TRINITY BIOTECH PLC
Form 424B5
April 06, 2006

Filed Pursuant to Rule 424(b)(5)
Registration No. 333-124385

PROSPECTUS SUPPLEMENT
(to Prospectus Dated May 16, 2005)

10,700,000 Class A Ordinary Shares
Class A Ordinary Shares Represented by American Depositary Shares

TRINITY BIOTECH PLC

We are offering up to 2,675,000 American Depositary Shares, or “ADSs,” each ADS representing four of our Class A Ordinary Shares. The ADSs will be sold at a negotiated price of $8.60 per ADS.

Our ADSs are listed on the Nasdaq National Market and traded under the symbol “TRIB.”

On April 4, 2006, the last reported sale price of our ADSs on the Nasdaq National Market was $9.139 per ADS.

Investing in our ADSs involves risks. See “Risk Factors” beginning on page S-4 of this prospectus supplement and “Summary of Risks” beginning on page 10 of the accompanying prospectus.

We have retained Roth Capital Partners, LLC and J&E Davy to act as our exclusive placement agents in connection with this offering. We have agreed to pay the placement agents the placement agent fees set forth in the table below. The placement agents are not required to arrange for the sale of any specific number or dollar amount of ADSs but will use reasonable efforts to arrange for the sale of all of the ADSs offered hereby.

	Price to Investors	Placement Agency Fees	Proceeds to Trinity Biotech Before Expenses and After Placement Agency Fees
Per ADS	$ 8.600	$ 0.344	$ 8.256
Total	$ 23,005,000	$ 920,200	$ 22,084,800

We expect the total offering expenses, excluding placement agency fees, to be approximately $250,000 for all sales pursuant to this prospectus supplement and accompanying prospectus. Because there is no minimum offering amount required as a condition to the closing of this offering, the actual public offering amount, placement agency fees and proceeds to us are not presently determinable and may be substantially less than the maximum amounts set forth above.

Delivery of the ADSs will be made on or about April 11, 2006. Investor funds will be deposited into an escrow account and held until jointly released by us and the placement agents on the date the ADSs are to be delivered to the investors. All funds received will be held in a non-interest bearing account.

Neither the Securities Exchange Commission nor any state securities commission has approved or disapproved of these securities or passed upon the accuracy or adequacy of this prospectus supplement or the accompanying prospectus. Any representation to the contrary is a criminal offense.

Roth Capital Partners **J&E Davy**

Prospectus Supplement dated April 5, 2006.

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ABOUT THIS PROSPECTUS SUPPLEMENT AND THE ACCOMPANYING PROSPECTUS

This document is in two parts. The first part is the prospectus supplement, which describes the specific terms of the ADSs we are offering and also adds to, and updates information contained in, the accompanying prospectus and the documents incorporated by reference into the accompanying prospectus. The second part, the accompanying prospectus, provides more general information. Generally, when we refer to “this prospectus,” we are referring to both parts of this document combined. To the extent there is a conflict between the information contained in this prospectus supplement, on the one hand, and the information contained in the accompanying prospectus or any document incorporated by reference therein, on the other hand, you should rely on the information in this prospectus supplement; provided that if any statement in one of these documents is inconsistent with a statement in another document having a later date for example, a document incorporated by reference in the accompanying prospectus the statement in the document having the later date modifies or supersedes the earlier statement.

We further note that the representations, warranties and covenants made by us in any agreement that is filed as an exhibit to any document that is incorporated by reference in the accompanying prospectus were made solely for the benefit of the parties to such agreement, including, in some cases, for the purpose of allocating risk among the parties to such agreements, and should not be deemed to be a representation, warranty or covenant to you. Moreover, such representations, warranties or covenants were accurate only as of the date when made. Accordingly, such representations, warranties and covenants should not be relied on as accurately representing the current state of our affairs.

Whenever we refer to “Trinity Biotech” or to “us,” or use the terms “we” or “our” in this prospectus, we are referring to Trinity Biotech plc an Irish public limited company, and its consolidated subsidiaries. However, for purposes of the sections entitled “Description of Class A Ordinary Shares” and “Description of Equity Warrants” in the accompanying prospectus whenever we refer to “Trinity Biotech” or to “us,” or use the terms “we” or “our,” we are referring only to Trinity Biotech plc.

You should rely only on the information contained in this prospectus supplement and contained, or incorporated by reference, in the accompanying prospectus. We have not authorized, and the placement agent has not authorized, anyone to provide you with information that is different. The information contained in this prospectus supplement and contained, or incorporated by reference, in the accompanying prospectus is accurate only as to the respective dates thereof, regardless of the time of delivery of this prospectus supplement and the accompanying prospectus or of any sale of our ADSs. It is important for you to read and consider all information contained in this prospectus

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supplement and the accompanying prospectus, including the documents incorporated by reference therein, in making your investment decision. You should also read and consider the information in the documents we have referred you to in the section entitled “Where You Can Find More Information” in the accompanying prospectus.

We are offering to sell, and seeking offers to buy, our ADSs only in jurisdictions where offers and sales are permitted. The distribution of this prospectus supplement and the accompanying prospectus and the offering of the ADSs in certain jurisdictions may be restricted by law. Persons outside the United States who come into possession of this prospectus supplement and the accompanying prospectus must inform themselves about, and observe any restrictions relating to, the offering of the ADSs and the distribution of this prospectus supplement and the accompanying prospectus outside the United States. This prospectus supplement and the accompanying prospectus do not constitute, and may not be used in connection with, an offer to sell, or a solicitation of an offer to buy, any securities offered by this prospectus supplement and the accompanying prospectus by any person in any jurisdiction in which it is unlawful for such person to make such an offer or solicitation.

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THE OFFERING

ADSs offered (each ADS representing four Class A Ordinary Shares)	2,675,000
Class A Ordinary Shares to be outstanding after this offering	70,781,857
Use of Proceeds	For general corporate purposes, including research and development expenses, manufacturing expenses, clinical trial costs, general and administrative expenses, and potential acquisitions of companies, products and technologies that complement our business. See “Use of Proceeds.”
Risk Factors	You should read the “Risk Factors” section of this prospectus supplement for a discussion of factors to consider before deciding to purchase ADSs.
Nasdaq National Market Symbol	TRIB

The number of Class A Ordinary Shares to be outstanding after this offering is based on 60,081,857 shares outstanding as of April 4, 2006.

The number of Class A Ordinary Shares to be outstanding after this offering excludes, as of April 4, 2006:

- 1,491,972 Class A Ordinary Shares issuable upon the exercise of our outstanding 3% Convertible Notes due January 2007 at a weighted average conversion price of $14.64 per ADS.
- An aggregate of 1,317,324 additional Class A Ordinary Shares reserved for issuance under our Common Stock Purchase Warrant dated January 6, 2004 and our Class A Ordinary Share Warrant dated November 27, 2002 at a weighted average conversion price of $20.35 per ADS.
- An aggregate of 177,599 additional Class A Ordinary Shares reserved for future issuance under our 2003 Stock Option Plan.
- 223,460 ADSs offered for sale to Ronan O’Caoimh at a purchase price of $8.95 per ADS (the closing bid price of our ADSs on the Nasdaq National Market on April 5, 2006).

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RISK FACTORS

Investing in our securities involves risks. The most significant factors that make an investment in our securities risky or speculative are discussed under the caption “Item 3. Selected Consolidated Financial Data Risk Factors” and elsewhere in our most recent Annual Report on Form 20-F and in any later reports and other documents that are incorporated by reference in this prospectus supplement. These factors, and others that are not presently known to us, may cause our operating results to vary from anticipated results or may materially and adversely affect our business and financial condition. If any of the unfavorable events or circumstances described in the risk factors actually occur, our business may suffer, the trading price of our ADSs and other securities could decline, and you could lose all or part of your investment.

FORWARD-LOOKING STATEMENTS

This prospectus supplement, the accompanying prospectus and the documents incorporated in it by reference contain forward-looking statements which involve known and unknown risks and uncertainties. We include this notice for the express purpose of permitting Trinity Biotech to avail itself of the protections of the safe harbor provided by the Private Securities Litigation Reform Act of 1995 for all such forward looking statements. Examples of forward-looking statements include: (1) projections of capital expenditures, revenues, growth, prospects, financial resources and other financial matters; (2) statements of our plans or objectives; and (3) statements using the words “anticipate,” “believe,” “estimate,” “expect,” “may,” “intent,” “plan,” “project,” “understand,” verbs suggesting uncertainty.

Our ability to predict results of Trinity Biotech’s operations or the effects of certain events on Trinity Biotech’s operating results is inherently uncertain. Therefore, we caution you to consider carefully the matters described under the caption “Risk Factors” and certain other matters discussed in this prospectus supplement, the accompanying prospectus, the documents incorporated by reference in this prospectus, and other publicly available sources. Such risks and many other factors beyond the control of Trinity Biotech’s management could cause the actual results, performance or achievements of Trinity Biotech to be materially different from any future results, performance or achievements that may be expressed or implied by the forward-looking statements.

USE OF PROCEEDS

We estimate that the net proceeds from the sale of the 2,675,000 ADSs that we are offering at a price of $8.60 per ADS will be approximately $21.8 million after deducting the estimated placement agency fees and offering expenses payable by us. We intend to use the net proceeds of this offering for general corporate purposes, including research and development expenses, manufacturing expenses, clinical trial costs, general and administrative expenses, and potential acquisitions of companies, products and technologies that complement our business.

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DILUTION

Our net tangible book value as of December 31, 2005 was approximately $48.4 million, or $0.81 per Class A Ordinary Share. Net tangible book value per Class A Ordinary Share is calculated by subtracting our total liabilities from our total tangible assets, which is total assets less intangible assets, and dividing this amount by the number of Class A Ordinary Shares outstanding. After giving effect to the sale by us of the ADSs offered in this offering at a price of $8.60 per ADS and after deducting the estimated placement agency fees and offering expenses payable by us, our net tangible book value as of December 31, 2005 would have been approximately $70.3 million, or $0.99 per Class A Ordinary Share. This represents an immediate increase in the net tangible book value of $0.18 per Class A Ordinary Share to the existing stockholders and an immediate dilution of $7.61 per Class A Ordinary Share to new investors. The following table illustrates this per share dilution:

Price per Class A Ordinary Share to investors		$ 8.60
Net tangible book value per Class A Ordinary Share as of December 31, 2005	$ 0.81	
Increase per Class A Ordinary Share attributable to new investors	$ 0.18	
Net tangible book value per Class A Ordinary Share after this offering		$ 0.99
Dilution per Class A Ordinary Share to new investors		$ 7.61

In the discussion and table above, we assume no exercise of outstanding convertible notes and warrants. As of December 31, 2005, there were 3,803,944 Class A Ordinary Shares reserved for issuance upon exercise of outstanding convertible notes and warrants with a weighted average exercise price of $14.64 per Class A Ordinary Share and $20.35 per Class A Ordinary Share, respectively. To the extent that any of these convertible notes or warrants are exercised, there will be further dilution to new investors.

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PLAN OF DISTRIBUTION

We are directly selling to one or more purchasers 2,675,000 ADSs under this prospectus supplement at a price of $8.60 per ADS.

We estimate the gross proceeds from the financing will be approximately $23.0 million, and we estimate the net proceeds from the financing to be approximately $21.8 million after deducting placement agency fees and the estimated costs payable by us associated with the offering. We have negotiated with the purchasers regarding the sale of the ADSs being offered hereunder, and have entered into subscription agreements with the purchasers in the form attached as Annex A which set forth the specific terms of the transaction. We anticipate that we will effect the sale of the aggregate of 2,675,000 ADSs in one or more closings.

Pursuant to a placement agency agreement dated April 5, 2006, we have engaged Roth Capital Partners, LLC, or Roth Capital, and J&E Davy, or Davy, to act as our exclusive placement agents in connection with an offering of our ADSs under the registration statement on Form F-3, of which this prospectus supplement is a part. Under the terms of the placement agency agreement, Roth Capital and Davy agreed to be our exclusive placement agents, on a best efforts basis, in connection with the issuance and sale by us of our ADSs in a proposed takedown from our registration statement. The terms of any such offering will be subject to market conditions and negotiations between us, the placement agents and prospective purchasers. The placement agency agreement does not give rise to any commitment by Roth Capital or Davy to purchase any of the ADSs, and Roth Capital and Davy will have no authority to bind us by virtue of the placement agency agreement. Further, Roth Capital and Davy do not guarantee that they will be able to raise new capital in any prospective offering.

With respect to the offering, we have agreed to pay compensation as follows:

- an aggregate placement agency fee to the placement agents equal to 4.0% of the gross proceeds received from the sale of ADSs in the offering; and

- the placement agents’ out-of- pocket expenses, including the fees and expenses of the placement agents’ legal counsel, incurred in connection with the offering in an amount not to exceed $125,000.

We will not pay any other compensation in connection with the sale of our ADSs pursuant to the placement agency agreement.

In order to facilitate the closing, all purchaser funds will be deposited into a non-interest bearing escrow account and held by the escrow agent until jointly released by us and the placement agents in a written instruction to the escrow agent on the date the ADSs are delivered to the purchasers. The escrow agent will not accept any purchaser funds until the date of this prospectus supplement.

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We have agreed to indemnify Roth Capital and Davy against certain liabilities arising in connection with the engagement, including liabilities under federal securities laws.

This is a brief summary of the material provisions of the placement agency agreement and does not purport to be a complete statement of its terms and conditions. A copy of the placement agency agreement will be on file with the Securities and Exchange Commission as an exhibit to a Form 6-K to be filed by us.

In compliance with the guidelines of the National Association of Securities Dealers, the maximum consideration or discount to be received by any NASD member may not exceed 8% of the aggregate amount of the securities offered pursuant to this prospectus supplement.

We and each of our directors and executive officers have agreed to certain restrictions on the ability to sell our Class A Ordinary Shares, ADSs and other securities that they beneficially own, including securities convertible into or exercisable or exchangeable for Class A Ordinary Shares, for a period of 90 days following the date of this prospectus supplement. This means that, subject to certain exceptions, for a period of 90 days following the date of this prospectus supplement, we and such persons may not, directly or indirectly, offer, pledge, announce the intention to sell, sell, contract to sell, sell any option or contract to purchase (with respect to us, to the extent such option or contract to purchase is exercisable within one year from the Closing Date), purchase any option or contract to sell, grant any option, right or warrant to purchase, or otherwise transfer or dispose of any Class A Ordinary Shares, without the prior written consent of Roth Capital. Notwithstanding the foregoing, if (x) during the last 17 days of such 90 day period, we announce that we will release earnings results or publicly announce other material news or a material event relating to us occurs or (y) prior to the expiration of the 90 day period, we announce that we will release earnings results during the 16 day period beginning on the last day of the 90 day period, then in each case the 90 day period will be extended until the expiration of the 18 day period beginning on the date of release of the earnings results or the public announcement regarding the material news or the occurrence of the material event, as applicable, unless Roth Capital waives, in writing, such extension. At any time and without public notice, Roth Capital may in its sole discretion release all or some of the securities from these lock-up agreements.

The transfer agent and depositary for our Class A Ordinary Shares and ADSs is The Bank of New York.

Our ADSs are traded on the Nasdaq National Market under the symbol “TRIB”.

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Selling Restrictions

European Economic Area

In relation to each Member State of the European Economic Area which has implemented the Prospectus Directive (each a "Relevant Member State") an offer to the public of any ADSs which are the subject of the offering contemplated by this prospectus supplement may not be made in that Relevant Member State except that an offer to the public in that Relevant Member State of any ADSs may be made at any time under the following exemptions under the Prospectus Directive, if they have been implemented in that Relevant Member State:

(a) to legal entities which are authorized or regulated to operate in the financial markets or, if not so authorized or regulated, whose corporate purpose is solely to invest in securities;

(b) to any legal entity which two or more of (1) an average of at least 250 employees during the last financial year; (2) a total balance sheet of more than €43,000,000 and (3) an annual net turnover of more than €50,000,000, as shown in its last annual or consolidated accounts;

(c) by the placement agent to fewer than 100 natural or legal persons (other than qualified investors as defined in the Prospectus Directive); or

(d) in any other circumstances falling within Article 3(2) of the Prospectus Directive,

provided that no such offer of ADSs shall result in a requirement for the publication by Trinity Biotech or the placement agent of a prospectus pursuant to Article 3 of the Prospectus Directive.

For the purposes of this provision, the expression an "offer to the public" in relation to any ADSs in any Relevant Member State means the communication in any form and by any means of sufficient information on the terms of the offer and any ADSs to be offered so as to enable an investor to decide to purchase any ADSs, as the same may be varied in that Member State by any measure implementing the Prospectus Directive in that Member State and the expression "Prospectus Directive" means Directive 2003/71/EC and includes any relevant implementing measure in each Relevant Member State.

France

No prospectus (including any amendment, supplement or replacement thereto) has been prepared in connection with the offering of our ADSs that has been approved by the Autorité des marchés financiers or by the competent authority of another State that is a contracting party to the Agreement on the European Economic Area and notified to the Autorité des marchés financiers; no ADSs have been offered or sold and will be offered or sold, directly or indirectly, to the public in France except to permitted investors,

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consisting of persons licensed to provide the investment service of portfolio management for the account of third parties, qualified investors (investisseurs qualifiés) acting for their own account and/or corporate investors meeting one of the four criteria provided in Article 1 of Decree N° 2004-1019 of September 28, 2004 and belonging to a limited circle of investors (cercle restreint d'investisseurs) acting for their own account, with "qualified investors" and "limited circle of investors" having the meaning ascribed to them in Article L. 411-2 of the French Code Monétaire et Financier and applicable regulations thereunder; none of this prospectus supplement or any other materials related to the offer or information contained therein relating to our ADSs has been released, issued or distributed to the public in France except to Permitted Investors; and the direct or indirect resale to the public in France of any ADSs acquired by any Permitted Investors may be made only as provided by articles L. 412-1 and L. 621-8 of the French Code Monétaire et Financier and applicable regulations thereunder.

Switzerland

The ADSs may not and will not be publicly offered, distributed or re-distributed on a professional basis in or from Switzerland and neither this prospectus supplement nor any other solicitation for investments in our ADSs may be communicated or distributed in Switzerland in any way that could constitute a public offering within the meaning of Articles 1156 or 652a of the Swiss Code of Obligations or of Article 2 of the Federal Act on Investment Funds of March 18, 1994. This prospectus supplement may not be copied, reproduced, distributed or passed on to others without the placement agent's prior written consent. This prospectus supplement is not a prospectus within the meaning of Articles 1156 and 652a of the Swiss Code of Obligations or a listing prospectus according to article 32 of the Listing Rules of the Swiss Exchange and may not comply with the information standards required thereunder. We will not apply for a listing of our ADSs on any Swiss stock exchange or other Swiss regulated market and this prospectus supplement may not comply with the information required under the relevant listing rules. The ADSs offered hereby have not and will not be registered with the Swiss Federal Banking Commission and have not and will not be authorized under the Federal Act on Investment Funds of March 18, 1994. The investor protection afforded to acquirers of investment fund certificates by the Federal Act on Investment Funds of March 18, 1994 does not extend to acquirers of our ADSs.

United Kingdom

Our ADSs may not be offered or sold and will not be offered or sold to any persons in the United Kingdom other than to persons whose ordinary activities involve them in acquiring, holding, managing or disposing of investments (as principal or as agent) for the purposes of their businesses and in compliance with all applicable provisions of the Financial Services and Markets Act 2000, or the FSMA, with respect to anything done in relation to our ADSs in, from or otherwise involving the United Kingdom. In addition, the placement agent has only communicated or caused to be communicated and will only communicate or cause to be communicated any invitation or inducement to engage in investment activity (within the meaning of Section 21 of the FSMA) received by it in connection with the issue or sale of our ADSs in circumstances

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in which Section 21(1) of the FSMA does not apply to us. Without limitation to the other restrictions referred to herein, this prospectus supplement is directed only at (1) persons outside the United Kingdom, (2) persons having professional experience in matters relating to investments who fall within the definition of “investment professionals” in Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005; or (3) high net worth bodies corporate, unincorporated associations and partnerships and trustees of high value trusts as described in Article 49(2) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005. Without limitation to the other restrictions referred to herein, any investment or investment activity to which this prospectus supplement relates is available only to, and will be engaged in only with, such persons, and persons within the United Kingdom who receive this communication (other than persons who fall within (2) or (3) above) should not rely or act upon this communication.

Ireland

Each placement agent has represented and agreed that (a) otherwise than in circumstances which are not deemed to be an offer to the public by virtue of the provisions of the Irish Companies Acts, 1963 to 2003, it has not offered or sold, and will not offer or sell, in Ireland, by means of any document, any ADSs or ordinary shares, unless such offer or sale has been or is made to persons whose ordinary business it is to buy or sell shares or debentures, whether as principal or agent, and it has not issued, and will not issue, in Ireland any form of application for ADSs or ordinary shares; and (b) it has not made and will not make any offer of ADSs or ordinary shares to the public in Ireland to which the European Communities (Transferable Securities and Stock Exchange) Regulations, 1992 of Ireland would apply, except in accordance with the provisions of those regulations; and (c) it has complied, and will comply, with all applicable provisions of the Investment Intermediaries Act 1995 of Ireland, as amended, with respect to anything done by it in relation to the offer, sale or delivery of the ADSs or ordinary shares in or involving Ireland.

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LEGAL MATTERS

The validity of any offered securities will be passed upon for Trinity Biotech by O'Donnell Sweeney, Dublin, Ireland, our Irish counsel. Carter Ledyard & Milburn LLP, New York, New York, has acted as our U.S. securities counsel. Lowenstein Sandler PC, New York, New York is counsel for the placement agents in connection with this offering.

EXPERTS

The consolidated financial statements and schedule of Trinity Biotech plc as of and for the year ended December 31, 2005 have been incorporated by reference herein in reliance on the report of KPMG, Independent Registered Public Accounting Firm, and upon authority of said firm as experts in accounting and auditing.

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ANNEX A

Form of Subscription Agreement

This subscription (this "Subscription") is dated April ___, 2006, by and between the investor identified on the signature page hereto (the "Investor") and Trinity Biotech plc, an Irish public limited company (the "Company"), whereby the parties agree as follows:

1. Subscription.

(a) Investor agrees to buy and the Company agrees to sell and issue to Investor such number of American Depositary Shares ("ADSs"), each representing four (4) Class A Ordinary Shares, par value $0.0109 per share (the "Ordinary Shares"), of the Company, set forth on the signature page hereto, for an aggregate purchase price set forth on the signature page hereto (the "Purchase Price").

(b) The ADSs have been registered on a Registration Statement on Form F-3, Registration No. 333-124385, which registration statement (the "Registration Statement") has been declared effective by the Securities and Exchange Commission, has remained effective since such date and is effective on the date hereof.

(c) NO LATER THAN ONE (1) BUSINESS DAY AFTER THE EXECUTION OF THIS SUBSCRIPTION AGREEMENT BY THE INVESTOR AND THE COMPANY, THE INVESTOR SHALL REMIT BY WIRE TRANSFER THE AMOUNT OF FUNDS EQUAL TO THE AGGREGATE PURCHASE PRICE FOR THE ADSs BEING PURCHASED BY THE INVESTOR TO THE FOLLOWING ACCOUNT DESIGNATED BY THE COMPANY AND THE PLACEMENT AGENTS ENGAGED BY THE COMPANY IN CONNECTION WITH THE SALE AND ISSUANCE OF THE ADSs (THE "PLACEMENT AGENTS") PURSUANT TO THE TERMS OF THAT CERTAIN ESCROW AGREEMENT (THE "ESCROW AGREEMENT") DATED AS OF THE DATE HEREOF, BY AND AMONG THE COMPANY, THE PLACEMENT AGENTS AND LOWENSTEIN SANDLER PC (THE "ESCROW AGENT"):

PNC Bank New Jersey
ABA#: 031-207-607
Account Name: Lowenstein Sandler PC Attorney Trust Account
Account #: 8025720174
International Wires: SWIFT Code: PNCCUS33

Such funds shall be held in escrow until the Closing Date and delivered by the Escrow Agent on behalf of the Investor to the Company unless (i) the agreement between the Company and the Placement Agents (the "Placement Agreement") is terminated pursuant to the terms thereof or (ii) determined that the conditions to closing in the Placement Agreement have not been satisfied. The Investor's obligations are expressly not conditioned on the purchase by any or all other investors of the ADSs that they have agreed to purchase from the Company. The Placement Agents shall have no rights in or to any of the escrowed funds, unless the Placement

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Agents and the Escrow Agent are notified in writing by the Company in connection with the closing that a portion of the escrowed funds shall be applied to the Placement Agents' fees. The Company and the Investor agree to indemnify and hold the Escrow Agent harmless from and against any and all losses, costs, damages, expenses and claims (including, without limitation, court costs and reasonable attorneys fees) ("Losses") arising under this Section 1(c) or otherwise with respect to the funds held in escrow pursuant hereto or arising under the Escrow Agreement, unless it is finally determined that such Losses resulted directly from the willful misconduct or gross negligence of the Escrow Agent. Anything in this Subscription to the contrary notwithstanding, in no event shall the Escrow Agent be liable for any special, indirect or consequential loss or damage of any kind whatsoever (including but not limited to lost profits), even if the Escrow Agent has been advised of the likelihood of such loss or damage and regardless of the form of action.

Investor acknowledges that the Escrow Agent acts as counsel to the Placement Agents, and shall have the right to continue to represent the Placement Agents, in any action, proceeding, claim, litigation, dispute, arbitration or negotiation in connection with the offering of the ADSs, and Investor hereby consents thereto and waives any objection to the continued representation of the Placement Agents by the Escrow Agent in connection therewith based upon the services of the Escrow Agent under the Escrow Agreement, without waiving any duty or obligation the Escrow Agent may have to any other person.

(d) NO LATER THAN ONE (1) BUSINESS DAY AFTER THE EXECUTION OF THIS SUBSCRIPTION AGREEMENT BY THE INVESTOR AND THE COMPANY, THE INVESTOR SHALL DIRECT THE BROKER-DEALER AT WHICH THE ACCOUNT OR ACCOUNTS TO BE CREDITED WITH THE ADSs ARE MAINTAINED TO SET UP A DEPOSIT/WITHDRAWAL AT CUSTODIAN ("DWAC") INSTRUCTING THE TRANSFER AGENT TO CREDIT SUCH ACCOUNT OR ACCOUNTS WITH THE ADSs.

(e) On April ___, 2006 (the "Closing Date"), the Company shall deliver to Investor the ADSs via the Depository Trust Company's ("DTC") Deposit or Withdrawal at Custodian system via the DTC instructions set forth on the signature page hereto, such ADSs to be registered in such name or names as designated by the Investor on the signature page hereto. The ADSs shall be unlegended and free of any resale restrictions.

2. Company Representations and Warranties. The Company represents and warrants that: (a) it has full right, power and authority to enter into this Subscription and to perform all of its obligations hereunder; (b) this Subscription has been duly authorized and executed by and constitutes a valid and binding agreement of the Company enforceable in accordance with its terms; (c) the execution and delivery of this Subscription and the consummation of the transactions contemplated hereby do not conflict with or result in a breach of (i) the Company's Articles of Association or Memorandum of Association, or (ii) any material agreement to which the Company is a party or by which any of its property or assets is bound; (d) the ADSs have been duly authorized for sale and issuance, and when issued and delivered by the Company against payment therefor pursuant to this Subscription, will be validly issued, fully paid and nonassessable; (e) the Registration Statement and any post-effective amendment thereto, at the time it became effective, did not contain any untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein not misleading; (f) the prospectus contained in the Registration Statement, as amended or supplemented, did not contain as of the effective date thereof, and as of the date hereof does not contain, any untrue statement of a material fact or omit to state a material fact necessary in order to make the statements therein, in light of the circumstances under which they were made, not

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misleading; and (g) all preemptive rights or rights of first refusal held by stockholders of the Company and applicable to the transactions contemplated hereby have been duly satisfied or waived in accordance with the terms of the agreements between the Company and such stockholders conferring such rights.

3. Investor Representations, Warranties and Acknowledgments. The Investor represents and warrants that: (a) it has full right, power and authority to enter into this Subscription and to perform all of its obligations hereunder; (b) this Subscription has been duly authorized and executed by the Investor and constitutes a valid and binding agreement of the Investor enforceable against the Investor in accordance with its terms; (c) the execution and delivery of this Subscription and the consummation of the transactions contemplated hereby do not conflict with or result in a breach of (i) the Investor's certificate of incorporation or by-laws (or other governing documents), or (ii) any material agreement or any law or regulation to which the Investor is a party or by which any of its property or assets is bound; and (d) prior to the execution hereof, Investor has received in portable document format the Company's preliminary prospectus supplement, dated April 5, 2006, and the accompanying base prospectus, dated May 16, 2005, relating to the Company's sale of the ADSs.

4. Miscellaneous.

(a) This Subscription constitutes the entire understanding and agreement between the parties with respect to its subject matter, and there are no agreements or understandings with respect to the subject matter hereof which are not contained in this Subscription. This Subscription may be modified only in writing signed by the parties hereto.

(b) This Subscription may be executed in any number of counterparts, all of which taken together shall constitute one and the same instrument and shall become effective when counterparts have been signed by each party and delivered to the other parties hereto, it being understood that all parties need not sign the same counterpart. Execution may be made by delivery by facsimile.

(c) The provisions of this Subscription are severable and, in the event that any court or officials of any regulatory agency of competent jurisdiction shall determine that any one or more of the provisions or part of the provisions contained in this Subscription shall, for any reason, be held to be invalid, illegal or unenforceable in any respect, such invalidity, illegality or unenforceability shall not affect any other provision or part of a provision of this Subscription and this Subscription shall be reformed and construed as if such invalid or illegal or unenforceable provision, or part of such provision, had never been contained herein, so that such provisions would be valid, legal and enforceable to the maximum extent possible, so long as such construction does not materially adversely effect the economic rights of either party hereto.

(d) All communications hereunder, except as may be otherwise specifically provided herein, shall be in writing and shall be mailed, hand delivered, sent by a recognized overnight courier service such as Federal Express, or sent via facsimile and confirmed by letter, to the party to whom it is addressed at the following addresses or such other address as such party may advise the other in writing:

To the Seller: as set forth on the signature page hereto.

To the Buyer: as set forth on the signature page hereto.

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All notices hereunder shall be effective upon receipt by the party to which it is addressed.

(e) This Subscription shall be governed by and interpreted in accordance with the laws of the State of New York for contracts to be wholly performed in such state and without giving effect to the principles thereof regarding the conflict of laws. To the extent determined by such court, the prevailing party shall reimburse the other party for any reasonable legal fees and disbursements incurred in enforcement of, or protection of any of its rights under this Subscription.

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If the foregoing correctly sets forth our agreement, please confirm this by signing and returning to us the duplicate copy of this Subscription.

TRINITY BIOTECH PLC

By: ______________________________

Name:
Title:

Number of ADSs: ______________________________

Purchase Price Per ADS: ______________________________

Aggregate Purchase Price: ______________________________

INVESTOR: ______________________________

By: ______________________________

Name:
Title:

Address for Notice:

____

____

Facsimile: ______________________________

Attention:

Address for Notice:
Trinity Biotech plc
IDA Business Park
Bray, Co. Wicklow
Ireland
Facsimile: 011-353-1276-9883
Attention: Chief Financial Officer

NO LATER THAN ONE (1) BUSINESS DAY AFTER THE EXECUTION OF THIS SUBSCRIPTION AGREEMENT BY THE INVESTOR AND THE COMPANY, THE INVESTOR SHALL DIRECT THE BROKER-DEALER AT WHICH THE ACCOUNT OR ACCOUNTS TO BE CREDITED WITH THE ADSs ARE MAINTAINED TO SET UP A DEPOSIT/WITHDRAWAL AT CUSTODIAN ("DWAC") INSTRUCTING THE TRANSFER AGENT TO CREDIT SUCH ACCOUNT OR ACCOUNTS WITH THE ADSs.

NO LATER THAN ONE (1) BUSINESS DAY AFTER THE EXECUTION OF THIS SUBSCRIPTION AGREEMENT BY THE INVESTOR AND THE COMPANY, THE INVESTOR SHALL REMIT BY WIRE TRANSFER THE AMOUNT OF FUNDS EQUAL TO THE AGGREGATE PURCHASE PRICE FOR THE ADSS BEING PURCHASED BY THE INVESTOR TO THE FOLLOWING ACCOUNT:

PNC Bank New Jersey
ABA#: 031-207-607
Account Name: Lowenstein Sandler PC Attorney Trust Account
Account #: 8025720174
International Wires: SWIFT Code: PNCCUS33

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PROSPECTUS

TRINITY BIOTECH PLC

Class A Ordinary Shares
and Equity Warrants

Trinity Biotech plc may offer from time to time, in one or more series or issuances and at prices and on terms that will determine at the time of offering, up to $75,000,000 in gross proceeds to Trinity Biotech of

- Class A Ordinary Shares; or

- warrants to purchase Class A Ordinary Shares.

The American Depositary Receipts of Trinity Biotech trade in the United States on the Nasdaq SmallCap Market under the symbol "TRIB".

We will provide specific terms of these securities in supplements to this prospectus at the time when we offer them. You should read this prospectus and the applicable supplement carefully before you invest in any of these securities.

Neither the Securities and Exchange Commission nor any other regulatory body has approved or disapproved of these securities or passed upon the accuracy or adequacy of this prospectus. Any representation to the contrary is a criminal offense.

The date of this prospectus is May 16, 2005.

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We have not authorized any dealer, salesman or other person to give any information or to make any representation other than those contained or incorporated by reference in this prospectus and any accompanying prospectus supplement. You must not rely upon any information or representation not contained or incorporated by reference in this prospectus or a prospectus supplement. This prospectus and any accompanying prospectus supplement do not contain an offer to sell or the solicitation of an offer to buy any securities other than the registered securities to which they relate, or an offer to sell or the solicitation of an offer to buy securities in any jurisdiction where the offer or sale is not permitted. The information contained in this prospectus and any accompanying prospectus supplement is accurate as of the dates on their covers. When we deliver this prospectus or a supplement or make a sale pursuant to this prospectus, we are not implying that the information is current as of the date of the delivery or sale.

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Prospectus

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Whenever we refer to “Trinity Biotech” or to “us,” or use the terms “we” or “our” in this prospectus, we are referring to Trinity Biotech plc an Irish public limited company, and its consolidated subsidiaries. However, for purposes of the sections entitled “Description of Class A Ordinary Shares” and “Description of Equity Warrants,” whenever we refer to “Trinity Biotech” plc or to “us,” or use the terms “we” or “our,” we are referring only to Trinity Biotech plc.

About This Prospectus

This prospectus is part of a registration statement that we filed with the Securities and Exchange Commission utilizing a “shelf” registration process. Under this shelf registration process, we may sell any combination of the securities described in this prospectus in one or more offerings resulting in gross proceeds to us of up to $75,000,000. This prospectus provides you with a general description of the securities we may offer. Each time we sell securities, we will provide a prospectus supplement that will contain specific information about the terms of that offering. The prospectus supplement may also add, update or change information contained in this prospectus. To the extent that any statement that we make in a prospectus supplement is inconsistent with statements made in this prospectus, you should assume that the statements made in the prospectus supplement modify or supersede those made in this prospectus. You should read both this prospectus and any prospectus supplement together with additional information described under the heading “Where You Can Find More Information.”

About Trinity Biotech

Trinity Biotech plc, an Irish public limited company, was formed in January 1992 to acquire, develop, manufacture and market rapid and laboratory based diagnostic tests for the detection of various infectious diseases, blood coagulation disorders and other medical conditions. In addition, we manufacture, acquire and market diagnostic tests and antibodies through our UK, German and Swedish subsidiaries as well as our U.S. subsidiaries, Clark Laboratories Inc. (trading as Trinity Biotech (USA) Corp.), MarDx Diagnostics Inc., Biopool U.S., Inc. and Fitzgerald Industries International, Inc. Our address is IDA Business Park, Bray, Co. Wicklow, Ireland, telephone number 011 353 1 276 9800.

Where You Can Find More Information

We file annual and special reports and other information with the SEC. You may obtain these filings over the internet at the SEC’s Web site at http://www.sec.gov. You may also read and copy these filings at the SEC’s public reference room at 450 Fifth Street, N.W., Washington, D.C. 20549. You may obtain information on the operation of the public reference room by calling the SEC at 1-800-SEC-0330, and may obtain copies of Trinity Biotech’s filings from the public reference room by calling (202) 942-8090. Our internet address is http://www.trinitybiotech.com.

The SEC allows us to "incorporate by reference" the information we file with them, which means that we can disclose important information to you by referring you to

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those documents. The information incorporated by reference is considered to be part of this prospectus, and later information that we file with the SEC will automatically update and supersede this information. We incorporate by reference the documents listed below and any future filings made with the SEC under Sections 13(a), 13(c), 14, or 15(d) of the Securities Exchange Act of 1934 until the termination of this offering of Trinity Biotech’s securities. This prospectus is part of a registration statement we filed with the SEC (Registration No 333-124385).

- Annual Report on Form 20-F for the year ended December 31, 2004, filed on April 1, 2005.

You may request a copy of these filings as well as any agreements relating to Trinity Biotech’s securities offered hereby, at no cost, by writing or telephoning us at the following address:

Corporate Secretary
Trinity Biotech plc
IDA Business Park
Bray, Co. Wicklow, Ireland
Tel: 011 353 1 276 9800

You should rely only on the information incorporated by reference or provided in this prospectus or any supplement. We have not authorized anyone else to provide you with different information. You should not assume that the information in this prospectus or any supplement is accurate as of any date other than the date on the front of those documents.

Trinity Biotech is a "foreign private issuer" as defined in Rule 3b-4 under the Securities Exchange Act of 1934. As a result, our proxy solicitations are not subject to the disclosure and procedural requirements of Regulation 14A under the Exchange Act and transactions in Trinity Biotech's equity securities by its officers and directors are exempt from Section 16 of the Exchange Act. In addition, Trinity Biotech is not required under the Exchange Act to file periodic reports and financial statements as frequently or as promptly as U.S. companies whose securities are registered under the Exchange Act.

Our ADRs are listed for quotation on The Nasdaq SmallCap Market, and reports and other information filed by us can be inspected at the offices of Nasdaq. Each ADR represents one Class A Ordinary Share of Trinity Biotech.

Enforceability of Civil Liabilities Against Foreign Persons

We are a public limited company organized under the laws of the Republic of Ireland. Several of our directors and officers and certain experts named in the registration statement are residents of Ireland or other non-U.S. jurisdictions. Substantial portions of the assets of these persons and of Trinity Biotech are located in Ireland or other non-U.S. jurisdictions.

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We have appointed Alan Bernstein of Carter Ledyard & Milburn LLP as our agent to receive service of process in any legal action against us. However, it may not be possible for investors to effect service of process upon Trinity Biotech or its non-U.S. directors, officers or experts named in the registration statement or to enforce any judgment obtained against these persons in U.S. courts. Also, it may not be possible to enforce U.S. securities laws or judgments obtained in U.S. courts against these persons in a non-U.S. jurisdiction.

Currency Translation

Trinity Biotech publishes its financial statements in United States dollars. Unless otherwise specified, all references to "U.S. dollars", "dollars", "$" or "U.S. $" are to United States dollars and references to "Euro," or "€" are to the European Euro. No representation is made that the Euro or U.S. dollar amounts shown in this prospectus could have been or could be converted into U.S. dollars or Euros, as the case may be, at any particular rate or at all.

Description of Class A Ordinary Shares

Trinity Biotech is authorized to issue 75,000,000 Class A Ordinary Shares, par value $0.0109 per share. At the close of business on February 28, 2005, it had 55,588,050 Class A Ordinary Shares outstanding. Our Class A Ordinary Shares are represented by American Depository Receipts or ADRs. An ADR is a receipt for the shares of a foreign corporation held in the vault of a U.S. bank and entitling the holder to all dividends and capital gains. Instead of buying shares of foreign-based companies in overseas markets, U.S. persons can buy shares in the United States in the form of an ADR. An American Depositary Share or ADS is the share issued under a depositary agreement representing the underlying ordinary share that trades in the issuer’s home market. Technically, ADS is the instrument that actually is traded, whereas the ADR is the certificate that represents a number of ADSs.

The Bank of New York acts as the depositary for Trinity’s ADSs pursuant to an amended and restated deposit agreement which is an exhibit to the Form F-6 registration statement filed by Trinity on January 15, 2004, registration no. 333-111946. The depositary’s offices are located at 101 Barclay Street, New York, NY 10286.

Trinity Biotech ADSs are listed on the NASDAQ Small Cap Market under the symbol “TRIB”. The number of record holders of Trinity Biotech’s ADS’s as at February 28, 2005 amounted to 1,681, inclusive of those brokerage firms and/or clearing houses holding Trinity Biotech’s securities for their clientele (with each such brokerage house and/or clearing house being considered as one holder).

Our Class A Ordinary Shares and our Class B Ordinary Shares rank pari passu in all respects save that the Class B Ordinary Shares have two votes per share and the right to receive dividends and participate in the distribution of the assets of Trinity Biotech upon liquidation or winding up at a rate of twice that of the Class A Ordinary Shares.

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Where a shareholder or person who appears to be interested in shares fails to comply with a request for information from Trinity Biotech in relation to the capacity in which such shares or interest are held, who is interested in them or whether there are any voting arrangements, that shareholder or person may be disenfranchised and thereby restricted from transferring the shares and voting or receiving any sums in respect thereof (except in the case of a liquidation). In addition, if cheques in respect of the last three dividends paid to a shareholder remain uncashed, we are, subject to compliance with the procedure set out in our Articles of Association, entitled to sell the shares of that shareholder.

At a general meeting, on a show of hands, every Class A Shareholder who is present in person or by proxy and entitled to vote shall have one vote (so, however, that no individual shall have more than one vote) and upon a poll, every Class A Shareholder present in person or by proxy shall have one vote for every share. In the case of joint holders, the vote of the senior (being the first person named in the register of members in respect of the joint holding) who tendered a vote, whether in person or by proxy, shall be accepted to the exclusion of votes of the other joint holders.

One third of the directors other than an executive director or, if their number is not three or a multiple of three, then the number nearest to but not exceeding one third, shall retire from office at each annual general meeting. If, however, the number of directors subject to retirement by rotation is two, one of such directors shall retire. If the number is one, that director shall retire. The directors to retire at each annual general meeting shall be the ones who have been longest in office since their last appointment. Where directors are of equal seniority, the directors to retire shall, in the absence of agreement, be selected by lot. A retiring director shall be eligible for re-appointment and shall act as director throughout the meeting at which he retires. A separate motion must be put to a meeting in respect of each director to be appointed unless the meeting itself has first agreed that a single resolution is acceptable without any vote being given against it.

We may, subject to the provisions of the Companies Acts, 1963 to 2003 of Ireland, issue any share on the terms that it is to be redeemed on such terms and in such manner as we may determine by special resolution. Before recommending a dividend, the directors may reserve out of our profits such sums as they think proper which shall be applicable for any purpose to which our profits may properly be applied and, pending such application, may be either employed in our business or be invested in such investments (other than shares of the Company or of its holding company (if any)) as the directors may from time to time think fit.

Subject to any conditions of allotment, the directors may from time to time make calls on members in respect of monies unpaid on their shares. At least 14 days notice must be given of each call. A call shall be deemed to have been made at the time when the directors resolve to authorize such call.

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The Articles do not contain any provisions discriminating against any existing or prospective holder of securities as a result of such shareholder owning a substantial number of shares.

In order to change the rights attaching to any class of shares, including Class A Ordinary Shares, a special resolution passed at a class meeting of the holders of such shares is required. The provisions in relation to general meetings apply to such meetings except the quorum shall be two persons holding or representing by proxy at least one third in nominal amount of the issued shares of that class. In addition, in order to amend any provisions of the Articles of Association in relation to rights attaching to shares, including Class A Ordinary Shares, a special resolution of the shareholders as a whole is required.

We must hold a general meeting each year. Not more than 15 months can elapse between annual general meetings. The annual general meetings are held at such time and place as the directors determine and all other general meetings are called extraordinary general meetings. Every general meeting shall be held in Ireland unless all of the members entitled to attend and vote at it consent in writing to it being held elsewhere or a resolution providing that it be held elsewhere was passed at the preceding annual general meeting. The directors may at any time call an extraordinary general meeting and such meetings may also be convened on such requisition, or in default may be convened by such requisitions, as is provided by the Companies Acts, 1963 to 2003 of Ireland. In the case of an annual general meeting or a meeting at which a special resolution is proposed, 21 clear days notice of the meeting is required and in any other case it is 7 clear days notice. Notice must be given in writing to all members and to the auditors and must state the details specified in the Articles of Association. A general meeting (other than one at which a special resolution is to be proposed) may be called on shorter notice subject to the agreement of the auditors and all members entitled to attend and vote at it. In certain circumstances provided in the Companies Acts, 1963 to 2003 of Ireland, extended notice is required. These include removal of a director. No business may be transacted at a general meeting unless a quorum is present. Five members present in person or by proxy (not being less than five individuals) representing not less than 40% of the ordinary shares shall be a quorum. Trinity Biotech is not obliged to serve notices upon members who have addresses outside of Ireland and the USA but otherwise there are no limitations in the Articles of Association or under Irish law restricting the rights of non-resident or foreign shareholders to hold or exercise voting rights on the shares in Trinity Biotech.

However, the Financial Transfers Act, 1992 and regulations made thereunder prevent transfers of capital or payments between Ireland and certain countries. These restrictions on financial transfers are more comprehensively described in "Exchange Controls" below. In addition, Irish competition law may restrict the acquisition by a party of shares in Trinity Biotech but this does not apply on the basis of nationality or residence.

The Memorandum and Articles of Association do not contain any provisions:

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- which would have an effect of delaying, deferring or preventing a change in control of Trinity Biotech and which would operate only with respect to a merger, acquisition or corporate restructuring involving Trinity Biotech (or any of its subsidiaries); or

- governing the ownership threshold above which a shareholder ownership must be disclosed; or

- imposing conditions governing changes in the capital which are more stringent than is required by Irish law.

Trinity Biotech incorporates by reference all other information concerning its Memorandum and Articles of Association from the Registration Statement on Form F-1 on June 12, 1992.

Pursuant to Irish law, Trinity Biotech must maintain a register of its shareholders. This register is open to inspection by shareholders free of charge and to any member of the public on payment of a small fee. The books containing the minutes of proceedings of any general meeting of Trinity Biotech are required to be kept at the registered office of Trinity Biotech and are open to the inspection of any member without charge. Minutes of meetings of the Board of Directors are not open to scrutiny by shareholders. Trinity Biotech is obliged to keep Proper Books of Account. The shareholders have no statutory right to inspect the books of account. The only financial records, which are open to the shareholders, are the financial statements, which are sent to shareholders with the annual report. Irish law also obliges Trinity Biotech to file information relating to certain events within Trinity Biotech (new share capital issues, changes to share rights, changes to the Board of Directors). This information is filed with the Companies Registration Office (the "CRO") in Dublin and is open to public inspection. The Articles of Association of Trinity Biotech permit ordinary shareholders to approve corporate matters in writing provided that a written consent is signed by all the members for the time being entitled to vote and attend at general meeting. Ordinary shareholders are entitled to call a meeting by way of a requisition. The requisition must be signed by ordinary shareholders holding not less than one-tenth of the paid up capital of Trinity Biotech carrying the right of voting at general meetings of Trinity Biotech. Trinity Biotech is generally permitted, subject to company law, to issue shares with preferential rights, including preferential rights as to voting, dividends or rights to a return of capital on a winding up of Trinity Biotech. Any shareholder who complains that the affairs of Trinity Biotech are being conducted or that the powers of the directors of Trinity Biotech are being exercised in a manner oppressive to him or any of the shareholders (including himself), or in disregard of his or their interests as shareholders, may apply to the Irish courts for relief. Shareholders have no right to maintain proceedings in respect of wrongs done to Trinity Biotech.

Ordinarily, our directors owe their duties only to Trinity Biotech and not its shareholders. The duties of directors are twofold, fiduciary duties and duties of care and skill. Fiduciary duties are owed by the directors individually and owed to Trinity Biotech. Those duties include duties to act in good faith towards Trinity Biotech in any

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transaction, not to make use of any money or other property of Trinity Biotech, not to gain directly or indirectly any improper advantage for himself at the expense of Trinity Biotech, to act bona fide in the interests of Trinity Biotech and exercise powers for the proper purpose. A director need not exhibit in the performance of his duties a greater degree of skill than may reasonably be expected from a person of his knowledge and experience. When directors, as agents in transactions, make contracts on behalf of Trinity Biotech, they generally incur no personal liability under these contracts. It is Trinity Biotech, as principal, which will be liable under them, as long as the directors have acted within Trinity Biotech's objects and within their own authority. A director who commits a breach of his fiduciary duties shall be liable to Trinity Biotech for any profit made by him or for any damage suffered by Trinity Biotech as a result of the breach. In addition to the above, a breach by a director of his duties may lead to a sanction from a Court including damages of compensation, summary dismissal of the director, a requirement to account to Trinity Biotech for profit made and restriction of the director from acting as a director in the future.

Description of Equity Warrants

Trinity Biotech may issue warrants to purchase ADRs, or “equity warrants.” Equity warrants may be issued independently or together with any securities and may be attached to or separate from those securities. We will issue equity warrants under warrant agreements to be entered into either between us and the warrant holders directly or between us and a bank or trust company, as warrant agent.

A prospectus supplement will describe the terms of equity warrants offered thereby, the warrant agreement relating to the equity warrants and the equity warrant certificates representing the equity warrants, including the following:

- the title of the equity warrants;
- the price or prices at which the equity warrants will be issued;
- if applicable, the number of equity warrants issued with Trinity Biotech ADRs;
- any date on and after which the equity warrants and such ADRs will be separately transferable;
- the date on which the right to exercise the equity warrants will commence, and the date on which those rights will expire;
- the maximum or minimum number of equity warrants which may be exercised at any time;
- information with respect to any book-entry procedures for the registration and transfer of equity warrants;

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- a discussion of any material federal income tax considerations applicable to holding, transferring or exercising equity warrants; and

- any other terms of the equity warrants, including terms, procedures and limitations relating to the exercise of the equity warrants.

Unless we specify otherwise in a prospectus supplement, holders of equity warrants will not be entitled, by virtue of being such holders, to vote, consent, receive dividends, receive notice as shareholders with respect to any meeting of Trinity Biotech shareholders, or to exercise any rights whatsoever as Trinity Biotech shareholders.

As described in a prospectus supplement, the exercise price payable and the number of ADRs purchasable upon the exercise of each equity warrant will be adjusted in certain events, including the issuance of a stock dividend to holders of common stock or a stock split, reverse stock split, combination, subdivision or reclassification of common stock. Instead of adjusting the number of ADRs purchasable upon exercise of each equity warrant, Trinity Biotech may elect to adjust the number of equity warrants. Unless otherwise provided in a prospectus supplement, no adjustments in the number of ADRs purchasable upon exercise of the equity warrants will be required until cumulative adjustments require an adjustment of at least 1% thereof. Trinity Biotech may, at its option, reduce the exercise price at any time. No fractional ADRs will be issued upon exercise of equity warrants, but we will pay the cash value of any fractional ADRs otherwise issuable. Unless we specify otherwise in a prospectus supplement, in case of any consolidation, merger, or sale or conveyance of Trinity Biotech's property as an entirety or substantially as an entirety, the holder of each outstanding equity warrant shall have the right to the kind and amount of shares of stock and other securities and property (including cash) receivable by a holder of the number of ADRs into which the equity warrant was exercisable immediately prior to the particular triggering event.

Each equity warrant will entitle the holder to purchase the principal amount or number of securities at the exercise price as shall in each case be set forth in, or be determinable as set forth in, the applicable prospectus supplement. Equity warrants may be exercised at any time up to the close of business on the expiration date set forth in the prospectus supplement relating to the warrants offered thereby. After the close of business on the expiration date, unexercised warrants will become void.

We will describe the procedures for exercising warrants in a prospectus supplement. Upon receipt of payment and the warrant certificate properly completed and duly executed at the corporate trust office of the warrant agent or any other office indicated in the applicable prospectus supplement, Trinity Biotech will, as soon as practicable, forward the securities purchasable upon that exercise. If less than all of the warrants represented by a particular warrant certificate are exercised, a new warrant certificate will be issued for the remaining warrants.

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Summary of Risks

Before you invest in our securities, you should be aware that there are various risks, which are described below. You should consider carefully these risks together with all of the other information included in this prospectus before you decide to purchase our securities.

Trinity Biotech’s operating results may be subject to fluctuations.

- Trinity Biotech’s operating results may fluctuate as a result of many factors related to our business, including the competitive conditions in the industry, loss of significant customers, delays in the development of new products and currency fluctuations, as described in more detail below, and general factors such as size and timing of orders and general economic conditions.

Trinity Biotech’s revenues are dependent to a high degree on its relationship with Wampole Laboratories, a former affiliate of Carter Wallace, Inc.

- During the financial years ended December 31, 2004, December 31, 2003 and December 31, 2002, approximately 7%, 12% and 20% respectively of Trinity Biotech’s revenues were derived from a distribution agreement by and among our subsidiary, Trinity Biotech (USA) Corp. (trading name of Clark Laboratories, Inc.) and Carter-Wallace, Inc. and its affiliate Wampole Laboratories. In 2001, Wampole was acquired by Medpointe, Inc. and was subsequently acquired by Inverness Medical Innovations, Inc. in 2002. In 2002, Trinity Biotech negotiated an amendment to the distribution agreement whereby the exclusivity of Inverness Medical’s right to sell our products in the U.S. would be removed in stages throughout 2004. During 2003, we experienced declining sales revenues under the distribution agreement which we believe was due to Inverness Medical attempting to convert customers from the Trinity Biotech product to an alternative product. Accordingly, in December 2003, we filed legal action against Inverness and Wampole for declaratory judgment and breach of contract. In January 2004, Inverness and Wampole countersued and sought a preliminary injunction to prevent Trinity Biotech from selling direct in the U.S. any of its products which are competitive with products sold by Inverness Medical and sourced by other suppliers. The Superior Court of Middlesex County, Massachusetts, denied the motion for preliminary injunction on January 28, 2004. In April 2004, Trinity Biotech amended its complaint to add additional claims alleging breaches of the distribution agreement by Inverness Medical. In May of 2004, Inverness Medical amended their counterclaims to add claims alleging, among other things, that Trinity Biotech was selling certain products without a license. Following the expiration of Inverness Medical’s exclusive distribution rights under the distribution agreement on October 1, 2004, Trinity Biotech moved to amend its complaint to eliminate the

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declaratory judgment claims and add additional claims for breach of the distribution agreement and tortuous interference with advantageous business relations that had arisen after December 2003. Inverness Medical filed a cross-motion to amend their complaint. There has been no ruling by the court on either party’s motion. The case is currently in the discovery phase. For further information relating to this matter, please refer to Item 8 “Legal Proceedings” in our Annual Report on Form 20-F. We have decided to sell our products directly in the U.S. and have increased our direct sales force. Any inability to recapture lost sales from Inverness Medical may have a material adverse effect on our business.

A need for capital might arise in the future if Trinity Biotech’s capital requirements increase or revenues decrease.

- Up to now Trinity Biotech has funded its operations through the sale of its ADRs and securities convertible into ADRs, revenues from operations and bank borrowings. Trinity Biotech expects that the proceeds of recent equity financings, bank borrowings, current working capital and sales revenues will fund its existing operations and payment obligations for the future. However, if our capital requirements are greater than expected, or if our revenues are not sufficient to fund our operations, we may need to find additional financing which may not be available on attractive terms or at all. Any future financing could have an adverse effect on our current shareholders or the price of our ADRs in general.

The diagnostics industry is highly competitive, and Trinity Biotech’s research and development could be rendered obsolete by technological advances of competitors.

- The diagnostics industry is extremely competitive. Trinity Biotech is competing directly with companies which have greater capital resources and larger marketing and business organizations than Trinity Biotech. Trinity Biotech’s ability to grow revenue and earnings may be adversely impacted by competitive product and pricing pressures and by its inability to gain or retain market share as a result of the action of competitors. We have significantly invested in research and development ("R&D") but there can be no guarantees that our R&D programmes will not be rendered technologically obsolete or financially non-viable by the technological advances of our competitors, which would also adversely affect our existing product lines and inventory. The main competitors of Trinity Biotech (and their principal products with which Trinity Biotech competes) are Dade Behring (Sysmex® CA, D-Dimer plus, Enzygnost®), bioMerieux (MDA®, VIDAS™), Zeus Scientific Inc. (Zeus EIA, IFA), Diasorin Inc. (ETI™), Abbott Diagnostics (AxSYM™, IMx™), Diagnostic Products Corp. – DPC (Immulite™), Bio-Rad (ELISA & WB), Roche Diagnostics (COBAS AMPLICOR™, Ampliscreen™, Accutrend™) and OraSure Technologies, Inc. (OraQuick®).

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Trinity Biotech is highly dependent on suitable distributors worldwide.

- Revenue and earnings stability and growth are directly dependent on the effectiveness of advertising, marketing and promotional programmes. Trinity Biotech currently distributes its product portfolio through distributors in over 80 countries worldwide. Our continuing economic success and financial security is dependent on our ability to secure effective channels of distribution on favourable trading terms with suitable distributors.

Trinity Biotech's business could be adversely affected by changing market conditions resulting in the reduction of the number of institutional customers.

- The healthcare industry is in transition with a number of changes that affect the market for diagnostic test products. Changes in the healthcare industry delivery system have resulted in major consolidation among reference laboratories and in the formation of multi-hospital alliances, reducing the number of institutional customers for diagnostic test products. There can be no assurance that we will be able to enter into and/or sustain contractual or other marketing or distribution arrangements on a satisfactory commercial basis with these institutional customers.

Trinity Biotech's acquisition strategy may be less successful than expected, and therefore, growth may be limited.

- Trinity Biotech has historically grown organically and through the acquisition of, and investment in, other companies, product lines and technologies. There can be no guarantees that recent or future acquisitions can be successfully assimilated or that projected growth in revenues or synergies in operating costs can be achieved. Our ability to integrate future acquisitions may also be adversely affected by inexperience in dealing with new technologies, and changes in regulatory or competitive environments. Additionally, even during a successful integration, the investment of management's time and resources in the new enterprise may be detrimental to the consolidation and growth of our existing business.

Trinity Biotech's long-term success depends on its ability to develop new products subject to stringent regulatory control. Even if new products are successfully developed, Trinity Biotech's patents have a limited life time and are thereafter subject to competition with generic products. Also, competitors might claim an exclusive patent for products Trinity Biotech plans to develop.

- We are committed to significant expenditure on research and development. However, there is no certainty that this investment in research and development will yield technically feasible or commercially viable products. Our organic growth and long-term success is dependent

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on our ability to develop and market new products but this work is subject to very stringent regulatory control and very significant costs in research, development and marketing. Failure to introduce new products could significantly slow our growth and adversely affect our market share.

- Even when products are successfully developed and marketed, Trinity Biotech's ownership of the technology behind these produes New Roman" SIZE="2"> (42)

Net cash used in investing activities		(10)		(70)
Cash flows used in financing activities:				
Principal payments on bank loan		(104)		(206)
Dividend payment		(514)		
Net cash used in financing activities		(618)		(206)
Net decrease in cash and cash equivalents		(742)		(957)
Cash and cash equivalents at the beginning of the period		8,054		5,747
Cash and cash equivalents at the end of the period	$	7,312	$	4,790
Supplemental disclosures of cash flow information:				
Unrealized gain on investment	$	58	$	34
Cash paid for:				

Income taxes	$		$	
Interest	$	15	$	11

See accompanying notes to unaudited condensed financial statements

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Hennessy Advisors, Inc.

Notes to Unaudited Condensed Financial Statements

(1) Basis of Financial Statement Presentation

The accompanying condensed balance sheet as of September 30, 2010, which has been derived from audited financial statements, and the unaudited interim condensed financial statements as of December 31, 2010 have been prepared pursuant to the rules and regulations of the Securities and Exchange Commission and include the accounts of Hennessy Advisors, Inc. (the Company). Certain information and footnote disclosures, normally included in financial statements prepared in accordance with generally accepted accounting principles, have been condensed or omitted pursuant to such rules and regulations. In the opinion of management, the financial statements reflect all adjustments, consisting only of normal recurring adjustments, necessary for a fair presentation of the financial position at December 31, 2010, the operating results for the three months ended December 31, 2010 and December 31, 2009, and the cash flows for the three months ended December 31, 2010 and December 31, 2009. These financial statements and notes should be read in conjunction with the Company s audited financial statements and notes thereto for the year ended September 30, 2010, included in the Company s Form 10-K filed with the Securities and Exchange Commission.

The operating activities of the Company consist of providing investment management and shareholder services to ten open-end mutual funds (collectively the Hennessy Funds), seven of which also have institutional share classes; and investment management services to one non-registered private pooled investment fund, the Hennessy Micro Cap Growth Fund, LLC. The Company serves as investment advisor for all classes of the Hennessy Cornerstone Growth Fund, the Hennessy Cornerstone Growth Fund, Series II, the Hennessy Focus 30 Fund, the Hennessy Cornerstone Large Growth Fund, the Hennessy Cornerstone Value Fund, the Hennessy Select Large Value Fund, the Hennessy Select SPARX Japan Fund, the Hennessy Select SPARX Japan Smaller Companies Fund, the Hennessy Total Return Fund, the Hennessy Balanced Fund, and the Hennessy Micro Cap Growth Fund, LLC.

(2) Management Contracts

As of December 31, 2010, Hennessy Advisors had contractual management agreements with Hennessy Funds, Inc. for the Hennessy Balanced Fund and the Hennessy Total Return Fund; with Hennessy Mutual Funds, Inc. for all classes of the Hennessy Cornerstone Growth Fund, the Hennessy Cornerstone Value Fund, and the Hennessy Focus 30 Fund; with Hennessy Funds Trust for all classes of the Hennessy Cornerstone Growth Fund, Series II, the Hennessy Cornerstone Large Growth Fund, and the Hennessy Select Large Value Fund; and with Hennessy SPARX Funds Trust for all classes of the Hennessy Select SPARX Japan Fund and the Hennessy Select SPARX Japan Smaller Companies Fund.

The management agreements for the Hennessy Cornerstone Large Growth Fund and the Hennessy Select Large Value Fund were approved by the Board of Trustees of Hennessy Funds Trust on March 3, 2009 (and subsequently approved by shareholders) for an intial period of two years, to be renewed annually thereafter; and the management agreements for the Hennessy Select SPARX Japan Fund and the Hennessy Select SPARX Japan Smaller Companies Fund were approved by the Board of Trustees of Hennessy SPARX Funds Trust on July 13, 2009 (and subsequently approved by shareholders) for an intial period of two years, to be renewed annually thereafter.

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The management agreements for the other Hennessy Funds are renewed annually by (1) the board of directors or trustees of the applicable investment company or by a majority vote of the outstanding shares of the applicable fund and (2) by the vote of a majority of the directors or trustees of the applicable investment company who are not parties to the management agreement and are disinterested directors or trustees. These management agreements were renewed by the Board of Directors of the Hennessy Funds, Inc. and Hennessy Mutual Funds, Inc. and by the Board of Trustees of the Hennessy Funds Trust on March 3, 2010 for a period of one year.

Other than non-renewal, two other circumstances might lead to termination of the management agreements: (1) the assignment of a management agreement to another advisor automatically terminates the agreement (assignment includes an indirect assignment by transferring a controlling block of our common stock); and (2) the termination of the agreement by the Company or by one of the Hennessy Funds investment companies upon 60 days prior written notice.

Under the terms of the management agreements, each fund bears all expenses incurred in its operation that are not specifically assumed by Hennessy Advisors, the administrator or the distributor. Hennessy Advisors bears the expense of providing office space, shareholder servicing, fulfillment, clerical and bookkeeping services and maintaining books and records of the Hennessy Funds.

The Company waives its investment management fees to comply with contractual expense ratio limitations for certain of the Hennessy Funds. The fee waivers are calculated daily by our fund accountants and are expensed monthly by the Company as an offset to revenue. The fees are deducted from the management fee income, and are deducted from the funds received from our fund accountants in the subsequent month.

In the past, fees have only been waived based on contractual obligations. However, the Company regularly analyzes the fees and has the right to waive fees at its discretion to compete with other mutual funds with lower expense ratios. Any decision to waive fees would not apply to previous periods, but would apply on a going forward basis.

Hennessy Advisors is also the Managing Member of the Hennessy Micro Cap Growth Fund, LLC (the Micro Cap Fund). Hennessy Advisors will serve as the Managing Member until its resignation or removal. The Managing Member may voluntarily resign with 30 days prior written notice to the other members or 60 days prior written notice if there is not then a remaining Managing Member. At any time, the Managing Member may designate an additional Managing Member or designate a successor Managing Member with no further consent or approval required from the other members. The Managing Member may be removed at any time, with or without cause, by the vote of the other members owning a majority-in-interest of the capital accounts of the Disinterested Members, defined as members other than members who are the Managing Member or affiliates of the Managing Member.

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Under the terms of the management agreement for the Micro Cap Fund, the Managing Member bears all organizational expenses (defined as expenses incurred in connection with and directly related to the formation, qualification and funding of the Micro Cap Fund), but the Micro Cap Fund bears all of its operating, investment and other expenses. However, the Managing Member is responsible for the ordinary and extraordinary costs of administering the Micro Cap Fund, including any placement fees incurred in connection with the offering of interests in the Micro Cap Fund.

Hennessy Advisors, as the Managing Member of the Micro Cap Fund, has the right to reduce or waive the management fee or incentive allocation (as defined in Note 5) chargeable to any member s account without the consent of or notice to any other member.

As of December 31, 2010, no events or changes in circumstances occurred that indicated potenial impairment of the management contracts.

(3) Investment in the Hennessy Micro Cap Growth Fund, LLC

On October 30, 2007, Hennessy Advisors invested $0.5 million in the Micro Cap Fund. The investment currently represents approximately 23.5% of the total subscriptions in the Micro Cap Fund. The Micro Cap Fund is a limited liability company for which Hennessy Advisors is the Managing Member.

The investment is classified as an available-for-sale security, and is included on the balance sheet at market value. The fair market value of the investment at December 31, 2010 was $0.4 million.

The accounting method the Company uses for its equity investments is generally dependent upon the influence the Company has over the investee. If there are investments where the Company can exert control over the financial and operating policies of the investee, which generally exists if there is a 50% or greater voting interest (the Company s ownership in the Micro Cap Fund is approximately 23.5%), the investee will be consolidated into the Company s financial statements. Further, as managing member of an investee, the Company is generally presumed to control the investee (and should consolidate the investee into the Company s financial statements) unless this presumption is overcome because members of the investee other than the Company and its affiliates have the substantive ability to dissolve the investee or otherwise remove the Company as the managing member without cause. After considering the above with respect to the investment in the Micro Cap Fund and the Financial Accounting Standards Board s (FASB) guidance on investment in equity and variable interest entities with respect to the investment in the Micro Cap Fund, the Company determined that the Micro Cap Fund should not be consolidated because the investment is less than 25% of the total investment, and the Company can be removed from the position of managing member at any time, with or without cause, by the vote of the other members owning a majority-in-interest of the capital accounts of the Disinterested Members (defined as members other than members who are the Managing Member or affiliates of the Managing Member).

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(4) Bank Loan

On March 11, 2004, Hennessy Advisors secured financing from US Bank National Association to acquire the management contracts for certain Lindner Funds. The loan agreement required fifty-nine (59) monthly payments in the amount of $94,060 plus interest at the bank s prime rate less one percent. On July 1, 2005, the loan was amended to provide an additional $6.7 million to fund acquisition of the management contract for the Henlopen Fund. An additional $2.0 million was loaned to the Company on September 27, 2010, and the loan was amended to require 60 monthly payments in the amount of $52,083 plus interest at the bank s prime rate (currently 3.25%, in effect since December 17, 2008) less one percent (effective interest rate of 2.25%) and is secured by the Company s assets. The final installment of the then outstanding principal and its interest are due September 30, 2015. The loan agreement includes certain reporting requirements and loan covenants requiring the maintenance of certain financial ratios. The Company is in compliance for the three month period ended December 31, 2010.

In connection with securing the financing discussed above, Hennessy Advisors incurred loan costs in the amount of $31,250. These costs are included in other assets and the unamortized balance of $31,250 (as of the loan amendment date of September 27, 2010) is being amortized on a straight-line basis over 60 months.

(5) Investment Advisor and Shareholder Service Fee Revenue

Investment advisory and shareholder services, which are the primary sources of revenue, are recorded when earned. The Company receives investment advisory fees monthly at an annual rate of 0.74% of the average daily net assets of the Hennessy Cornerstone Growth Fund, the Hennessy Cornerstone Growth Fund, Series II, the Hennessy Focus 30 Fund, the Hennessy Cornerstone Large Growth Fund, and the Hennessy Cornerstone Value Fund; at an annual rate of 0.85% of the average daily net assets of the Hennessy Select Large Value Fund; at an annual rate of 1.00% of the Hennessy Select SPARX Japan Fund; and at an annual rate of 1.20% of the Hennessy Select SPARX Japan Smaller Companies Fund. The annual advisory fee for the Hennessy Balanced Fund and the Hennessy Total Return Fund is 0.60%, and the annual advisory fee for the Micro Cap Fund is 2.0% of the aggregate capital accounts of the members, but no management fee is charged to the capital account of the Company.

The Company has delegated the day-to-day portfolio management of the Hennessy Select Large Value Fund, the Hennessy Select SPARX Japan Fund and the Hennessy Select SPARX Japan Smaller Companies Fund (the Select Funds) to sub-advisors. Hennessy Advisors pays RBC Global Asset Management (U.S.) Inc. at an annual rate of 0.35% of the average daily net assets of the Hennessy Select Large Value Fund; and Hennessy Advisors pays SPARX Asset Management Co., Ltd. at an annual rate of 0.35% of the average daily net assets of the Hennessy Select SPARX Japan Fund and of 0.20% of the average daily net assets of the Hennessy Select SPARX Japan Smaller Companies Fund.

Fees are earned for shareholder support services provided for each of the original class shares of the ten Hennessy Funds. The shareholder servicing fees are charged at an annual rate of 0.1% of average daily net assets.

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In the Micro Cap Fund, an additional incentive allocation can potentially be earned on any member s balance, other than the Company s balance. The allocation is determined at the end of each calendar quarter as 20% of the amount by which net profits (defined as the amount by which the net asset value on the last day of a period exceeds the net asset value on the commencement of the same period), if any, exceed the positive balance, if any, of a member s loss carryforward (defined as a memorandum account kept for each member having an intial balance of zero that is increased by the net loss, if any, allocated to each member for each calendar period). The incentive fee is calculated and earned on the last day of the quarter, at which point it would be recognized in accordance with FASB guidance on revenue recognition, which specifies that the following criteria must be met for revenue recognition: persuasive evidence of an arrangement exists, delivery has occurred or the service has been rendered, the fee is fixed and determinable, and collectability is probable. The incentive income is not subject to any clawback provisions that would require us to return fees to investors. There was no incentive fee earned in the three months ended December 31, 2010 and 2009.

(6) Income Taxes

The following is our tax position at December 31, 2010 and 2009:

The provision for income taxes comprised of the following for the three months ended December 31, 2010 and 2009:

	12/31/2010	12/31/2009
Current		
Federal	$ 30,000	$ 800
State	7,200	
	37,200	800
Deferred		
Federal	132,300	126,300
State	22,100	21,800
	154,400	148,100
Total	**$ 191,600**	**$ 148,900**

The principal reasons for the differences from the federal statutory rate of 34% are as follows:

	12/31/2010	12/31/2009
Federal tax at statutory rate	34.00%	34.00%
State tax at statutory rate	5.54%	5.83%
Permanent differences	2.30%	2.42%
Effective Tax Rate	**41.84%**	**42.25%**

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The tax effects of temporary differences that give rise to significant portions of deferred tax assets and liabilities as of December 31, 2010 and 2009 are presented below:

	12/31/2010	12/31/2009
Current deferred tax assets:		
Accrued compensation	$ 20,800	$ 90,600
Accrued rent	24,300	1,300
State taxes	2,500	
Net operating loss		72,100
Other	29,200	9,200
Total deferred tax assets	76,800	173,200
Noncurrent deferred tax liabilities:		
Net operating loss	40,700	
Property and equipment	(1,800)	(18,700)
Management contracts	(3,392,100)	(2,747,900)
Total deferred tax liabilities	(3,353,200)	(2,766,600)
Net deferred tax liabilities	**$ (3,276,400)**	**$ (2,593,400)**

The Company files U.S. federal and state tax returns and has determined that its major tax jurisdictions are the United States and California. The tax years ended in 2006 through 2009 remain open and subject to examination by the appropriate governmental agencies in the U.S., and the 2003 through 2009 tax years remain open in California.

The Company s effective tax rate for the three months ended December 31, 2010 and 2009, were 41.8% and 42.3%, respectively, and differ from the federal statutory rate of 34% primarily due to the effects of state income taxes.

(7) Earnings or Loss per Share

Basic earnings or loss per share are determined by dividing net earnings or loss by the weighted average number of shares of common stock outstanding, while diluted earnings or loss per share are determined by dividing net earnings or loss by the weighted average number of shares of common stock outstanding adjusted for the dilutive effect of common stock equivalents.

There were 678,025 common stock equivalents, consisting of unexercised options and unvested RSUs, excluded from the per share calculations for the three months ended December 31, 2010 because they were anti-dilutive. There were 774,344 common stock equivalents, consisting of unexercised options and unvested RSUs, excluded from the per share calculations for the three months ended December 31, 2009 because they were anti-dilutive.

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(8) Stock-Based Compensation

On May 2, 2001, the Company established an omnibus incentive plan (the Plan) providing for the issuance of options, stock appreciation rights, restricted stock, performance awards, and stock loans for the purpose of attracting and retaining executive officers and key employees. The maximum number of shares which may be issued under the Plan is 25% of the outstanding common stock of the Company, subject to adjustment by the compensation committee of the Board of Directors. The 25% limitation does not invalidate any awards made prior to a decrease in the number of outstanding shares, even though such awards have resulted or may result in shares constituting more than 25% of the outstanding shares being available for issuance under the Plan. Shares available under the Plan which are not awarded in one particular year may be awarded in subsequent years. The compensation committee of the Board of Directors has the authority to determine the awards granted under the Plan, including among other things, the individuals who receive the awards, the times when they receive them, vesting schedules, performance goals, whether an option is an incentive or nonqualified option and the number of shares to be subject to each award. However, no participant may receive options or stock appreciation rights under the Plan for an aggregate of more than 75,000 shares in any calendar year. The exercise price and term of each option or stock appreciation right is fixed by the compensation committee except that the exercise price for each stock option which is intended to qualify as an incentive stock option must be at least equal to the fair market value of the stock on the date of grant and the term of the option cannot exceed 10 years. In the case of an incentive stock option granted to a 10% shareholder, the exercise price must be at least 110% of the fair market value on the date of grant and cannot exceed five years. Incentive stock options may be granted only within ten years from the date of adoption of the Plan. The aggregate fair market value (determined at the time the option is granted) of shares with respect to which incentive stock options may be granted to any one individual, which stock options are exercisable for the first time during any calendar year, may not exceed $100,000. An optionee may, with the consent of the compensation committee, elect to pay for the shares to be received upon exercise of their options in cash or shares of common stock or any combination thereof.

As the exercise price of all options granted under the Plan was equal to the market price of the underlying common stock on the grant date and all options were granted and fully vested prior to the adoption of the revised FASB guidance on Stock Compensation, no stock-based employee compensation cost related to options granted was recognized in net income. There were no options granted during the three months ended December 31, 2010 and 2009.

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Under the Plan, participants may be granted restricted stock units (RSUs), representing an unfunded, unsecured right to receive a Company common share on the date specified in the recipient s award. The Company issues new shares for shares delivered for RSU recipients. The RSUs granted under the Plan vest over four years, at a rate of 25 percent per year. The Company recognizes compensation expense on a straight-line basis over the four-year vesting term of each award. There were no RSUs granted during the three months ended December 31, 2010 and 2009. RSU activity for the three months ended December 31, 2010 was as follows:

	Restricted Stock Unit Activity Three Months Ended December 31, 2010	
	Number of Restricted Share Units	Weighted Fair Value Per Share at Each Date
Non-vested Balance at September 30, 2010	43,527	$ 5.84
Granted		
Vested (1)	(7,989)	$ 8.80
Forfeited		
Non-vested Balance at December 31, 2010	35,538	$ 5.18

(1) The restricted stock units vested includes partially vested shares. Shares of common stock have not been issued for the partially vested shares, but the related compensation costs have been expensed. Additionally, some of the shares issued in the current year were partially vested (and expensed) in the prior fiscal year. There were 25,080 shares of common stock issued for restricted stock units vested (net of shares repurchased for tax withholding) in the three months ended December 31, 2010.

Restricted Stock Unit Compensation

Three Months Ended December 31, 2010

	(In Thousands)
Total expected compensation expense related to Restricted Stock Units	$ 2,181
Compensation Expense recognized as of December 31, 2010	(1,997)
Unrecognized compensation expense related to RSU s at December 31, 2010	$ 184

As of December 31, 2010, there was $0.2 million of total RSU compensation expense related to non-vested awards not yet recognized, which is expected to be recognized over a weighted-average vesting period of 1.6 years.

(9) Commitments and Contingencies

The Company s headquarters is located in leased office space under a single non-cancelable operating lease at 7250 Redwood Blvd., Suite 200, in Novato, California. On April 1, 2010, the Company signed an amended lease agreement for the Novato office space extending the term through March 31, 2012 with an option for an additional three years thereafter.

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The Company s portfolio trading operation is located in leased office space under a non-cancelable lease at One Landmark Square, Suite 424, in Stamford, Connecticut. The lease was amended on April 1, 2008 and expires September 30, 2011.

As of December 31, 2010, there were no material changes in the leasing arrangements that would have a significant effect on future minimum lease payments reported in our Annual Report on Form 10-K for the fiscal year ended September 30, 2010.

(10) Fair Value Measurements

In September, 2006, the FASB issued new standard Fair Value Measurements, which was effective for our fiscal year 2009. In February, 2008, the FASB issued a new standard which delayed the effective date for all non-financial assets and liabilities, except those that are recognized or disclosed at fair value in the financial statements on a recurring basis, to the fiscal year beginning after November 15, 2008 (our fiscal year 2010). The Company adopted the fair value measurement for all financial and non-financial assets and liabilities as of October 1, 2009. Based on the scope of the new accounting guidance, all of the non-financial assets and non-financial liabilities on the Company s balance sheet are excluded from the new accounting guidance. The standard defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. It also establishes a fair value hierarchy consisting of the following three levels that prioritize the inputs to the valuation techniques used to measure fair value:

Level 1 quoted market prices in active markets for identical assets or liabilities that are accessible at the measurement date.

Level 2 from other than quoted market prices that are observable for the asset or liability, either directly or indirectly (namely, similar assets or from markets that are not active).

Level 3 unobservable and shall be used to measure fair value to the extent that observable inputs are not available (namely, reflecting an entity s own assumptions).

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Based on the definitions, the following table represents the Company s assets categorized in the level 1 to 3 hierarchy as of December 31, 2010:

	Fair Value Measurements at Reporting Date (amounts in thousands)			
	Level 1	Level 2	Level 3	Total
Money market fund deposits	$ 7,312	$	$	$ 7,312
Mutual fund investments	5			5
Investment in domestic equities		422		422
Total	$ 7,317	$ 422	$	$ 7,739
Amounts included in:				
Cash and cash equivalents	$ 7,312	$	$	$ 7,312
Investments in marketable securities	5			5
Investment in the Hennessy Micro Cap Fund		422		422
Total	$ 7,317	$ 422	$	$ 7,739

(11) New Accounting Pronouncements

In June, 2009, the FASB issued amendments to accounting for Consolidation of Variable Interest Entities. The amendment requires ongoing reassessments of whether an enterprise is the primary beneficiary of a variable interest entity. It also eliminates the quantitative approach previously required for determining the primary beneficiary of a variable interest entity. The amendment is effective for annual and interim reporting periods in fiscal years beginning after December 15, 2009 (the Company s fiscal year 2011). We have evaluated the amendment and determined that the effect on our financial statements or results of operations financial statements is immaterial.

In January, 2010, the FASB issued Accounting Standards Update (ASU) No. 2010-06, Improving Disclosure about Fair Value Measurements. This ASU will add new requirements for disclosures into and out of Levels 1 and 2 fair value measurements and information on purchases, sales, issuances and settlements on a gross basis in the reconciliation of Level 3 fair value measurements. It also clarifies existing fair value disclosures about the level of disaggregation, inputs and valuation techniques. The guidance in the ASU is effective for annual and interim reporting periods in fiscal years beginning after November 15, 2010 (the Company s fiscal year 2012). We do not anticipate the adoption of the new guidance to have any effect on our financial statements or results of operations.

There have been no other significant changes in the Company s critical accounting policies and estimates during the three months ended December 31, 2010 as compared to what was previously disclosed in the Company s Form 10-K for the year ended September 30, 2010 as filed with the SEC on December 3, 2010.

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Item 2. Management s Discussion and Analysis of Financial Condition and Results of Operations
Forward Looking Statements

Certain statements in this report are forward-looking within the meaning of the federal securities laws. Although management believes that the expectations reflected in the forward-looking statements are reasonable, future levels of activity, performance or achievements cannot be guaranteed. Additionally, management does not assume responsibility for the accuracy or completeness of these statements. There is no regulation requiring an update of any of the forward-looking statements after the date of this report to conform these statements to actual results or to changes in our expectations.

Our business activities are affected by many factors, including, without limitation, redemptions by mutual fund shareholders, general economic and financial conditions, movement of interest rates, competitive conditions, industry regulation, fluctuation in the stock market, and others, many of which are beyond the control of our management.

Statements regarding the following subjects are forward-looking by their nature:

- our business strategy, including our ability to identify and complete future acquisitions;
- market trends and risks;
- our assumptions about changes in the market place, especially with the extreme volatility in the global and US financial markets;
- our estimates for future performance;
- our estimates regarding anticipated revenues and operating expenses; and
- our ability to retain the mutual fund assets we currently manage.

Although we seek to maintain cost controls, a significant portion of our expenses are fixed and do not vary greatly. As a result, substantial fluctuations in our revenue can directly impact our net income from period to period.

Overview

We derive our operating revenue from management fees and shareholder servicing fees paid to us by the Hennessy Funds. These fees are calculated as a percentage of the average daily net assets in our mutual funds and vary from fund to fund. The fees we receive fluctuate with changes in the total net asset value of the assets in our mutual funds, which are affected by our investment performance, redemptions, completed acquisitions of management agreements, market conditions and the success of our marketing efforts. Average assets under management were $896.4 million and $933.0 million for the three months ended December 31, 2010 and 2009, respectively.

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Total assets under management were $885.4 million as of December 31, 2010. Our total assets under management have decreased since December 31, 2009, due to redemptions, partly offset by market appreciation and inflows. The following table illustrates the changes in assets under management from December 31, 2009 through December 31, 2010:

	Assets Under Management At Each Quarter End, December 31, 2009 through December 31, 2010				
	12/31/2009	3/31/2010	6/30/2010 (In Thousands)	9/30/2010	12/31/2010
Beginning assets under management	$ 923,404	$ 944,915	$ 960,816	$ 812,595	$ 892,465
Acquisition inflows					
Organic inflows	39,117	36,134	16,185	41,125	23,894
Redemptions	(70,015)	(71,086)	(74,029)	(47,706)	(100,443)
Market appreciation (depreciation)	52,409	50,853	(90,377)	86,451	69,438
Ending assets under management	$ 944,915	$ 960,816	$ 812,595	$ 892,465	$ 885,354

The principal asset on our balance sheet, management contracts net of accumulated amortization, represents the capitalized costs incurred in connection with the acquisition of management agreements. As of December 31, 2010, this asset had a net balance of $22.3 million.

The principal liability on our balance sheet is the bank debt incurred in connection with the acquisition of the management agreements for the Lindner Funds and the Henlopen Fund. As of December 31, 2010, this liability had a balance of $3.0 million.

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Results of Operations

The following table displays items in the statements of operations as dollar amounts and as percentages of total revenue for the three months ended December 31, 2010 and 2009:

	Three Months Ended December 31, 2010		2009	
	(In thousands, except percentages)			
	Amounts	Percent of Total Revenue	Amounts	Percent of Total Revenue
Revenue:				
Investment advisory fees	$ 1,730	88.8%	$ 1,782	89.2%
Shareholder service fees	214	11.0	209	10.5
Other	5	0.2	7	0.3
Total revenue	1,949	100.0	1,998	100.0
Operating expenses:				
Compensation and benefits	555	28.5	723	36.2
General and administrative	567	29.1	524	26.2
Mutual fund distribution	166	8.5	179	9.0
Sub-advisor fees	158	8.1	176	8.8
Amortization and depreciation	28	1.4	28	1.4
Total operating expenses	1,474	75.6	1,630	81.6
Operating income	475	24.4	368	18.4
Interest expense	17	0.9	10	0.5
Other income			6	0.3
Income before income tax expense	458	23.5	352	17.6
Income tax expense	192	9.9	149	7.4
Net income	$ 266	13.6%	$ 203	10.2%

Revenues: Total revenue decreased 2.5% to $1.9 million in the three months ended December 31, 2010, due to decreased average assets under management. Investment advisory fees decreased 2.9% to $1.7 million in the three months ended December 31, 2010, but shareholder service fees increased 2.4% to $0.2 million in the three months ended December 31, 2010. The decrease in investment advisory fees is due to decreases in the average daily net assets of our mutual funds, which can differ considerably from total net assets of our mutual funds at the end of an accounting period.

The increase in shareholder servicing fees is due to the implementation of a shareholder servicing fee on the original class shares of the Hennessy SPARX Japan Fund and the Hennessy SPARX Japan Smaller Companies Fund June 1, 2010.

Average daily net assets in our mutual funds for the three months ended December 31, 2010 decreased by $36.6 million, or 3.9%, to $896.4 million from $933.0 million in the prior comparable period. The decrease in average daily net assets is attributable to net outflows. The largest net outflows were from the Hennessy Cornerstone Growth Fund ($55.3 million) and the Hennessy Focus 30 Fund ($39.4 million). The net outflows are partly offset by market appreciation in the Hennessy Focus 30 Fund ($34.4 million) and the Hennessy Cornerstone Growth Fund ($21.7 million).

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Almost a quarter of the total average daily net assets ($210.1 million) for the period are concentrated in the Hennessy Cornerstone Growth Fund. All of the largest funds generate revenue at a rate of 0.84% of daily average assets, except for the Hennessy Select Large Value Fund, which generates revenue at a rate of 0.95% of daily average assets. However, the Company pays a sub-advisor fee of 0.35% of daily average assets of the Hennessy Select Large Value Fund, which reduces the net income generated by the fund for the Company.

Total net assets in our mutual funds decreased by $59.6 million, or 6.3%, as of December 31, 2010, from $944.9 million as of the end of the prior comparable period. The $59.6 million decrease in net mutual funds assets is attributable to net outflows of $175.9 million, offset by market appreciation of $116.4 million. Redemptions as a percentage of assets under management increased from an average of 2.6% per month to 3.8% per month during the same period due to increased net outflows, as discussed below.

The decrease in assets under management is due to net outflows from the funds as investors remain apprehensive of the equity market. Despite investor fear, there has been market appreciation since the prior period, which has partially offset the net outflows.

The market appreciation was due, among other factors, to the following:

- During the most recent economic downturn, many public companies reduced their expenses, such as their number of employees, creating leaner, more profitable companies. The increased corporate profits have created an upturn in the stock market.
- Even though the markets remain volatile, some investors are gradually returning to the equity market.
- The economy has shown signs of strengthening, which has encouraged appreciation in the stock market.

Redemptions from the funds were due, among other factors, to the following:

- The economic environment remains a difficult one, which is still requiring some investors to draw-down liquid investments, such as investments in mutual funds, to pay for daily living expenses.
- The equity market is still quite volatile, and the fear created by that volatility continues to send many mutual fund investors from equity mutual funds to fixed income investment products.
- While each of the ten funds had positive performance for the calendar year ended December 31, 2010, and over half of the funds outperformed their relative benchmarks, current shareholders are uneasy and are liquidating their equity investments. Prospective investors are either investing their money in fixed income vehicles or remaining on the sidelines.

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In the past, the Company has been obligated to waive fees to comply with contractual expense ratio limitations. The Company does not normally waive fees, nor does it anticipate waiving fees, on a voluntary basis. The Company waived fees of $159 for the three months ended December 31, 2010, a decrease of $34,000, or 99.5%, from the prior comparable period. The decrease is mainly due to the expiration of contractual waivers for the Hennessy Select Large Value Fund and the Hennessy Cornerstone Large Growth Fund (on March 31, 2010) and for the Hennessy Select SPARX Japan Fund and the Hennessy Select SPARX Japan Smaller Companies Fund (on February 28, 2010).

Although the Company may earn incentive income on the Micro Cap Fund, the Company did not earn incentive income for the three months ended December 31, 2010.

Operating Expenses: Total operating expenses decreased 9.6% to $1.48 million in the three months ended December 31, 2010, from $1.63 million in the prior comparable period. The decrease is mainly due to decreased compensation and benefits expense. As a percentage of total revenue, total operating expenses decreased by 6.0% to 75.6% in the three months ended December 31, 2010, as compared to 81.6% in the prior comparable period.

Compensation and Benefits: Compensation and benefits decreased 23.2% to $0.56 million in the three months ended December 31, 2010, from $0.72 million in the prior comparable period. The decrease resulted primarily from the elimination of a position in January, 2010, as well as a retirement in June, 2010. As a percentage of total revenue, compensation and benefits decreased by 7.7% to 28.5% for the three months ended December 31, 2010, compared to 36.2% in the prior comparable period.

General and Administrative Expenses: General and administrative expense increased 8.2% to $0.57 million in the three months ended December 31, 2010, from $0.52 million in the prior comparable period, primarily due to increased public relations expense (mainly for media tours promoting our mutual funds to the investing public). As a percentage of total revenue, general and administrative expense increased by 2.9% to 29.1% in the three months ended December 31, 2010, from 26.2% in the prior comparable period.

Mutual Fund Distribution Expenses: Distribution expense decreased 7.3% to $0.17 million in the three months ended December 31, 2010, from $0.18 million in the prior comparable period. As a percentage of total revenue, distribution expense decreased by 0.5% to 8.5% for the three months ended December 31, 2010, compared to 9.0% in the prior comparable period.

The mutual fund distribution expense consists of fees paid for our mutual funds to be offered on various financial platforms. The platforms allow consumers to purchase shares from numerous mutual fund companies through a single location, which provides those customers with a single statement of investments and a single source for mutual fund information and customer service. When our funds are purchased through one of these platforms, such as Charles Schwab, Fidelity, TD Ameritrade or Morgan Stanley Smith Barney, the platform typically charges us an asset based fee which is recorded in mutual fund distribution expense in our statement of operations. The fees increase or decrease in line with the value of the funds held on the platforms, which can be affected by inflows, outflows and market impact.

The decreased costs in the current period are due to a decrease in the value of average assets held through mutual fund platforms such as Charles Schwab, Fidelity and TD Ameritrade due to net outflows. For the three months ended December 31, 2010, the value of the mutual funds held on Charles Schwab (the platform that makes up over half of our mutual fund fees) decreased by more than 13% from the prior comparable period, mainly due to net outflows.

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The incremental assets purchased through the mutual fund platforms are not as profitable as those purchased in direct shareholder accounts due to the participation fees paid on assets held in the various mutual fund platforms. All of our funds are impacted by activity on the financial platforms as they are all available on several platforms.

Sub-advisor Fee Expense: Sub-advisor fee expense decreased 10.2% to $0.16 million in the three months ended December 31, 2010, from $0.18 million in the prior comparable period. The decrease is a result of a decrease in sub-advised assets in the current period, mainly due to net outflows. As a percentage of total revenue, sub-advisor fee expense decreased by 0.7% to 8.1% for the three months ended December 31, 2010, compared to 8.8% in the prior comparable period.

Amortization and Depreciation Expense: Amortization and depreciation expense remained the same at $0.03 million in the three months ended December 31, 2010 as compared to the prior comparable period. As a percentage of total revenue, amortization and depreciation expense remained the same at 1.4% for the three months ended December 31, 2010 as compared to the prior comparable period.

Interest Expense: Interest expense increased by 70% from the prior comparable period due to an amendment to the loan providing an additional $2.0 million on September 27, 2010. Monthly principal payments of $0.05 million began in November, 2010. As a percentage of total revenue, interest expense increased by 0.4% to 0.9% for the three months ended December 31, 2010, compared to 0.5% in the prior comparable period.

Other Income: Other income decreased by 100% from the prior comparable period due to lower interest rates earned on our cash. As a percentage of total revenue, other income decreased by 0.3% to 0% for the three months ended December 31, 2010, compared to 0.3% in the prior comparable period.

Income Taxes: The provision for income taxes increased 28.9% to $0.2 million in the three months ended December 31, 2010, from $0.1 million in the prior comparable period. The change is due to increased income before tax in the current period.

Net Income: Net income increased by 31.0% to a net income of $0.3 million in the three months ended December 31, 2010, from $0.2 million in the prior comparable period, as a result of the factors discussed above.

Recent Accounting Pronouncements

In June, 2009, the FASB issued amendments to accounting for Consolidation of Variable Interest Entities. The amendment requires ongoing reassessments of whether an enterprise is the primary beneficiary of a variable interest entity. It also eliminates the quantitative approach previously required for determining the primary beneficiary of a variable interest entity. The amendment is effective for annual and interim reporting periods in fiscal years beginning after November 15, 2009 (the Company s fiscal year 2011). We have evaluated the amendment and determined that the effect on our financial statements or results of operations financial statements is immaterial.

In January, 2010, the FASB issued Accounting Standards Update (ASU) No. 2010-06, Improving Disclosure about Fair Value Measurements. This ASU will add new requirements for disclosures into and out of Levels 1 and 2 fair value measurements and information on purchases, sales, issuances and settlements on a gross basis in the reconciliation of Level 3 fair value measurements. It also clarifies existing fair value disclosures about the level of disaggregation, inputs and valuation techniques. The guidance in the ASU is effective for annual and interim reporting periods in fiscal years beginning after December 15, 2010 (the Company s fiscal year 2012). We do not anticipate the adoption of the new guidance to have any effect on our financial statements or results of operations.

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Critical Accounting Policies

Accounting policies, methods, and estimates are an integral part of the financial statements prepared by management and are based upon management s current judgments. Those judgments are normally based on knowledge and experience with regard to past and current events and assumptions about future events. Certain accounting policies, methods, and estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ markedly from management s current judgment.

Our operating revenues consist of contractual management and shareholder servicing fees. We earn our management fees through portfolio management of our mutual funds and private pooled equity fund, and we earn our shareholder servicing fees by assisting customers in purchases, sales, distribution and customer service. The revenues are earned and calculated daily by our fund accountant. In accordance with the FASB guidance on revenue recognition, the fees are recognized monthly by the Company. Our contractual agreements provide persuasive evidence that an arrangement exists with fixed and determinable fees, and the services are rendered daily. The collectability is probable as the fees are received from our fund accountant in the month subsequent to the month in which the services are provided.

The management agreements acquired by the Company are considered intangible assets with an indefinite life. In June 2001, the Financial Accounting Standards Board issued the FASB guidance Intangibles Goodwill and Other. It states that goodwill and intangible assets with indefinite useful lives are not amortized, but are tested at least annually for impairment. We fully implemented the provisions of the FASB guidance on October 1, 2002, at which time we ceased amortization of these intangible assets. Impairment analysis is conducted quarterly and coincides with our quarterly and annual financial reporting.

In conducting the impairment analysis, the future revenues are calculated as a percent of assets under management based on our existing management agreements with the Hennessy Funds. The future expenses are based on projections of our current expenses, adjusted for changes in the assets under management. For example, variable expenses such as platform fees and sub-advisor fees grow in direct proportion with our assets under management. Other semi-variable expenses, such as office rent and professional services, grow at a rate slower than the growth in assets under management. Specifically, the projected revenues and expenses are based on assumptions about the growth of our assets under management. Since our management contracts have an indefinite life, the projections of revenues and expenses in theory are calculated into perpetuity. The actual values, however, were calculated over the future 15 years, and the value developed for the periods beyond the 15 year forecast is reflected in the terminal value calculation. Ultimately, growth rates of equities over the long-term were used in estimating future rates, primarily based on the consistent tendency of returns to center about the 11% range, as evidenced by S&P 500 returns since inception. In addition, studies have concluded that in general, flows into various mutual fund groups are highly correlated with market performance, which suggests the Hennessy Funds will average reasonable inflows over the future 15 years in response to market appreciation.

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We engaged an independent valuation firm and measured the fair value of the management contracts by incorporating our estimates and assumptions into a projection of future revenues, based in part upon estimates of assets under management growth and client attrition, and expenses. Based on the analysis, we concluded that projected revenues exceed projected expenses by an amount that is greater than the current carrying value of the management contracts. We therefore concluded that the management contract assets are not impaired as of September 30, 2010. We continually evaluate whether events or circumstances have occurred that indicate the management contracts may be impaired. If future valuations in the marketplace decline, the valuation of management agreements acquired may become impaired and net earnings would be negatively impacted by the resulting impairment adjustment. As of December 31, 2010, no events or circumstances occurred that indicated potential impairment of the management contracts.

The costs related to the Company s acquisition of management contracts are capitalized as incurred. The costs are defined as an intangible asset per FASB standard Intangibles Goodwill and Other. The acquisition costs include legal fees, fees for soliciting shareholder approval and a percent of asset costs to acquire the management contracts. The amounts are included in the management contract asset totaling $22.3 million as of December 31, 2010.

Liquidity and Capital Resources

We continually review our capital requirements to ensure that we have sufficient funding available to support our growth strategies. Management anticipates that cash and other liquid assets on hand as of December 31, 2010 will be sufficient to meet our short-term capital requirements. To the extent that liquid resources and cash provided by operations are not adequate to meet long-term capital requirements, management plans to raise additional capital through debt or equity markets. There can be no assurance that we will be able to borrow funds or raise additional equity.

Total assets under management as of December 31, 2010 were $885.4 million, which was a decrease of $7.1 million, or 0.7%, from September 30, 2010. The primary source of our revenue, liquidity and cash flow are our fees, which are based on and generated by our average assets under management. Property and equipment and management agreements acquired totaled $22.4 million as of December 31, 2010. We also invested $0.5 million in the Micro Cap Fund on October 30, 2007. We intend to keep this investment, decreasing our short-term liquidity. Our remaining assets are very liquid, consisting primarily of cash and receivables derived from mutual fund asset management activities. As of December 31, 2010, we had cash and cash equivalents of $7.3 million.

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The following table summarizes key financial data relating to our liquidity and use of cash for the three months ended December 31, 2010 and 2009:

	For the Three Months Ended December 31, (unaudited, in thousands)	
	2010	2009
Cash flow data:		
Operating cash flows	$ (114)	$ (681)
Investing cash flows	(10)	(70)
Financing cash flows	(618)	(206)
Net increase (decrease) in cash and cash equivalents	$ (742)	$ (957)

The decrease in cash used in operating activities is due to the second payment on the acquisition of the Tamarack funds of $0.7 million which was paid in October, 2009.

The decrease in cash used for investing activities is due to $0.04 million paid to acquire the SPARX funds in the prior period.

The increase in cash used for financing activities is due to a $0.5 million annual dividend payment made in November, 2010.

Our Bank Loan: We have an outstanding bank loan with U.S. Bank National Association. We incurred $7.9 million of indebtedness in connection with acquiring the management agreements for the Lindner Funds and an additional $6.7 million of indebtedness in connection with acquiring the management agreement for The Henlopen Fund. The indebtedness we incurred to acquire the management agreement of The Henlopen Fund was rolled into a single loan with the indebtedness we incurred to acquire the management agreements of the Lindner Funds. On September 27, 2010, we amended the loan to borrow an additional $2.0 million, which bears interest at U.S. Bank National Association s prime rate, as set by U.S. Bank National Association from time to time, less one percent (2.25% as of December 17, 2008) and is secured by the Company s assets. The loan was amended to require 60 monthly payments in the amount of $52,083 plus interest, with the final installment of the then outstanding principal and interest due on September 30, 2015. The loan agreement includes certain reporting requirements and loan covenants requiring the maintenance of certain financial ratios. We are in compliance with our loan covenants as of December 31, 2010. As of December 31, 2010, we have $3.0 million currently outstanding under our bank loan.

Item 4. Controls and Procedures

An evaluation was performed by management of the effectiveness of the design and operation of the Company's disclosure controls and procedures as defined in Rules 13a-15(e) and 15d-15(e) of the Securities Exchange Act of 1934, as amended, as of December 31, 2010. Based on that evaluation, management, including the Company s principal executive and principal financial officers, concluded that the Company's disclosure controls and procedures are effective.

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There has been no change in the internal control over financial reporting identified in connection with the evaluation required by paragraph (d) of Rules 13a-15 and 15d-15 of the Securities Exchange Act of 1934 that occurred during the Company's most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting.

Part II. OTHER INFORMATION

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

We purchased shares underlying vested RSU s from employees to provide withholding and tax payments on behalf of our employees. The stock repurchases are presented in the following table for the three months ended December 31, 2010:

Period	Total number of shares purchased (a)	Average price paid per share (b)	Total number of shares purchased as part of publicly announced plans or programs (4) (c)	Maximum number of shares that may yet be purchased under the plans or programs (4) (d)
October 2010	0	$ 0.00	0	908,807
November 2010 (1)	1,316	$ 2.46	0	908,807
December 2010 (2)	439	$ 2.70	0	908,807
Total (3)	1,755	$ 2.52	0	908,807

(1) The shares repurchased on November 1, 2010 and November 15, 2010 were repurchased, according to the employee s instructions, to pay for tax expense and withholding on the compensation recognized for vested RSU s, granted on November 15, 2006 and November 1, 2008, and were not purchased pursuant to the stock buyback program described below. Withholding requirements are at statutory rates.

(2) The shares repurchased on December 6, 2010 were repurchased, according to the employee s instructions, to pay for tax expense and withholding on the compensation recognized for vested RSU s, granted on December 6, 2007, and were not purchased pursuant to the stock buyback program described below.

(3) The total shares repurchased were purchased at a weighted average price of $2.52 share.

(4) The share repurchases related to the RSUs were not completed pursuant to a plan or program, and are therefore not subject to a maximum per a plan or program. The Company has adopted a stock buyback program which it announced August 5, 2010. Pursuant to the program, the Company is authorized to purchase a maximum on 1,000,000 shares. The program has no expiration date.

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Item 6. Exhibits

31.1	Rule 13a-14a Certification of the Chief Executive Officer
31.2	Rule 13a-14a Certification of the Chief Financial Officer
32.1	Written Statement of the Chief Executive Officer, Pursuant to 18 U.S.C. § 1350
32.2	Written Statement of the Chief Financial Officer, Pursuant to 18 U.S.C. § 1350

Signatures

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, thereunto duly authorized:

HENNESSY ADVISORS, INC.

Date: January 18, 2011

By: /s/ Teresa M. Nilsen
Teresa M. Nilsen, Executive Vice President, Chief Financial Officer and Secretary

EXHIBIT INDEX

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