MESA LABORATORIES INC /CO
Form 10-K
June 29, 2011
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UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-K

(Mark one)

x ANNUAL REPORT UNDER SECTION 13 OR 15(d) OF THE SECURITES EXCHANGE ACT OF 1934

For the fiscal year ended March 31, 2011

o TRANSITION REPORT UNDER SECTION 13 OR 15 (D) OF THE SECURITES EXCHANGE ACT OF 1934

For the transition period from to

Commission File No: 0-11740

MESA LABORATORIES, INC.

(Exact name of registrant as specified in its charter)

Colorado	**84-0872291**
(State or other jurisdiction of Incorporation or organization)	(I.R.S. Employer Identification number)
12100 West Sixth Avenue Lakewood, Colorado	**80228**
(Address of principal executive offices)	(Zip Code)

Registrant s telephone number, including area code: **(303) 987-8000**

Securities registered under Section 12(b) of the Act:

Title of each class	**Name of each exchange on which registered**
Common Stock, no par value	NASDAQ

Securities registered under Section 12(g) of the Act: **None**

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. **YES** o **NO** x

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. **YES** o **NO** x

Indicate by check mark whether the registrant (1) has filed all reports to be filed by Section13 or 15(d) of the Securities Exchange Act of 1934 during the proceeding 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** o

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 (Section 232.405 of the chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). **YES** o **NO** o

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

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

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

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). **YES** o **NO** x

The aggregate market value, as of September 30, 2010, (the last business day of the registrant s second quarter) of the common stock of Mesa Laboratories Inc. held by non-affiliates (assuming, for this purpose, that all directors, officers and owners of 5% or more of the registrant s common stock are deemed affiliates) was approximately $42,251,000.

The number of outstanding shares of the common stock as of May 31, 2011 was 3,281,193.

DOCUMENTS INCORPORATED BY REFERENCE

Proxy Statement for the 2011 Annual Meeting of Shareholders

Part III information is incorporated by reference from the Proxy Statement

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CAUTIONARY STATEMENT

All statements other than statements of historical fact included in this annual report regarding the Company s financial position and operating and strategic initiatives and addressing industry developments are forward-looking statements. Where, in any forward-looking statement, the Company, or its management, expresses an expectation or belief as to future results, such expectation or belief is expressed in good faith and believed to have a reasonable basis, but there can be no assurance that the statement of expectation or belief will result or be achieved or accomplished. Factors which could cause actual results to differ materially from those anticipated, include but are not limited to general economic, financial and business conditions; competition in the Company s markets; the business abilities and judgment of personnel; the impacts of unusual items resulting from ongoing evaluations of business strategies; and changes in business strategy.

Mesa s executive offices are located at 12100 West Sixth Avenue, Lakewood, Colorado 80228, telephone (303) 987-8000.

PART I

ITEM 1. DESCRIPTION OF BUSINESS

Introduction

Mesa Laboratories, Inc. (hereinafter referred to as the Company or Mesa) was incorporated as a Colorado corporation on March 26, 1982. Mesa is comprised of two (2) product divisions across three (3) physical locations. The Lakewood, Colorado facility manufactures all of the Instrument Division products the DataTrace®, Medical, Torqo®, and Nusonics® brands. The Omaha, Nebraska and Bozeman, Montana locations manufacture all of the Biological Indicator Division products the Mesa, Apex , SGM Biotech and Raven brands.

On April, 27, 2010, the Company completed the purchase of SGM Biotech, Inc. located in Bozeman, MT. Under the terms of this acquisition the Company acquired all of the stock of SGM Biotech for a cash payment of $11,722,000. After the completion of the acquisition the Company repaid $278,000 of loans owed to the shareholders of SGM Biotech and paid an additional $361,000 to the sellers for a final working capital adjustment. On April 30, 2010, the Company also completed the acquisition of the facility that houses the SGM Biotech operations for $2,150,000.

On December 21, 2010, the Company purchased the assets associated with the biological indicator products of Apex Laboratories, Inc., a North Carolina company. The products acquired by Mesa included biological indicators for use in vapor hydrogen peroxide disinfection processes. The purchase price consisted of a $5,890,000 cash payment at closing and a $600,000 holdback amount to be paid in two equal payments on the six month and one year anniversary of closing.

To help finance these acquisitions, the Company entered into a credit facility consisting of a 36 month reducing line of credit for $3,000,000 and maturing at April 27, 2013, which had a remaining principal balance of $2,500,000 at March 31, 2011. In addition, there is also a revolving line of credit for $4,000,000, of which $4,000,000 was utilized at March 31, 2011. Both of these lines of credit are subject to a variable rate of interest and a rate floor, and at March 31, 2011, the rate of interest on both loans was 3.25%. In December 2010, the bank agreed to suspend the January 27, 2011 payment for $250,000 until the end of the loan term to provide the company with additional capital for the acquisition of Apex Laboratories, Inc.

The Company s strategic goals involve continuing to grow revenue and profits through three key strategies involving improving our distribution channels, introducing new products to the market, and seeking out companies or product lines to acquire. Our principal executive offices and worldwide headquarters are located at 12100 West

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Sixth Ave., Lakewood, Colorado 80228, and our telephone number is (303) 987-8000. Our website address is www.mesalabs.com. The information contained on our website or connected to our website is not incorporated by reference into this annual report on Form 10-K and should not be considered part of this report.

Instrument Division

The Instrument Division designs, manufactures and markets quality control instruments and disposable products utilized in connection with the healthcare, pharmaceutical, food and beverage, medical device, and petrochemical industries. The Company presently manufactures and markets several brands in the Instrument Division, including DataTrace data loggers which are used in critical manufacturing and quality control processes in the food, pharmaceutical and medical device industries, Torqo torque testing systems which are used to measure bottle cap tightness in the beverage and pharmaceutical industries, Medical meters which are used for quality control in dialysis clinics and dialysis machine manufacturing operations, and Nusonics concentration analyzers, pipeline interface detectors and flow meter products used in the chemical, food, pharmaceutical and plastics industries.

The Company s data logger products are self-contained, wireless, high precision instruments that are used in critical manufacturing, quality control, and validation applications. They are used to measure temperature, humidity and pressure inside a process or inside a product during manufacturing. In addition, data loggers can be used to validate the proper operation of laboratory or manufacturing equipment, either during its installation or for annual re-certifications. The products consist of individual data loggers, a PC interface, software, and various accessories. A customer typically purchases a large number of data loggers along with a single PC interface and the software package. In practice, using the PC interface, the user programs the loggers to collect environmental data at a pre-determined interval, places the data loggers in the product or process, and then collects stored process data from the data logger either through the PC interface or wirelessly via a radio link. After this, the user can prepare tabular and graphical reports using the software. Unique aspects of the Company s data loggers are their ability to operate at elevated temperatures, and in explosive environments. These are important differentiating factors for the Company s data logger products in the marketplace, and consequently, they are used by companies to control their most critical processes, such as sterilization, one of the most important applications. A sample of markets utilizing the data loggers include food processing, pharmaceutical manufacturing, medical device companies, and contract sterilizers.

The Company s medical meters are instruments that are used to test various parameters of the dialysis fluid (dialysate), and the proper calibration and operation of the dialysis machine. Each measures some combination of temperature, pressure, pH and conductivity to ensure that the dialysate has the proper composition to promote the transfer of waste products from the blood to the dialysate. The meters provide a digital readout that the patient, physician or technician uses to verify that the dialysis machine is working within prescribed limits and delivering the properly prepared dialysate. The Company manufactures two styles of medical meters; those designed for use by dialysis machine manufacturers and biomedical technicians and those used primarily by dialysis nurses. The meters for technicians are characterized by exceptional accuracy, stability, and flexibility and are used by the industry as the primary standard for the calibration of dialysis machines. The meters designed for use by dialysis nurses are known primarily for their ease of use and incorporate a patented, built-in syringe sampling system. These meters are used as the final quality control check on the dialysate just prior to starting a treatment. In addition to the dialysate meters, the Company markets a line of calibration standard solutions for use in dialysis clinics for calibration and testing. These standard solutions are regularly consumed by the dialysis clinics and this, along with calibration services, represents a recurring revenue stream for the Medical product line. Markets that utilize these products include dialysis facilities, medical device manufacturers and biomedical service companies.

The Company s torque testing system is a durable and reliable motorized cap torque analyzer, which is setting a new standard for torque measurement throughout the packaging industry. With its on-board microprocessor, the torque system is easy to use, easy to set up, and mostly maintenance free. The primary advantages of the Company s torque instruments are its high accuracy and long term consistency of measurement. Unlike manual torque testing instruments, a motorized torque system, such as the Company s, eliminates the effects on the measurement results

of different operators and different cap removal speeds. With a motorized torque testing

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system, the force applied to a cap is precisely the same in each testing cycle, regardless of who may be operating the machine, or how strong they may be. The Company s torque system provides the information that helps the packaging operation track events - and potential problems - during the manufacturing process so that corrections can be performed in a timely fashion. Industries utilizing these instruments include food processors, beverage companies, pharmaceutical, and consumer product manufacturers.

The Company s primary Nusonics brand ultrasonic fluid measurement products include flow meters and concentration monitors. While the total market for flow meters is very large, the Company s flow meters best serve applications where cleanliness and resistance to corrosives are required, such as water treatment, chemical processing and heating, ventilation and air conditioning (HVAC) applications. The concentration monitor component of the product line consists of pipeline interface detectors for petrochemical applications and concentration analyzers for a wider variety of industry application, such as chemical, food, pharmaceutical and plastics processes. The ultrasonic products have been subject to strong competition in the marketplace in recent years primarily from larger, well established process control companies. Consequently, sales of these products have decreased and currently represent approximately 2% of the Company s total revenue. Today, most sales are made to existing customers who are replacing or adding to their current infrastructure, and it is not expected that the Company will make significant investments in these products in the future.

Biological Indicator Division

The Biological Indicator Division manufactures and markets Biological Indicators (BI) and distributes Chemical Indicators (CI) used to assess the effectiveness of sterilization processes, including steam, gas (such as Ethylene Oxide or Chlorine Dioxide), hydrogen peroxide and radiation, in the hospital, dental, medical device and pharmaceutical industries. Mesa BIs are registered medical devices manufactured under ISO 13485 controlled processes. They are developed and used according to the Association for the Advancement of Medical Instrumentation (AAMI) guidelines, which are adopted as the worldwide standard under the International Standards Organization (ISO). The Company presently manufactures and markets several brands in the Biological Indicators Division, including, Mesa, Raven, SGM Biotech, and Apex, but is evaluating a strategy of brand consolidation.

BI s consist of resistant spores of certain microorganisms which are applied on a convenient substrate, such as a small piece of filter paper. The spores are well characterized in terms of numbers and resistance to sterilization. In use, the BI is exposed to a sterilization process and then tested to determine the presence of surviving organisms. The Company s BIs includes both spore strips, which require post-processing transfer to a growth media, self-contained products which have the growth media already pre-packaged in crushable ampoules, industrial use BIs, and culture media. CIs are similar to BIs, except that a chemical change (generally determined by color) is used to assess the exposure to sterilization conditions. BIs and CIs are often used together to monitor processes. BIs are used to validate equipment and monitor the effectiveness of a process in any industrial or healthcare setting which uses sterilization. Key markets include healthcare such as dental offices and hospitals, and industrial such as medical device and pharmaceutical manufacturing.

The Company s BIs are distinguished in the marketplace by their high level of quality, consistency and flexibility. A variety of different formats allows the BIs to be used in many different types of processes and products. For instance, the simple spore strips are used most often in the small table-top steam sterilizers in dental offices, while a more complex self-contained BI may be used by a medical device manufacturer to assure the sterility in a complex ethylene oxide sterilization process. In either case, the number of spores contained on the carrier and the resistance of the spores to the sterilization process must be well characterized in order to accurately assess the effectiveness of sterilization. During manufacturing, extensive quality control steps are used to insure that the microorganism spores are well characterized and their resistance is known following placement on the target carrier.

Manufacturing

The Company conducts research, manufactures, and supports the Instrument Division products from its facilities in Lakewood, Colorado, while facilities in Bozeman, Montana and Omaha, Nebraska are used for the products from the

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Biological Indicators division. The Torqo brand instruments products were manufactured in Amherst, New Hampshire until December 2010 when they were permanently moved to the Lakewood facility. The Apex brand Biological Indicator products were manufactured at the Apex Laboratories facility in Sanford, NC until April 2011 when manufacturing commenced at Mesa s Bozeman, MT operations. The Company s instrument products are manufactured primarily by assembling the products from purchased components and calibrating the final products prior to release. The biological indicator products are manufactured by growing microbiological spores from raw materials, assembling the finished products through a series of process steps, and testing the finished biological indicators using established quality control tests.

Most of the materials and components used in the Company s product lines are available from a number of different suppliers. Mesa generally maintains multiple sources of supply for most items but is dependent on a single source for certain items. Mesa believes that alternative sources could be developed, if required, for present single supply sources. Although the Company s dependence on these single supply sources may involve a degree of risk, to date, Mesa has been able to acquire sufficient stock to meet its production requirements.

Marketing and Distribution

The Company s domestic sales of its medical meters and data logger products are generated by its direct sales and marketing staff, while outside the U.S., a number of distributors are utilized. The Company s remaining instruments and its biological indicator products are distributed both directly to end users, through a sales and marketing staff, and through a number of distributors both domestically and outside the U.S. International sales for all products are conducted through approximately 185 distributors in countries throughout Europe, Africa, Australia, Asia and South America, as well as Canada and Mexico. The Company s marketing staff serves all of the Company s brands and numerous international distributors sell products from both of the Company s business segments.

Sales promotions include attendance by Mesa representatives at trade shows, direct mail campaigns, internet and other digital forms of advertising.

Customers of the Company s Instrument Division products primarily include dialysis clinics, along with manufacturers of foods, beverages, pharmaceutical products, contract sterilizing services, and medical devices. The primary emphasis of the Company s marketing effort is to offer high quality products to its customers that will aid them in containing cost, improving the quality of their products and services, and helping them to meet their regulatory requirements.

Customers of the Company s Biological Indicators Division products include various companies providing sterility assurance testing to the dental office market, hospitals, contract sterilizing services and various industrial users involved in pharmaceutical and medical device manufacturing. The Company s marketing focuses on providing high quality test products in a variety of different formats, which minimize incubation and test result time.

During the fiscal year ended March 31, 2011, no individual customer represented more than 10% of the Company s revenues. During the fiscal year ended March 31, 2010, one customer represented approximately 14% of the Company s revenues and approximately 10% of the Company s accounts receivable balance.

Competition

Mesa products compete with a variety of companies across several industries, many of which are well established, with substantially greater capital resources and larger research and development capabilities. Furthermore, many of these companies have established product lines and a significant operating history. Accordingly, the Company may be at a competitive disadvantage with some competitors due to their respective size and market presence.

Companies with which Mesa s Instruments Division products compete include the Myron L Company, IBP Medical GmbH, GE Kaye, Ellab, TMI Orion, Controlotron, Badger Meter, Rosemount, GE Panametrics, SureTorque,

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Mecmesin and Steinfurth. Companies with which Mesa s Biological Indicators Division products compete include 3M, Terragene, NAMSA and Steris.

Research and Development

Mesa is committed to an active research and development program dedicated to innovating new products and improving the quality and performance of our existing products. The company incurred expenses for the fiscal years ended March 31, 2011 and 2010, of $1,441,000 and $669,000, respectively, on research and development activities.

Government Regulation

Several products in both the Instrument and Biological Indicator Divisions are medical devices subject to the provisions of the Federal Food, Drug and Cosmetic Act, as amended by the Medical Device Amendments of 1976 (hereinafter referred to as the Act). The Act requires any company proposing to market a medical device to notify the FDA of its intention at least ninety days before doing so, and in such notification must advise the FDA as to whether the device is substantially equivalent to a device marketed prior to May 28, 1976. As of the date hereof, the Company has received permission from the FDA to market all of its products requiring such permission.

Some of Mesa s products are subject to FDA regulations and inspections, which may be time-consuming and costly. This includes on-going compliance with the FDA s current Good Manufacturing Practices regulations which require, among other things, the systematic control of manufacture, packaging and storage of products intended for human use. Failure to comply with these practices renders the product adulterated and could subject the Company to an interruption of manufacture and sale of these products and possible regulatory action by the FDA.

The manufacture and sale of medical devices is also regulated by some states. Although there is substantial overlap between state regulations and the regulations of the FDA, some state laws may apply. Mesa, however, does not anticipate that complying with state regulations will create any significant problems. Foreign countries also have laws regulating medical devices sold in those countries, which may cause us to expend additional resources on compliance.

Employees

On March 31, 2011, the Company had a total of 177 employees, of which 177 were full-time employees. Currently, 28 persons are employed for marketing and sales, 12 for research and development, 119 for manufacturing and quality assurance and 18 for administration.

ITEM 1A. RISK FACTORS

We face intense competition.

The markets for some of our current and potential products are intensely competitive. We face competition from companies that possess both larger sales forces and more capital resources. In addition, there are growing numbers of competitors for certain of our products.

Technological change could render our products obsolete or non-competitive.

The market for the Company s products and services are characterized by rapid and substantial technological changes and swiftly evolving industry standards. As industry standards evolve rapidly, the Company may be required to develop new and competitive products to maintain or increase revenue. A competitive product requires substantial planning, design, development, and testing at the technological, product and manufacturing process stages. The Company can provide no assurance that its products will remain competitive in a rapidly changing environment. In addition, regulations and industry acceptance of new technologies may decelerate or eliminate meaningful revenue.

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Acquisition of businesses could potentially decrease profit margins and decrease net income.

The Company maintains its growth strategy through product development and business and technology acquisition. Businesses acquired by the Company may provide marginal profitability or prove to be unprofitable. Additional risks include the competition among prospective buyers, the potential loss of key employees or clients of the acquired company, and the reallocation of capital from ongoing operating processes.

The Company may need additional capital to finance acquisitions.

The Company has generated significant growth through acquisitions in recent years. To maintain this rate of growth, the Company may require access to additional sources of capital through debt or equity markets for which there can be no assurance.

We are utilizing variable rate financing.

We have initiated a credit facility of $7,000,000 which is split between a 36 month reducing line of credit of $3,000,000 and a one year revolving line of credit of $4,000,000. Both of these lines of credits have variable interest rates which are calculated daily at one percent under the national prime rate of the Bank of Oklahoma and are subject to a 3.25 percent floor. A change in interest rate market conditions could increase the Company s interest costs in the future.

We may be unable to effectively protect our intellectual property.

Our ability to compete effectively depends in part on developing and maintaining the proprietary aspects of our technology and processes. We cannot assure you that the patents we have obtained, or any patents we may obtain, will provide any competitive advantages for our products. We also cannot assure you that those patents will not be successfully challenged, invalidated or circumvented in the future. In addition, we cannot assure you that competitors, many of which have substantial resources and have made substantial investments in competing technologies, have not already applied for or obtained, or will not seek to apply for or obtain, patents that will prevent, limit or interfere with our ability to make, use and sell our products either in the United States or in international markets.

We may have product liability claims.

Our products involve a risk of product liability claims. Although we maintain product liability insurance at coverage levels which we believe are adequate, there is no assurance that, if we were to incur substantial liability for product liability claims, insurance would provide adequate coverage against such liability.

Our company faces challenges in complying with certain sections of the Sarbanes-Oxley Act.

Like many smaller public companies, our Company faces challenges in complying with the internal control requirements (Section 404) of the Sarbanes-Oxley Act. Under current frameworks, compliance in areas such as separation of duties, information system controls, etc. may prove problematic for a smaller company with limited human resources. Our Company may also be forced to incur significant expense in order to comply with the law under current control frameworks for implementation.

Changing accounting regulations may affect operating results.

Our operating results may be adversely affected by new laws and accounting regulations that have either been recently enacted or which are under consideration, including costs associated with implementation of Section 404 of the Sarbanes-Oxley Act.

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Our operating results may fluctuate.

Our results of operations may fluctuate significantly from quarter to quarter based on numerous factors including the following:

- the introduction of new products
- the level of market acceptance of our products
- achievement of research and development milestones
- timing of the receipt of orders from, and product shipment to major customers
- timing of expenditures
- variation in capital spending trends of our customers
- timing of the expensing of employee stock options
- delays in educating and training our distributors and representatives sales forces
- manufacturing or supply delays
- product returns
- receipt of necessary regulatory approval
- costs associated with implementing and maintaining compliance with the Sarbanes-Oxley Act
- costs associated with expansion of the Company s direct sales capabilities
- changes in key components by our vendors
- cost and timing of acquisitions.

Changing industry trends may affect operating results.

Various changes within the industries we serve may limit future demand for our products and may include the following:

- changes in dialysis reimbursements

- mergers within the dialysis provider industry have made the Company more dependent upon fewer large customers for its sales in this industry

- price competition for key products

- increased competition.

Our growth depends on introducing new products and the efforts of third party distributors.

Our growth depends on the acceptance of our products in the marketplace, the penetration achieved by the companies which we sell to, and rely on, to distribute and represent our products, and our ability to introduce new and innovative products that meet the needs of the various markets we serve. There can be no assurance that we will be able to continue to introduce new and innovative products or that the products we introduce, or have introduced, will be widely accepted by the marketplace, or that the companies which we contract with to distribute and represent our products will continue to successfully penetrate our various markets. Our failure to continue to introduce new products or gain wide spread acceptance of our products would adversely affect our operations.

We depend on attracting new distributors and representatives for our products.

In order to successfully commercialize our products in new markets, we will need to enter into distribution arrangements with companies that can successfully distribute and represent our products into various markets.

Our products are extensively regulated which could delay product introduction or halt sales.

The process of obtaining and maintaining required regulatory approvals is lengthy, expensive and uncertain. Although we have not experienced any substantial regulatory delays to date, there is no assurance that delays will not occur in the future, which could have a significant adverse effect on our ability to introduce new products on a timely basis. Regulatory agencies periodically inspect our manufacturing facilities to ascertain compliance with good manufacturing practices and can subject approved products to additional testing and surveillance programs. Failure to

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comply with applicable regulatory requirements can, among other things, result in fines, suspension of regulatory approvals, product recalls, operating restrictions and criminal penalties. While we believe that we are currently in compliance, if we fail to comply with regulatory requirements, it could have an adverse effect on our results of operations and financial condition.

ITEM 1B. UNRESOLVED STAFF COMMENTS

Not Applicable

ITEM 2. PROPERTIES

Mesa owns its 39,616 square foot facility at 12100 W. 6th Avenue, Lakewood, Colorado 80228. All Instrument Division manufacturing, warehouse, marketing, research and general corporate administrative functions are based at this location. The facility is approximately 80% utilized and the Company currently utilizes only one shift. The Company also owns an approximately 28,000 square foot facility at 8607 Park Drive, Omaha, Nebraska 68127. Biological Indicator manufacturing, warehouse, marketing, research and administrative functions are based at this location. The facility is currently 95% utilized and the Company currently utilizes only one shift. The Company also owns an approximately 21,500 square foot facility that houses additional Biological Indicator product manufacturing, warehouse, marketing, research and administrative functions and is located at 10 Evergreen Drive, Bozeman, Montana 59715. It is currently 95% utilized and the facility currently utilizes only one shift.

The Company does not invest in, and has not adopted any policy with respect to investments in, real estate or interests in real estate, real estate mortgages or securities of or interests in persons primarily engaged in real estate activities. It is not the Company s policy to acquire assets primarily for possible capital gain or primarily for income.

ITEM 3. LEGAL PROCEEDINGS

No material legal proceedings to which the Company is a party or to which any of its property is the subject are pending, and no such proceedings are known by the Company to be contemplated. The Company is not presently a party to any litigation or administrative proceedings with respect to its compliance with federal, state and local provisions which have been enacted regarding the discharge of materials into the environment or otherwise relating to the protection of the environment and no such proceedings are known by the Company to be contemplated. No legal actions are contemplated nor judgments entered against any officer or director of the Company concerning any matter involving the business of the Company.

ITEM 4. RESERVED

PART II

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

(a) Mesa s common stock is traded on the Nasdaq Global Market under the symbol MLAB . For the last two fiscal years, the high and low closing sales prices of the Company s common stock as reported to the Company by Nasdaq were as follows:

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Quarter Ended	High	Low	Dividend
June 30, 2009	$ 22.30	$ 16.60	$ 0.10
September 30, 2009	$ 22.97	$ 19.93	$ 0.10
December 31, 2009	$ 26.27	$ 22.78	$ 0.11
March 31, 2010	$ 28.80	$ 25.12	$ 0.11
June 30, 2010	$ 26.25	$ 22.91	$ 0.11
September 30, 2010	$ 24.45	$ 20.69	$ 0.11
December 31, 2010	$ 31.49	$ 22.41	$ 0.12
March 31, 2011	$ 30.69	$ 28.10	$ 0.12

The Nasdaq Global Market quotations set forth herein reflect inter-dealer prices, without retail mark-up, mark-down, or commission and may not represent actual transactions.

(b) As of March 31, 2011, there were approximately 1,300 record and beneficial holders of Mesa s common stock.

(c) During the fiscal year ended March 31, 2011, the Company did not sell any equity securities that were not registered under the Securities Act of 1933, as amended.

(d) We made the following repurchases of our common stock, by month, within the fourth quarter of the fiscal year covered by this report:

	Shares Purchased	Avg. price Paid	Total Shares Purchased as Part of Publicly Announced Plan	Remaining Shares to Purchase Under Plan
January 1- 31, 2011	135	$ 30.29	131,072	168,928
February 1- 28,2011			131,072	168,928
March 1 31, 2011	370	$ 28.83	131,442	168,558
Total Fourth Quarter	505	$ 29.22		

On November 7, 2005, the Board of Directors of Mesa Laboratories, Inc. adopted a share repurchase plan which allows for the repurchase of up to 300,000 of the Company s common shares. This plan will continue until the maximum is reached or the plan is terminated by further action of the Board.

For information regarding securities authorized for issuance under our equity compensation plans, please see Footnote 9 to the Financial Statements.

Equity Compensation Plan Information as of March 31, 2011

	No. of securities to be Issued upon exercise of	Weighted-average exercise price of	Number of securities remaining for future

Plan Category	Outstanding options		outstanding options	issuance under plan
Equity compensation plans approved by security holders	443,642	$	20.10	479,895
Equity compensation plans not approved by security holders				
Total	443,642	$	20.10	479,895

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ITEM 6. SELECTED FINANCIAL DATA

The following table sets forth the Company s selected historical financial data for each of the five years for the period ended March 31. The selected historical financial data set forth below has been derived from our audited financial statements included elsewhere in this annual report on Form 10-K. This information should be read in conjunction with Management s Discussion and Analysis of Financial Condition and Results of Operations and our audited financial statements and related notes included elsewhere in this annual report on Form 10-K.

(Dollars in thousands, except EPS)	2011	2010	2009	2008	2007
Operational Data					
Net Sales	$ 32,826	$ 21,929	$ 21,536	$ 19,558	$ 17,242
Gross Profit	$ 19,568	$ 13,194	$ 13,817	$ 12,858	$ 10,895
Gross Margin	60%	60%	64%	66%	63%
Operating Income	$ 9,864	$ 7,368	$ 7,608	$ 7,061	$ 5,659
Operating Margin	30%	34%	35%	36%	33%
Net Profit	$ 6,183	$ 4,769	$ 4,790	$ 4,610	$ 3,958
Net Profit Margin	19%	22%	22%	24%	23%
Earnings Per Diluted Share	$ 1.86	$ 1.45	$ 1.48	$ 1.41	$ 1.22
Financial Position Data					
Cash and Investments	$ 3,546	$ 10,471	$ 9,111	$ 5,770	$ 3,346
Trade Receivables (net)	$ 7,017	$ 4,421	$ 4,307	$ 3,875	$ 3,817
Inventory (net)	$ 5,714	$ 4,820	$ 4,499	$ 4,020	$ 3,297
Current Assets	$ 17,262	$ 20,474	$ 18,593	$ 14,411	$ 10,842
Working Capital	$ 7,331	$ 18,530	$ 17,109	$ 12,824	$ 9,373
Current Ratio	1.7:1	11:1	13:1	9:1	7:1
Total Assets	$ 50,984	$ 33,639	$ 29,614	$ 25,533	$ 22,354
Current Liabilities	$ 9,931	$ 1,944	$ 1,484	$ 1,587	$ 1,469
Total Liabilities	$ 14,567	$ 2,442	$ 2,012	$ 1,794	$ 1,631
Total Stockholders Equity	$ 36,417	$ 31,197	$ 27,602	$ 23,739	