At April 1, 2011, approximately 15 million shares of the Company s common stock were reserved for issuance under the 2007 Stock Incentive Plan.

The Company accounts for stock-based compensation by measuring the cost of employee services received in exchange for all equity awards granted, including stock options, RSUs and restricted shares, based on the fair value of the award as of the grant date. The Company recognizes the compensation expense over the requisite service period, which is generally the vesting period. The fair value for RSU and restricted stock awards was calculated using the closing price of the Company s common stock on the date of grant. The fair value of the options granted was calculated using a Black-Scholes Merton option pricing model (Black-Scholes). The following summarizes the assumptions used in the Black-Scholes model to value options granted during the three months ended April 1, 2011:

Risk-free interest rate	2.55 - 3.19%
Weighted average volatility	26.5%
Dividend yield	0.2%
Expected years until exercise	6.0 to 8.5

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The Black-Scholes model incorporates assumptions to value stock-based awards. The risk-free rate of interest for periods within the contractual life of the option is based on a zero-coupon U.S. government instrument whose maturity period equals or approximates the option s expected term. Expected volatility is based on implied volatility from traded options on the Company s stock and historical volatility of the Company s stock. To estimate the option exercise timing to be used in the valuation model, in addition to considering the vesting period and contractual term of the option, the Company analyzes and considers actual historical exercise data for previously granted options.

The amount of stock-based compensation expense recognized during a period is based on the portion of the awards that are ultimately expected to vest. The Company estimates pre-vesting forfeitures at the time of grant by analyzing historical data and revises those estimates in subsequent periods if actual forfeitures differ from those estimates. Ultimately, the total expense recognized over the vesting period will equal the fair value of awards that actually vest.

The Company stratifies its employee population into multiple groups for option valuation and attribution purposes based upon distinctive patterns of forfeiture rates and option holding periods.

The following table summarizes the components of the Company s share-based compensation program recorded as expense ($ in millions):

	Three Months Ended	
	April 1, 2011	**April 2, 2010**
Restricted Stock Units and Restricted Shares:		
Pre-tax compensation expense	$ 9.4	$ 4.5
Tax benefit	(3.5)	(1.7)
Restricted stock unit and restricted share expense, net of tax	$ 5.9	$ 2.8
Stock Options:		
Pre-tax compensation expense	$ 13.4	$ 12.0
Tax benefit	(3.8)	(3.3)
Stock option expense, net of tax	$ 9.6	$ 8.7
Total Share-Based Compensation:		
Pre-tax compensation expense	$ 22.8	$ 16.5
Tax benefit	(7.3)	(5.0)
Total share-based compensation expense, net of tax	$ 15.5	$ 11.5

Share-based compensation has been recognized as a component of selling, general and administrative expenses in the accompanying Consolidated Statements of Earnings as payroll costs of the employees receiving the awards. As of April 1, 2011, $119 million of total unrecognized compensation cost related to RSUs and restricted shares is expected to be recognized over a weighted average period of approximately 3 years. As of April 1, 2011, $142 million of total unrecognized compensation cost related to stock options is expected to be recognized over a weighted average period of approximately 3 years.

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Option activity under the Company s stock plans as of April 1, 2011 and changes during the three months ended April 1, 2011 were as follows (in thousands, except for exercise price and number of years):

	Shares in 000 s	Weighted Average Exercise Price	Weighted Average Remaining Contractual Term (in Years)	Aggregate Intrinsic Value ($ in millions)
Outstanding at January 1, 2011	34,820	$ 30.31		
Granted	1,659	$ 49.59		
Exercised	(1,577)	$ 25.84		
Cancelled / Forfeited	(274)	$ 37.53		
Outstanding at April 1, 2011	34,628	$ 31.38	6	$ 733.7
Vested and Expected to Vest at April 1, 2011	33,753	$ 31.23	6	$ 720.4
Vested and Exercisable at April 1, 2011	19,568	$ 27.26	4	$ 497.6

The aggregate intrinsic value in the table above represents the total pre-tax intrinsic value (the difference between the Company s closing stock price on the last trading day of the first quarter of 2011 and the exercise price, multiplied by the number of in-the-money options) that would have been received by the option holders had all option holders exercised their options on April 1, 2011. The amount of aggregate intrinsic value will change based on the fair market value of the Company s common stock.

The aggregate intrinsic value of options exercised during the quarters ended April 1, 2011 and April 2, 2010 was $34 million and $46 million, respectively. Exercise of options during the first quarters of 2011 and 2010 resulted in cash receipts of $39 million and $26 million, respectively. The Company realized a tax benefit of approximately $11 million in the quarter ended April 1, 2011 related to the exercise of employee stock options, which has been recorded as an increase to additional paid-in capital.

The following table summarizes information on unvested RSUs and restricted shares outstanding as of April 1, 2011:

	Number of RSUs / Restricted Shares (in thousands)	Weighted-Average Grant-Date Fair Value
Unvested at January 1, 2011	5,153	$ 33.77
Granted	666	$ 49.59
Vested and issued	(128)	$ 34.95
Cancelled / Forfeited	(102)	$ 30.93
Unvested at April 1, 2011	5,589	$ 35.68

The Company realized a tax benefit of approximately $2 million in the quarter ended April 1, 2011 related to the vesting of restricted stock units, which has been recorded as an increase to additional paid-in capital. In connection with the vesting of certain restricted stock units and restricted shares previously issued by the Company, the Company has elected to withhold from the total shares issued or released to the award holder a number of shares sufficient to fund minimum tax withholding requirements (though under the terms of the applicable plan, the shares are considered to have been issued and are not added back to the pool of shares available for grant). During the first quarter 2011, approximately 48 thousand shares with an aggregate value of approximately $2 million were withheld to satisfy the requirement. The withholding is treated as a reduction in additional paid-in capital in the accompanying Consoli