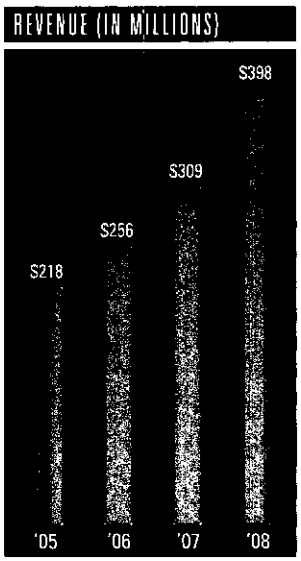
resuscitation

ZOLL MEDICAL CORPORATION • 2008 ANNUAL REPORT

Dear Shareholders, Customers, and Employees:



We achieved double-digit growth in all of our markets, added new high-profile customers, and made significant progress in operations in fiscal year 2008. These achievements firmly reinforced ZOLL as a reliable partner and leader in resuscitation.

Financial highlights for 2008 include:

- Sales increased by 29% from fiscal 2007, to $398 million, due to our broader portfolio of resuscitation products and innovations;
- International sales increased 34%, to $96.6 million, due to broader market penetration of products, including strong growth from professional defibrillators, the AED Plus® and AutoPulse®; and
- We finished fiscal year 2008 with no debt and $71 million in cash, cash equivalents, and investments, bolstering ZOLL's financial strength and stability.

The AutoPulse continued to gain acceptance with record fourth-quarter sales driving an overall increase of 21% for the year. International growth was particularly strong at 42% for the year. Over 3,500 AutoPulse units are now used to provide CPR around the world, and acceptance continues to grow.

During 2008 we doubled our sales force for the LifeVest®, a fully automatic defibrillator worn by patients at high risk of sudden cardiac death. Revenue grew more than 50%. Since its introduction, this device has protected over 10,000 patients. Survival from what would otherwise be an almost universally fatal arrhythmia has been nearly 100% for patients wearing a ZOLL LifeVest.

Our R Series® defibrillator with Real CPR Help®, a ZOLL technology to improve rescuer CPR, helped us win new hospitals from competitors and maintain preference for ZOLL in others. Sheffield Teaching Hospitals, made up of five facilities in the United Kingdom, placed the first order for our new R Series BLS model. In the United States, Virginia Commonwealth University Medical Center in Richmond standardized on the R Series. The Mayo Clinic in Minnesota, previously standardized on ZOLL M Series® products, expanded its commitment with the installation of its first R Series.

In the EMS market, Rural Metro Corporation, a leading private provider of ambulance and fire protection services in the United States, selected and began standardizing on our RescueNet® ePCR Suite for electronic patient reporting and the ZOLL E Series® defibrillator.

Our growth this year was distributed across all customer markets of our business. As the largest independent company in the field, we provide a growing products' portfolio that supports all aspects of advancing resuscitation practices, and products that operate in a focused, integrated fashion.

In hospitals, tracking performance that guides resuscitation improvements; efficient unique asset management tools that make defibrillator fleet maintenance less costly and can help avoid problems during resuscitation; as well as the most extensive choices in products for any area of a hospital; and documentation from CodeNet®; have clearly driven preference for ZOLL.

In EMS, our broad capabilities always set us apart from any competitor. We bring together the most rugged portfolio of resuscitation products with information technologies that span every aspect of EMS systems' operations, from crew scheduling to billing. In addition, we offer new solutions for resuscitation, like the AutoPulse, that enhance crew safety during patient transport, while also providing uninterrupted CPR and better blood flow.

And across every aspect of our AED business, the growing understanding of the importance of quality CPR, combined with AED use, has set us apart since we launched the AED Plus in 2002. There is no match for the AED Plus with Real CPR Help in the market today.

As we mark our 25th year of delivering resuscitation products to emergency care providers, we think it appropriate to note our dedication to compliance with government regulations for the manufacturing of quality medical devices. We are proud of our record of continuous customer support and our overall reputation within our industry.

ZOLL has a strong commitment to helping improve survival rates from sudden cardiac arrest. Looking forward, we believe our long-term future is very bright for both business and clinical advances. With our strong 2008 performance, we have become an even more attractive and reliable partner for customers who share our commitment. Thank you to our shareholders, customers, and employees for your continuing support.

Sincerely,

Richard A. Packer
Chairman and Chief Executive Officer
December 2008

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-K

(MARK ONE)

☒ ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
FOR THE FISCAL YEAR ENDED SEPTEMBER 28, 2008

OR

☐ TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
FOR THE TRANSITION PERIOD FROM TO .

COMMISSION FILE NUMBER 0-20225

ZOLL MEDICAL CORPORATION

(Exact name of registrant as specified in its charter)

MASSACHUSETTS	04-2711626
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
269 MILL ROAD, CHELMSFORD, MASSACHUSETTS	01824
(Address of principal executive offices)	(Zip Code)

Registrant's telephone number, including area code (978) 421-9655

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Name of each exchange on which registered
Common Stock, $0.01 Par Value	The NASDAQ Stock Market LLC
Stock Purchase Rights	

Securities registered pursuant to Section 12(g) of the Act:

None
(Title of class)

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes ☐ No ☒

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or 15(d) of the Act. Yes ☐ No ☒

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

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

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

Large accelerated filer ☐ Accelerated filer ☒ Non-accelerated filer ☐ Smaller reporting company ☐

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

The aggregate market value of the voting stock held by non-affiliates of the registrant as of March 30, 2008 was $569,214,990 based on a closing sales price of $27.47 (the closing price on March 28, 2008) per share as reported on the NASDAQ Global Select Market (for this computation, the registrant has excluded the market value of all shares of Common Stock reported as beneficially owned by directors and executive officers of the registrant, but includes certain shares beneficially owned by persons known to the registrant to beneficially own more than 10% of the registrant's Common Stock.)

The number of shares of the registrant's single class of common stock outstanding, as of December 1, 2008 was 21,061,255.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the definitive Proxy Statement to be dated on or about December 19, 2008 to be delivered to shareholders in connection with the Annual Meeting of Shareholders to be on held January 20, 2009 are incorporated by reference into Part III of the Annual Report on Form 10-K.

ZOLL MEDICAL CORPORATION

Annual Report on Form 10-K
For the Year Ended September 28, 2008

Table of Contents

PART I

Except for historical information, the matters discussed in this Annual Report on Form 10-K are forward-looking statements that involve risks and uncertainties. The Company makes such forward-looking statements under the provision of the "Safe Harbor" section of the Private Securities Litigation Reform Act of 1995. Actual future results may vary materially from those projected, anticipated, or indicated in any forward-looking statements as a result of certain risk factors. Readers should pay particular attention to the considerations described in Part I, Item 1A. of this report entitled "Risk Factors." Readers should also carefully review the risk factors described in the other documents that the Company files from time to time with the Securities and Exchange Commission. In this Annual Report on Form 10-K, the words "anticipates," "believes," "expects," "intends," "future," "could," and similar words or expressions (as well as other words or expressions referencing future events, conditions or circumstances) identify forward-looking statements. The Company assumes no obligation to update forward-looking statements or update the reasons actual results, performance or achievements could differ materially from those provided in the forward-looking statements, except as required by law.

Item 1. Business.

Overview

ZOLL Medical Corporation (ZOLL or the Company), a Massachusetts corporation incorporated in 1980, develops technologies and software that help clinicians, emergency medical services (EMS) personnel and lay rescuers advance the practice of resuscitation.

To understand resuscitation, it is important to first provide background information about:

- The anatomy of the heart;
- Sudden cardiac arrest (SCA) and how rapid, life-saving interventions can help SCA patients;
- The different arrhythmias that can lead to SCA;
- The issue of traumatic injury and its effects that can also lead to SCA;
- Recent developments and new research in the areas of emergency cardiovascular care and the performance of cardiopulmonary resuscitation (CPR); and
- A definition of the resuscitation technology market.

Anatomy of the Human Heart

The normal human heart has four chambers, and expands and contracts more than 100,000 times each day. The two smaller, upper chambers are the atria, and the two larger, lower chambers are the ventricles. The walls of the atria and the ventricles are made up of cardiac muscle, which contracts rhythmically when stimulated by an electrical current. Normally, the heartbeat starts in the right atrium when a specialized group of cells sends an electrical signal. This signal spreads through the atria and then moves to the ventricles. As a result, the atria contract a fraction of a second before the ventricles. This exact pattern must be followed to ensure that the heart beats properly. This contraction and relaxation of the four chambers pumps blood to the lungs and the rest of the body.

Sudden Cardiac Arrest

Sudden cardiac death results from the sudden, abrupt loss or disruption of heart function. This abrupt loss of function, also known as sudden cardiac arrest (SCA), causes lack of blood flow to vital organs. SCA results in a loss of blood pressure, pulse, and consciousness. Commonly, SCA is caused by an abnormal heart rhythm called ventricular fibrillation, which occurs when the heart beats too rapidly and/or chaotically, or not at all (cardiac standstill from other non-fibrillation dysrhythmias such as pulseless electrical activity).

According to the Center for Disease Control and Prevention, there are an estimated 460,000 deaths from SCA annually in the United States, and approximately 1,000 people die of SCA every day. SCA strikes without warning and can kill its victims within minutes; most victims have no prior symptoms. Many of these deaths are from ventricular fibrillation. For SCA victims, time is the most critical element for survival. For every minute of delay in the restoration of effective cardiac function provided by defibrillation—the process of delivering electrical current to the heart to stop the fibrillation and permit the return of coordinated cardiac contractions—survival decreases by as much as 10%. According to the American Heart Association (AHA), more than 95% of SCA victims in the U.S. die, in many cases because life-saving defibrillators arrive too late, if at all.

Different Arrhythmias that can Lead to SCA

Arrhythmias are abnormal rhythms of the heart caused by insufficient circulation of oxygenated blood, drugs, electrical shock, mechanical injury, disease, or other causes. The three types of major arrhythmias are ventricular fibrillation and tachycardia; atrial fibrillation and flutter; and symptomatic bradycardia. It is possible for a patient to experience more than one type of arrhythmia during SCA. In these situations, it is important for trained rescuers to have equipment that has defibrillation and pacing capabilities, as well as technology that can assist with CPR performance.

Ventricular Fibrillation. Ventricular fibrillation is a condition in which disorganized electrical activity causes the ventricles to contract in a rapid, unsynchronized, and uncoordinated fashion. When this occurs, an insufficient amount of blood is pumped from the heart. Ventricular fibrillation is the most common arrhythmia thought to cause SCA. The onset of ventricular fibrillation often occurs without warning and causes the heart to cease pumping blood effectively. This sudden stopping of the heart is known as cardiac arrest, which is the cause of sudden cardiac death.

The only accepted treatment for ventricular fibrillation is defibrillation. In emergency situations, external defibrillation was conventionally administered through hand-held paddles placed on the patient's chest. However, external defibrillation is now more likely to be administered through disposable adhesive electrodes, which are believed to be safer and easier to use than paddles.

According to the AHA, early defibrillation of ventricular fibrillation is the single most effective intervention in the rescue of a victim of SCA. Each minute of delay in returning the heart to its normal pattern of beating decreases the chance of survival by 7% to 10%. Furthermore, there is an increasing body of evidence that other actions, in addition to defibrillation, must occur to maximize the chance of a successful resuscitation. These actions comprise a "Chain of Survival" consisting of early access, early CPR, early defibrillation, and early advanced care.

Atrial Fibrillation. The AHA estimates that close to 2 million Americans suffer from atrial fibrillation. Atrial fibrillation is a condition in which disordered electrical activity causes the atria to contract in a rapid, unsynchronized and uncoordinated fashion. This inefficient contraction results in a smaller amount of blood entering the ventricles, which in turn results in an insufficient level of circulation. Since blood is not pumped completely out of the atria, the blood can pool and clot. While not immediately life threatening, atrial fibrillation can lead to significant health threats, such as stroke. Over time, poorly functioning atria can also cause the ventricles to work harder, wear out sooner, and eventually lead to cardiac arrest.

Common forms of treatment for atrial fibrillation include cardioversion and drug therapies. During cardioversion, a defibrillator delivers electrical current that is synchronized with a patient's heartbeat to return the atria to a normal rhythm. Cardioversion is usually an elective therapy, scheduled and performed in a controlled environment. All of ZOLL's manual defibrillators include cardioversion capability.

Bradycardia. Bradycardia is a condition in which the heart beats too slowly. The principal therapies for the emergency treatment of bradycardia are drugs and temporary cardiac pacing, either or both of which may be used

to stimulate effective cardiac contractions and restore circulation. Cardiac pacing utilizes an electrical pulse to stimulate the patient's heartbeat. For the emergency treatment of bradycardia, there are two primary techniques for temporary pacing: invasive endocardial pacing, in which a wire is inserted directly into the heart to provide the electrical stimulus; and non-invasive temporary pacing, which uses gelled electrodes applied to the patient's chest to conduct an electrical stimulus. Non-invasive temporary pacing is an option on most ZOLL defibrillators and is recommended as a treatment for bradycardia in the AHA's resuscitation protocols.

Traumatic Injury and its Effects

Trauma is widely recognized as a major health problem and the third leading cause of death in the U.S. In 2003, there were over 164,000 fatal injuries in the United States. Severe injury is the number one killer of both children and young adults up to age 44. As a disease of young people, it is also the leading cause of life years lost. The leading causes of death following traumatic injury are brain injury, blood loss, and organ failure from excessive inflammation. SCA can also occur in trauma patients.

Recent Developments and New Research in the Areas of Emergency Cardiovascular Care and CPR Performance

In 2000, a workshop, known as the Post-Resuscitative and Initial Utility in Life-Saving Efforts (PULSE), convened to address resuscitation research in the areas of SCA and injury from trauma. The PULSE report, published in *Circulation,* noted that earlier and better CPR, rapid defibrillation, and earlier hemorrhage control will lead to improvements in survival. One recommendation made was that "technology-based methodologies for monitoring and performing resuscitation should be improved," along with the use of "new and novel devices to produce blood flow during cardiac arrest."

The *2005 American Heart Association Guidelines for Cardiopulmonary Resuscitation and Emergency Cardiovascular Care* provides recommendations about how lay rescuers and healthcare providers should resuscitate victims of cardiovascular emergencies, including SCA, which is fatal within minutes of onset, if not treated with CPR and/or defibrillation. The Guidelines, which began in the early 1990s, are updated every five years to reflect advancements in resuscitation research and the science. The European Resuscitation Council (ERC) and International Liaison Committee on Resuscitation (ILCOR) also release updated Guidelines every five years in conjunction with the AHA. The next Guidelines will be published in 2010 and Interim Statements reflecting new science are released between Guidelines publication when important changes in practice are acknowledged by experts.

A major theme in the latest 2005 release is the emphasis on performing effective, high-quality CPR. According to the AHA and the ERC, the new focus resulted from studies that showed that "blood circulation increases with each chest compression in series and must be built back up after interruptions." In addition, the authors of the Guidelines noticed a "striking" difference between data showing the critical role of early, high-quality CPR in increasing cardiac arrest survival rates, and data showing that few victims of cardiac arrest receive CPR—with even fewer receiving high-quality CPR.

The AHA and the ERC also maintain that early CPR can quickly return oxygen-rich blood to the heart and throughout the body. In addition, when CPR is performed in conjunction with defibrillation, which is indicated in approximately 50% of collapsed victims, it can help restore normal heart rhythm, which can double a victim's chance of survival, especially for the 75-80% who suffer cardiac arrest at home. Indeed, without immediate intervention, an SCA victim has only about a 5% chance of survival. But if CPR and defibrillation are provided within the first three minutes after collapse, survival rates can reach as high as 75%. Interim Statements have recently reaffirmed the importance of CPR, the importance of the quality of chest compressions administered, as well as recommended chest compression only CPR without ventilation in an effort to encourage more bystanders to act when SCA occurs.

The Resuscitation Technology Market

The Company develops technologies that help clinicians, EMS personnel and lay rescuers advance and improve the practice of resuscitation. In order to advance resuscitation practices, the Company believes it must provide technology that addresses various clinical interventions that are part of resuscitation efforts. These include the following:

- Pacing, which helps regulate the heartbeat when the heart's natural native pacemaker is not fast enough, or if blockages in the heart's electrical system prevent impulses from reaching the ventricles. ZOLL has been a leader in pacing technology since its first commercial product was released in 1984.
- Defibrillation, which uses an electrical current to stop the chaotic rhythm so the heart can reestablish its normal rhythmic beating. It is used in patients experiencing dangerous arrhythmias or SCA. ZOLL is also a leader in the area of defibrillation, and its products have been deployed and accepted by professional healthcare personnel worldwide.
- Circulatory support and assistance for manual CPR performance, which involves helping to circulate oxygenated blood throughout a patient's body when the heart in unable to do so. This is accomplished through manual chest compressions (pushing on the chest) and forcing air into the lungs of a patient via rescue ventilation. ZOLL's Real CPR Help® technology offers real-time feedback to rescuers so that they can monitor and improve CPR performance. ZOLL was the first manufacturer to offer this feedback mechanism in an automated external defibrillator (AED), which is a portable device that analyzes the heart's rhythm and, if necessary, allows rescuers to deliver an electric shock to an SCA victim. ZOLL now also offers Real CPR Help technology in most of its professional defibrillators. It is now also a feature of all of its ALS defibrillators.
- Automated circulatory support, which automates the process of performing chest compressions rather than having rescuers perform them manually. This intervention can help decrease interruptions, while increasing the quality of chest compressions (i.e., maintaining proper rate and depth). The ZOLL AutoPulse® helps healthcare professionals in pre-hospital and in-hospital settings automate the process of delivering CPR chest compressions.
- Fluid replacement, which provides circulatory support through intravenous fluid administration that is the primary treatment for hypovolemia. Hypovolemia, the decrease in the volume of circulatory blood, is a common condition found in trauma patients and can lead to shock, SCA and/or death. Trauma is widely recognized as a major health problem and is the third leading cause of death in the U.S. ZOLL's Power Infuser® has been widely accepted by the U.S. military for fluid resuscitation, and the Company believes it will be adopted in the circulation market in the future.
- Data management, which involves software that automates the documentation and management of both clinical and non-clinical information in pre-hospital and hospital settings. These products can work together in an integrated system so that information can be captured, documented, and managed throughout the care of a patient, from the field to the hospital. ZOLL information management solutions involve: electronic documentation and data gathering (e.g., computer aided dispatch, data from the 911 call, to patient vital signs, to records managements and billing information); aggregation of this type of data; and the ability to review and analyze information for remedial training/continuous quality initiatives (CQI) or other strategic planning efforts; and management of data within the Fire department enterprise to document and improve response.
- Ventilation involves air entering and leaving the lungs, allowing the body to expel carbon dioxide and oxygenate blood that circulates through a patient's body. While some ZOLL products currently record data related to ventilation and respiration, we do not offer any therapeutic devices for ventilation. We plan to offer products in the future specifically for ventilation of patients, and the Company regards making improvements to ventilation practices in resuscitation as a future growth area.

- Hypothermia, which involves cooling patients a few degrees after successful resuscitation (i.e., to 91.5°F or 33°C), may play a role in helping resuscitated patients recover. The 2005 AHA/ERC/ILCOR Guidelines suggest that mild hypothermia may be beneficial to neurological outcome without significant risk of complications. We have recently acquired proprietary technology in this area that includes devices to provide cooling of a circulating solution and endovascular catheters that provide for thermal transfer to cool circulating blood.

ZOLL's Core Technology

The Company's line of defibrillators developed for use by professional and lay rescuers include three core technologies that are implemented throughout the product line. They include:

- Rectilinear Biphasic™ waveform, which is utilized in our line of professional defibrillators and AEDs;
- External pacing technology in the Company's professional defibrillators; and
- Real CPR Help technology in its professional defibrillators and AEDs.

ZOLL's Biphasic Waveform. External defibrillators deliver current over time to the heart, which results in a defined waveform shape. Earlier defibrillating waveforms were monophasic, meaning that current is delivered in a single pulse that flows in one direction. Recent technology improvements included the development of biphasic waveforms, which, in contrast, deliver current that first flows in a positive direction for a period of time and then reverses direction so that it flows in a negative direction.

ZOLL's primary competitors offer biphasic waveforms using the same general waveform shape. However, the Company has developed a uniquely shaped biphasic waveform, which achieves higher efficacy at lower current levels than monophasic waveforms. ZOLL's biphasic waveform reduces the heart's exposure to high peak current, which helps to reduce risk to the patient, while increasing efficacy. In addition, ZOLL's biphasic waveform keeps the waveform shape and duration constant over a wide range of patients whose differing physiologies affect the conduction of current, which also helps to improve efficacy.

External Pacing Technology. In 1984, the Company introduced a non-invasive temporary pacemaker based on the research of Paul M. Zoll, M.D., one of the Company's founders. This technology, which was the cornerstone of the pacing capability in ZOLL's line of hospital defibrillators, has been clinically shown to offer superior capture rates and provide lower mean capture thresholds. It also allows better patient tolerance of external pacing due to reduced current requirements and large surface area electrodes that deliver the current. In 1992, the AHA elevated non-invasive pacing to the initial treatment of choice for certain serious patient conditions (Class I for profound bradycardia). This means that external pacing should be performed on patients because of the clear benefit, with little risk. The Company believes that it was the market leader for this technology at that time and remains so today.

Real CPR Help Technology in its Professional Defibrillators and AEDs. In 2002, with the launch of the AED Plus®, ZOLL introduced technology that allows rescuers to see and hear how well they perform the rate and depth of chest compressions during a cardiac arrest event. Along with the AED Plus, ZOLL has integrated this Real CPR Help technology into the AED Pro®, M Series®, E Series® and R Series®.

ZOLL's Line of Resuscitation Products

The Company's resuscitation products fall into the following categories:

- Professional defibrillators, which include the M Series, E Series, R Series, and AED Pro with manual defibrillation capability;
- AED products for use by minimally trained rescuers, which include the AED Pro and the AED Plus;
- Disposable electrodes used with ZOLL's line of defibrillators;

- The AutoPulse Non-invasive Sudden Cardiac Support Pump, used to automate the process of delivering chest compressions;
- Documentation and information management, which include RescueNet® for EMS and fire personnel and CodeNet® for hospitals;
- Device and technology designed for endovascular hypothermia (developmental stage);
- A wearable automatic defibrillator, the ZOLL LifeVest®, which is prescribed by cardiologists for individual patient wear during periods of risk of SCA; and
- Fluid replacement utilizing the ZOLL Infuser, also known as the Power Infuser®, in trauma.

Professional Defibrillators

A professional defibrillator is used by trained healthcare professionals to defibrillate a person in SCA. Healthcare professionals can review a patient's heart rhythm, determine the need for a shock and manually select the level of energy ("dose", calculated in joules) used to defibrillate. ZOLL's professional defibrillators also include monitoring selectable parameters (e.g., oxygen saturation levels, 12-lead acquisition and analysis, invasive and non-invasive blood pressure, and end tidal CO_2 concentrations among others) to provide an assessment of a patient's condition.

M Series Defibrillators. The M Series family of products was designed for both the hospital and pre-hospital markets. ZOLL currently sells 11 models of this device, including a model designed for critical care transport and a model tested and certified for use on military aircraft. New to most models of the M Series is Real CPR Help, real-time feedback that measures the rate and depth of chest compressions.

The large number of models reflects user selection and need for various features and options such as shock advisory capability, 12-lead ECG, diagnostic operation, and data transmission features. The M Series defibrillator is the Company's best-selling product to date. It has been selected as the standard device by institutions such as Brigham and Women's Hospital, The Mayo Clinic, The Johns Hopkins Hospitals, the U.S. Armed Forces, and the German Army. ZOLL believes that the M Series' clinical superiority and range of features have helped maximize customer retention by reducing the need for operator retraining and enhancing operator confidence.

M Series defibrillators were designed to allow customers to add features depending upon their individual needs. Other features available include the following:

- **Complete Data Management**. A code marker system follows protocols established by the AHA, and it allows complete documentation of an event with a "one touch" data annotation feature. The record made of the event includes all information collected by the defibrillator and can be upgraded to include an optional voice recording. All of this data is stored on a removable data card. It can also be transmitted electronically to other devices via a serial port, built-in modem, and Bluetooth® wireless communications, allowing significant flexibility in moving data for purposes of remote consultation and recordkeeping. ZOLL also developed software applications for the archiving and trending of this information.
- **Diagnostic 12-lead ECG with Interpretive Statement**. The 12-lead feature enables a user to get a diagnostic ECG tracing, or a view of the heart's electrical activity. 12-lead is used to provide rapid and early identification of myocardial infarction, commonly called a heart attack, in the pre-hospital setting. ZOLL pays royalties to GE Medical Systems (GEMS) on each 12-lead analysis program sold.
- **Pulse Oximetry**. Pulse oximeters determine the oxygen saturation levels in blood (SpO_2), allowing a rapid identification of potential problems in the cardiopulmonary system. Since pulse oximeters can help detect the onset of cardiovascular incidents, pulse oximetry is now widely used in both hospital and pre-hospital settings when monitoring patient vital signs. While conventional pulse oximeters do not

perform well during patient motion or in intense light, ZOLL uses Masimo Corporation's patented technology, which is designed to overcome these technical problems. ZOLL purchases circuit boards and sensors from Masimo Corporation. The Company has a non-exclusive license to use the patented technology incorporated in these parts, which are incorporated, in turn, into ZOLL's products.

- **Capnography**. Capnography, also known as $EtCO_2$, is the measurement of the amount of carbon dioxide being exhaled, allowing for rapid identification of potential problems in the cardiopulmonary system. ZOLL purchases circuit boards and sensors from Respironics Novametrix LLC that provide this feature. In October 2004, ZOLL announced new plug-and-play mainstream and side stream $EtCO_2$ monitoring capability designed for ease of use in pre-hospital settings. Users can easily select the optimum CO_2 monitoring method based on the patient's condition.
- **Non-invasive Blood Pressure Measurement**. ZOLL incorporated a non-invasive blood pressure measurement capability, also known as NIBP, and integrated it into the M Series and E Series defibrillators. ZOLL purchases circuit boards, hoses, and cuffs from SunTech Medical to provide this feature.

E Series Defibrillators. The E Series family of products is a line of defibrillators for the pre-hospital environment, which also offers a range of similar monitoring and data features that are also available on the M Series. The E Series was launched in July 2005 and began shipping in September 2005. Designed specifically for the EMS market, the E Series offers several unique features that will allow the Company to expand the EMS portion of the pre-hospital market. The E Series is targeted towards Advanced Life Support providers, and it includes all of the features of the M Series, as described above, including Real CPR Help. ZOLL believes that the E Series is the only rugged, durable defibrillator available today that offers the following:

- **Designed to Meet the Needs of the EMS Environment.** A suitcase-style with a protective roll cage allows customers to carry or store the device more easily. It also offers a Rapid Cable Deployment System™ that helps manage all the parameter cables, allowing for faster deployment.
- **TriMode Display™.** The E Series allows users to view the screen under virtually any lighting conditions.
- **Improved Event Synchronization**. The E Series is equipped with a built-in GPS clock that allows customers to automatically synchronize all dispatch, defibrillator, and intervention call times, improving overall data accuracy.
- **See Thru-CPR®.** The Company's unique See-Thru CPR technology lets rescuers see a patient's underlying cardiac rhythm during resuscitation efforts and eliminates the need to stop compressions to see if defibrillation was successful. Stopping CPR to determine successful defibrillation is a significant source of interruptions that reduces CPR effectiveness.
- **Advanced Communication Technology.** The E Series offers multiple data transmission options to a variety of destinations. ZOLL Data Relay (ZDR) is a STEMI (S-T segment elevation myocardial infarction) transmission capability designed to relay real-time 12-lead ECG and vital trend data from the field to the hospital via e-mail or facsimile, This transmission option is recommended in the 2005 AHA Guidelines for out-of-hospital use to help reduce time to perfusion in STEMI patients. Dial-up Networking (DUN) is a new additional transmission capability designed for the needs of the pre-hospital user wishing to seamlessly transmit 12-lead ECG and patient vitals from the field to the hospital destination. The E Series wireless option carries the CE mark and is pending 510(k) clearance from the U.S. FDA and Medical Device License from Health Canada.

R Series Defibrillators. Designed for hospitals, the Company believes that the R Series, launched in October 2006 with first commercial shipment in early 2007, sets a new standard for simplicity and operational readiness, which will help improve in-hospital resuscitation efforts. Moreover, the R Series simplifies and speeds deployment of pacing and defibrillation therapy. It also offers tools that can help clinicians improve CPR

performance. Finally, the R Series offers automated checks designed to help maximize the readiness of the R Series for clinicians. The R Series offers a range of new features:

- **The OneStep System™.** The OneStep System provides a single cable for pacing, monitoring, and defibrillation. It also includes one electrode set through which clinicians can monitor, pace, defibrillate, and get real-time feedback on chest compressions, also known as Real CPR Help.
- **Tools Help Users Improve CPR Performance.** More than half of in-hospital codes involve non-shockable rhythms. In such cases, the only treatment for such rhythms is high-quality CPR, with minimal interruptions. The R Series offers See-Thru CPR functionality that helps clinicians minimize interruptions in CPR performance. While viewing the ECG on a monitor/defibrillator, artifact (i.e., "noise") from chest compressions make it difficult to discern the presence of an organized heart rhythm unless compressions are halted. See-Thru CPR filters out this artifact so clinicians can view an underlying rhythm without stopping chest compressions.

  In addition to See-Thru CPR, the R Series offers a visual aid known as the CPR Index™ that allows clinicians to see how well they are performing the rate and depth of chest compressions in real time. This Index, along with audible prompts (e.g., "Push Harder" and "Good Compressions"), helps clinicians improve CPR performance by integrating rate and depth into a single indicator on an easy-to-read display. With this feedback, clinicians know how well they are performing compressions and can quickly adjust their compressions to improve blood flow.

  Additionally, all CPR performance data and the entire resuscitation record, including the ECG, can be downloaded into ZOLL CodeNet and reviewed for quality assurance and training purposes. CodeNet is the first system to help document, review, and manage a complete set of data for in-hospital resuscitation events, including both code event data and defibrillator data, on one synchronized timeline.
- **Self-testing and Readiness Checks.** The R Series extends testing beyond shock delivery and checks more than 40 measures of readiness, including the presence of the correct cables and electrodes, the type of electrode, and other important electronics. All of this testing occurs without disconnecting electrodes or paddles, or requiring additional equipment to test shock delivery. The system provides a printed or electronic log to alert hospital personnel of any concerns in advance of a code. A simple green check mark indicates that the R Series is ready for use.
- **WiFi and asset management software.** The R Series product line has recently been expanded to offer the capability for individual R Series devices to communicate over a hospital wireless network to provide information to Biomedical/Clinical Engineering staff related to device performance and readiness for use. A software program to assist in device management and preventative maintenance for key device safety checks and items like battery condition has also been introduced to support the R Series product line. The same wireless network in the hospital can also provide a gateway for sending clinical data after a resuscitation event to ZOLL Data management products that support resuscitation quality assurance activities, documentation of events and participation in an AHA National Registry.
- **Two new models of the R Series** that add a simplified one button AED interface in combination with the professional interface on current models will be introduced shortly to expand the range of needs the R Series product offer can meet in a hospital. As with all of ZOLL professional defibrillators, options will be added that will expand the offerings of the R Series in the future.

Automated External Defibrillators

An automated external defibrillator (AED) is a portable device that analyzes the heart's rhythm and, if necessary, allows a rescuer to deliver an electric shock to a victim of SCA. An AED can automatically determine the appropriate treatment for the victim, and provide rescuers with instructions usually via audio and text prompts. It typically consists of a main unit that provides controls and instructions, and detachable electrodes that the rescuer places on the victim's body.

The latest research on AED usage suggests that rescuers will be advised to shock a victim only approximately half of the time an AED is used to treat sudden collapse. If no shock is advised, a rescuer should provide chest compressions and ventilation (CPR) until other rescuers arrive to improve the victim's chances of survival. For that reason, ZOLL believes that an AED, designed for the infrequent rescuer, needs to provide the best possible support for CPR. CPR is often associated with a return of a "shockable" ventricular rhythm, making defibrillation possible later in the event. Rescuers, therefore, must be capable of both using the AED and providing temporary circulatory support with CPR.

AED Plus Automated External Defibrillator. Introduced in 2002, the AED Plus was the first automated external defibrillator to provide real time feedback related to both rate and depth of chest compressions to a rescuer, referred to as Real CPR Help. Since its introduction most other AED's now incorporate rescuer assistance for CPR in the form of prompts or metronomes but no other AED is approved in the United States that provide real time monitoring of rate and depth. The Company believes this capability is an important element of improving resuscitation outcomes and strong support for CPR improvement by the American Heart Association and other similar authoritative bodies provides validation of the importance of this feature in ZOLL devices. Designed for the infrequent user, the AED Plus assists the user in defibrillation and CPR and incorporates several unique and proprietary elements designed to provide more comprehensive support for infrequent rescuers. The device also includes a highly simplified graphical user interface, one-piece electrode pads, and easily obtained consumer batteries for operation. The AED Plus supports the complete Chain of Survival (early access, early CPR, early defibrillation, early advanced care), helping rescuers with all SCA victims—even those victims for whom no defibrillating shock is advised.

AED Pro Automated External Defibrillator. The AED Pro was introduced in March 2005. The AED Pro offers Real CPR Help, a large display that allows users to see the patient's ECG. It also offers advanced capabilities for Basic Life Support (BLS) and Advanced Life Support (ALS) users. These features include ECG monitoring with standard ECG electrodes; combined AED capability with manual defibrillation, with controlled access for ALS users; and heightened ruggedness and durability.

The AED Pro offers more sophisticated functionality and durability than typical AEDs for first responders and lay rescuers. By including these features in an AED, ZOLL provides emergency personnel with more advanced treatment tools. This new product allows ZOLL to build further on the success of the AED Plus and the M Series in the EMS and hospital markets. The AED Pro fits directly between these two products because it is flexible enough to meet requirements in tiered systems that include both BLS- and ALS-trained personnel. The Company believes the AED Pro can be targeted to this market niche, since it supplements a professional user's need for an advanced defibrillator, with the ease and convenience offered by an AED.

AutoPulse Non-invasive Cardiac Support Pump

The Company develops and markets the ZOLL AutoPulse, which is manufactured at our ZOLL Circulation subsidiary in Sunnyvale, California. The AutoPulse is an automated, portable device that provides temporary circulation of blood to patients whose hearts have stopped pumping blood. It is comprised of a backboard and a simple load-distributing LifeBand® that fastens across a victim's chest. The AutoPulse automatically calculates the patient's shape and size for maximum compression/decompression benefit without the need to enter patient information or make manual adjustments. The AutoPulse improves the consistency of circulatory support, while reducing the manpower required to perform CPR.

The AutoPulse compresses the entire chest in a unique, consistent "hands-free" manner, moving much more blood than can be moved with manual CPR chest compressions. Additionally, it offers the benefit of freeing up rescuers from performing manual chest compressions so they can focus on other life-saving interventions. It also can decrease the risk of injury to the rescuer when compared to doing manual compressions in the back of a moving ambulance or on a hospital gurney.

At the end of fiscal 2008, there were approximately 1,270 agencies and hospitals worldwide using the AutoPulse as part of their resuscitation protocols.

Information Management

Resuscitation and Other Information for EMS and Fire Service. The Company's ZOLL Data Systems subsidiary provides various software products to support an EMS and fire organization's operation. ZOLL Data Systems develops and markets ZOLL RescueNet, an integrated suite of data management solutions that is designed to maximize specific business processes through the information presented via a common database. RescueNet is a fully integrated data management system that gathers and centralizes information, and links the pre-hospital chain of events into a single EMS system.

Included in the wide range of products offered to emergency services agencies by ZOLL Data Systems are computer assisted dispatching programs, crew and traffic scheduling software, fire records management software for fire department incident reporting and pre-planning. Data reporting to federal agencies such as, the National Fire Incident Reporting System and the National Emergency Medical Services Information System, is also incorporated into many of the software products. Other capabilities include reports for EMS event and patient data in required formats to multiple state EMS agencies in software products produced by ZOLL Data Systems.

RescueNet benefits EMS agencies by reducing duplication of processes and data entry, improving data accuracy and data sharing with an increase in operational efficiency, and—most importantly—improved patient care and enhanced quality of service. RescueNet has been installed at more than 700 EMS customer locations in the United States, Canada, the United Kingdom, and Australia. Through their EMS-specific functionality, RescueNet solutions allow these organizations to obtain measurable process and quality improvements. Such improvements include better clinical documentation and quality of service, more efficient cash flow, and operations that are more effective. Furthermore, RescueNet solutions allow customers to review data to make better-informed decisions that help improve resuscitation protocols and outcomes.

Resuscitation Information for Hospitals. ZOLL develops and markets software for data collection related to resuscitation practices in hospitals. ZOLL offers a system called CodeNet to provide data collection during resuscitation and to later organize this data into useful information related to performance measures for resuscitation practices. Other competitors in the hospital market offer products that are similar but, the Company believes, generally much more limited in scope and capability than CodeNet.

CodeNet allows the electronic documentation of events during a cardiac arrest event in a hospital, with automatic time stamping. The individual patient record can be combined with the defibrillator record after the event, resulting in complete time synchronization of all interventions during a cardiac arrest event. Additionally, CodeNet also provides a link to download case event information to the AHA's National Registry of Cardiopulmonary Resuscitation, a database of in-hospital cardiac arrest events.

Fluid Replacement

Power Infuser for Fluid Resuscitation Efforts. ZOLL manufactures and markets the ZOLL Infuser (also known as the Power Infuser in military settings), a small, lightweight, easy-to-use device that provides highly controlled, rapid delivery of intravenous (IV) fluids to trauma victims. Primarily sold to the military, this product has applications in aeromedical transport, EMS, and emergency room settings.

The ZOLL Infuser utilizes a patented process to precisely control the infusion of fluid into the patient to significantly improve the resuscitation benefit. Its automated fluid control features are suited to the harsh conditions typically found on a battlefield or in EMS environments. The technology is highly efficient, allowing the device to be extremely small and portable and to run off standard AAA batteries.

The ZOLL Infuser helps provide circulatory support through IV fluid administration. Fluid is the primary treatment for hypovolemia, which is the decrease in the volume of circulatory blood, a common condition found in trauma patients that can lead to shock and death.

The infusion of fluids to treat hypovolemia is typically accomplished using a gravity driven feed, often by elevating a bag on an IV pole. Gravity can be augmented by squeezing the bag manually or with an inflatable pressure infuser. These typical methods are cumbersome to use in many emergency settings, such as the battlefield, and do not provide for the accurate control of the amount of fluid entering the patient. Since both over- and under-infusion can be life threatening, the ZOLL Infuser allows for controlled delivery of fluids, which is critical for survival.

Disposable Electrodes

ZOLL offers a variety of single-patient-use, proprietary disposable electrodes for use with ZOLL's line of defibrillators and AEDs. Among the Company's primary competitors, ZOLL is the only company to engineer and manufacture its own electrodes. ZOLL has continually innovated and upgraded its electrode product line, including the *pro•padz*® Biphasic Multi-function Electrodes specifically designed for use with the ZOLL Rectilinear Biphasic™ waveform for cardioversion of atrial fibrillation. In November 2006, ZOLL introduced the OneStep electrode system and *stat-padz*® with Real CPR Help in conjunction with the launch of the ZOLL R Series. The OneStep System provides a single cable for pacing, monitoring, and defibrillation. It also includes one electrode set through which clinicians can monitor, pace, defibrillate, and get real-time feedback on chest compressions, also known as Real CPR Help. In fiscal 2002, ZOLL introduced, in conjunction with its AED Plus defibrillator, the unique one-piece *CPR-D•padz* electrode, which provides feedback on the quality of CPR compressions.

A factor that might lead to higher electrode sales is the use of interpretive algorithms for automated defibrillation. The monitoring required to assess the patient's condition can only be achieved with electrodes and not with the traditional defibrillation paddles. Additionally, the use of automated external defibrillators in non-medical settings, and the *CPR-D•padz* electrode introduced with the AED Plus, and now available on the AED Pro, should also contribute to our electrode revenues in the future.

Wearable Automatic Defibrillator

ZOLL manufactures and markets a wearable external defibrillator system through its subsidiary, ZOLL Lifecor Corporation, since April of 2006.

The ZOLL LifeVest Wearable Defibrillator is worn by patients at risk for SCA. The device is prescribed by a patient's physician, typically a cardiologist, for wear during a period of temporary risk of a fatal arrythymic event. Wear by patients awaiting an implantable defibrillator is common. Wear during implantable defibrillator replacement or explantation of an implantable device due to infections of the site of implantation or leads is common. Wear, if an implantable defibrillator is not feasible due to patient morbidity lifestyle or occupational limitations to the use of an implantable device, have also been medical justification for prescription.

The LifeVest monitors the patient's cardiac rhythm continuously, and if the patient develops a life-threatening heart rhythm, the device delivers a shock automatically to restore the patient's heart to a normal rhythm. To date, more than 12,000 patients have worn the LifeVest.

Hypothermia

In September 2007, ZOLL completed the acquisition of the assets of Radiant Corporation, a manufacturer of hypothermia devices, including a mobile console to cool fluid that circulates within an endovascular catheter system that exchanges heat between the catheter and circulating blood in order to produce a lowering of body

temperature in a patient. This therapy has established therapeutic benefits in managing medical conditions such as fever and neurological injury. It also is currently recommended by AHA for post-resuscitation care of patients who survive cardiac arrest. ZOLL believes this is an important addition to its product portfolio related to resuscitation. In addition to the devices and catheters, ZOLL acquired intellectual property and know-how that it believes will be important to the care of patients and commercial success of a hypothermia system. The Company is currently developing the manufacturing capabilities for the unique catheter used in the system and planning to resume commercial operations and distribution of the device in the future, subject to meeting all regulatory requirements.

Our Opportunity to Improve Resuscitation Technology

The Company sees a large opportunity to improve resuscitation technology by:

- Continuing to offer superior professional pacing and defibrillation products;
- Expanding our product line beyond electrical therapy such as defibrillation to address other aspects of resuscitation; and
- Competing with well-differentiated AEDs in the public access market.

Continuing to Offer Superior Professional Pacing and Defibrillation Products. Our strategy is to focus on developing products that deliver superior clinical performance, rapid therapy, meaningful information, high user confidence, and economic value that differentiate our products from competitive offerings. ZOLL has gained a special understanding not only of external cardiac pacing and defibrillation—critical electrical therapies for survival—but also of their importance and relationship within the larger area of resuscitation. ZOLL believes this understanding is one of the factors that has made us successful. Furthermore, ZOLL believes its experience and success in this area will translate into the broader market related to all resuscitation products, which is a large and growing market driven by increasing clinical needs.

Expanding Our Product Line Beyond Electrical Therapy such as Defibrillation to Address other Aspects of Resuscitation. Recent clinical research and changes in the 2005 AHA/ERC Guidelines highlight a renewed focus on the importance of CPR performance. The AutoPulse can help professional rescuers and clinicians improve CPR performance and allow them to focus on other life-saving interventions. As an adjunct to CPR efforts, the AutoPulse can move more blood more consistently than can rescuers providing manual chest compressions alone.

LifeVest, the first and only wearable defibrillator, has a 98% first shock success rate for treating patients with SCA. In addition, no bystander intervention is required. This unique, non-invasive technology continuously monitors the patient's heart and, if a life-threatening heart rhythm is detected, the device alerts the patient prior to delivering a shock. The entire event, from detecting a life-threatening arrhythmia to automatically delivering a defibrillation shock, usually occurs in less than a minute.

In addition, the ZOLL Infuser offers rescuers the opportunity to better manage fluid administration in critical patients, another aspect that can help improve resuscitation efforts.

Competing with Well-differentiated AEDs in the Public Access Market. The AED Plus is a device for the large and relatively untapped public access defibrillation market. It is relatively low-cost, easy to operate, and unique. ZOLL believes that it can leverage its experience selling to EMS personnel in efforts to sell devices to first responders such as police and firefighters. The Company also markets devices to other non-traditional providers of healthcare and has agreements with approximately 400 independent distributors and manufacturers' representatives to sell the AED Plus. Based on data from Frost & Sullivan, ZOLL believes the worldwide market for AEDs is approximately $315 million, and growing at 12% a year.

ZOLL's Markets

The Company divides its market into three principal customer/geographic categories: North American hospital which is inclusive of sales to United States military and government agencies such as Department of Homeland Security; North American pre-hospital, which is inclusive of EMS and public-access components, most data products and the LifeVest Wearable Defibrillator ; and International.

North American Hospital Market. The North American hospital market consists of approximately 6,000 acute care community hospitals and 1,000 additional hospitals. ZOLL also includes military hospitals and applications in this market.

ZOLL defibrillators are used extensively in top hospitals included on the 2008 *U.S. News and World Report* "Honor Roll" list. To be on the "Honor Roll," a hospital had to demonstrate breadth of excellence by achieving a high ranking in no fewer than six specialties. More than half of the 19 "Honor Roll" hospitals use ZOLL, and nine of the 19 are completely standardized to ZOLL defibrillators.

Hospitals have traditionally used cardiac resuscitation equipment, both for patients admitted with SCA and for patients at risk of SCA undergoing other treatments. Many hospital procedures such as surgery, cardiac catheterization, stress testing, and general anesthesia may induce arrhythmias or SCA, and hospitals frequently use cardiac resuscitation devices on a stand-by basis in connection with these procedures. Since immediate treatment is the critical factor for successful cardiac resuscitation, hospitals typically place resuscitation devices throughout their facilities, including the cardiac and critical care units, emergency rooms, operating rooms, electrophysiology laboratories, and general wards.

There is also increasing interest in "time to defibrillation" in the hospital setting where patients who are not monitored or are disconnected from monitors may experience SCA and, consequently, a delay in either response or treatment. Hospitals are increasingly looking for new technologies that can help them protect patients from events such as SCA or allow them to move patients to less acute beds earlier to reduce the cost of their admission.

As a result, hospitals are installing defibrillators with AED capability in clinical areas for rapid use by the professional clinical staff. Lower cost, simplified AEDs have also been installed in non-clinical areas such as lobbies, food-service areas, and parking facilities for operation by hospital non-clinical staff, including security personnel, in the event of a cardiac arrest outside of patient units.

ZOLL currently believes that overall market growth for hospital defibrillator sales remains at approximately 3%, which is fueled by increased capabilities including monitoring parameters, CPR support, ECG filtering and analysis to minimize interruptions in CPR, along with data, communication, and asset management support. ZOLL believes that it has approximately a 37% market share of the estimated $240 million North American Hospital market in 2008. In estimating market growth and market share, ZOLL has attempted to look beyond Physio-Control's temporary shipping interruption.

ZOLL believes that CPR performance, along with early defibrillation, also is an issue in this market, given that recent research notes that CPR performance in hospitals is less than optimal. One study of in-hospital cardiac arrest, published in *The Journal of the American Medical Association,* noted that "the quality of multiple parameters of CPR was inconsistent and often did not meet published guideline recommendations, even when performed by well-trained hospital staff. The importance of high-quality CPR suggests the need for rescuer feedback and monitoring of CPR quality during resuscitation efforts."

The AutoPulse is another tool that can assist with circulatory support for cardiac arrest patients in hospitals. Currently, the majority of AutoPulse devices sold to hospitals are found in emergency departments and intensive care units. Since research shows that the success of in-hospital manual resuscitation attempts remains relatively unchanged, and overall survival-to-discharge rates are poor (17% in one study published in 2003), ZOLL believes that AutoPulse adoption will increase, as clinicians understand how the AutoPulse can help improve overall CPR performance, with the goal of increasing survival rates.

North American Pre-hospital Market. The North American Pre-hospital market includes an EMS component that consists of care providers such as paramedics, Emergency Medical Technicians (EMTs), firefighters, and other first-response personnel with responsibilities for public safety. The pre-hospital public-access component includes non-traditional responders to medical emergencies who have been trained to use AEDs, including security personnel, staffs in occupational settings, alternate-care settings, school personnel, and office staff.

Most SCAs and heart attacks occur outside of the hospital. Due to the importance of immediate treatment, there is a substantial market for portable cardiac resuscitation equipment designed for use by various emergency responders. The most highly trained segment of the pre-hospital market is comprised of paramedics, who are authorized and trained to use defibrillators to treat SCA. In addition, paramedics are becoming increasingly aware of external pacing as a standard of care for the treatment of bradycardia. The Company believes the use of combination pacemakers/defibrillators will become more widespread in the pre-hospital setting. Paramedics are also able to use more advanced diagnostics, such as diagnostic 12-lead. EMTs, who are authorized to use automated external defibrillators, comprise a significant portion of the potential pre-hospital market as well.

ZOLL believes the opportunity for growth in pre-hospital market is large. Presently, ZOLL believes that most of the estimated 35,000 ambulances in the U.S. are equipped with defibrillators and that other first-response emergency vehicles will represent an increasingly important market for cardiac resuscitation equipment as the medical community places increased priority on providing such equipment and the necessary training to all first responders. As older defibrillators are replaced on ambulances and other emergency vehicles, they will include additional monitoring capabilities and features necessary to provide better patient care.

ZOLL currently believes that overall market growth for EMS defibrillator sales remains at approximately 6%. ZOLL believes that it has approximately 39% market share of the ALS segment of the North American Pre-hospital market and about 26% of the overall EMS market, which is approximately $240 million.

In addition to defibrillators, there is an opportunity to increase the number of other CPR-support devices. ZOLL believes that the AutoPulse can also be a viable life-saving tool on ambulances and some first-response emergency vehicles because of its ability to improve CPR performance and decrease the risk of injury to rescuers, when compared to doing manual compressions in the back of a moving ambulance. ZOLL believes the long-term market for this product approximates the size of the worldwide professional external defibrillator market, estimated to be $700 million.

ZOLL also developed a series of software products (RescueNet) to address what the Company considers to be a growing need in the EMS and fire markets for integrated data management systems. RescueNet provides customers with a single data management system that integrates dispatch, resuscitation information, field data collection, mobile vehicle data communication, billing, resource planning and scheduling, and quality assurance functions. With seamless integration as the advantage, a majority of ZOLL's EMS and fire customers have purchased more than one of the products from the RescueNet suite, such as the dispatch and billing systems.

Today, most EMS and fire data is entered by hand on clipboards and then distributed or re-entered manually into databases to meet regulatory and insurance reporting requirements. The timeliness, accuracy, and efficiency of this process are key factors in the receipt of payments from third-party payors. Capturing the resuscitation information within the field data system and wirelessly downloading all the field data to the billing system provides great efficiency. A significant amount of revenue is lost due to data entry errors, and misplaced paperwork or data. Time is lost duplicating data entries. As a result, ZOLL believes that the market for EMS and fire field data management is significant and growing rapidly. ZOLL estimates the potential market for all EMS and fire software to be more than $400 million.

As part of the pre-hospital market, public access includes non-traditional, non-healthcare users of AEDs such as the AED Plus. ZOLL believes this market is growing because of the increased awareness of the life-

saving potential of simplified lower cost devices, which can be used before the arrival of professional rescuers. Efforts by the AHA, American Red Cross, National Safety Council, and Sudden Cardiac Arrest Foundation should help to expand public knowledge of AEDs and increase demand for these devices.

The passage of U.S. Federal and State Good Samaritan legislation increases the likelihood that non-medically trained personnel will be providing care to victims of SCA. Furthermore, some states are passing legislation encouraging, even requiring, AEDs in public places (e.g., schools, health clubs. state buildings). These legislative efforts continue to expand AED usage by non-traditional users including police, fire, and highway patrol personnel. The AHA and virtually all corresponding international organizations have established programs to bring early defibrillation to communities. Early defibrillation is included in the AHA CPR training for all healthcare personnel and some laypersons. ZOLL believes that these developments, together with the introduction of AEDs in highly visible places, will lead to a larger market for AEDs.

Virtually any location with a large number of people has the potential for the purchase and installation of an AED. The incorporation of AED use in all CPR training exposes more people to this life-saving technology, increasing awareness and potential adoption. Focus on early defibrillation and AEDs by the AHA, the American Red Cross, and similar organizations affirms the public health benefit, also driving the adoption of this technology in places such as businesses, factories, schools, health clubs, and homes.

Given the diverse nature of customers in this market, ZOLL uses a mix of alternate distribution, including direct staff, distributors, and manufacturers' representatives in those markets that are too small to support a direct sales force. ZOLL expects that this market could be serviced by other alternative distribution methods, such as e-commerce, which can supplement and reduce ZOLL's need for an expensive sales force. ZOLL currently believes that it has approximately 14% of its estimate of a $250 million public-access market in 2008.

The market for the wearable automatic defibrillator is currently served only by ZOLL and the potential market for this device is large, especially with the future adoption of treatment guidelines by organizations like the American College of Cardiology, American Heart Association and the Heart Rhythm Society in North America. These guidelines are typically driven by clinical studies demonstrating efficacy and improvements to the outcomes of patients treated with new devices. ZOLL is currently participating in such a clinical study to provide the requisite data to demonstrate the efficacy and successful reduction of mortality in high-risk SCA patients with the LifeVest.

International Market. The international market includes both hospital and pre-hospital customers outside of North America. Overall, the international market for defibrillators is less developed than the market in the U.S. In some international locations, unlike the North American market, the administration of pacing and defibrillation in hospitals and EMS is generally viewed as a skill reserved for physicians. Few other staff members are trained to administer such treatment, although this is changing. The international market for defibrillators for use outside hospitals varies considerably from country to country but is generally less developed than the market in North America.

ZOLL believes that the international market for defibrillators will grow for a number of reasons:

- Demand for defibrillators is expected to grow as more hospitals are built and existing hospitals modernize and update their approaches to cardiac and emergency care.
- Emerging standards of care and the acceptance of automated equipment could result in increased use of cardiac resuscitation equipment by a broader range of healthcare personnel in the international market.
- The ERC, the British Heart Foundation, and virtually all cardiac-oriented organizations in Europe, as well as the Australian Resuscitation Council, have strongly supported initiatives to expand the availability of defibrillators as a major public health initiative.
- While external pacing is still used much less frequently in Europe and other parts of the world than it is in the U.S., many countries are beginning to implement cardiac life support protocols that incorporate

external pacing as a standard component. Because most international defibrillators do not presently feature external pacing, the move to defibrillators with external pacing could increase international demand for ZOLL's E Series, R Series , and M Series defibrillators.

- The market for public access defibrillation is rapidly growing in Western Europe and Australia as the governments of these regions have begun to lessen the restrictions on physician-only administration of defibrillation. As other international markets begin to follow, there will be additional opportunities for government-driven programs.

ZOLL has significant growth potential in the international market. Currently, ZOLL believes it has 17% of a $500 million market for defibrillators, which is growing at approximately 8% a year. In Europe, the Company's growth opportunities are many. Due to our direct sales representatives in the major markets of the United Kingdom and Germany, the Company has achieved success and will continue its efforts. ZOLL will also maintain its strategy of customer exposure to its products through professional direct sales representatives, while expanding its indirect distribution where appropriate. Finally, there are large untapped opportunities in China and the Far East, and ZOLL is beginning to establish a presence in these countries.

ZOLL believes that it can take advantage of the growth in the international market for defibrillators based on the continued success of the M Series defibrillators, and the growing acceptance of the R Series, E Series, AED Plus and AED Pro defibrillators.

ZOLL believes that the international market potential for the AutoPulse will be as large as that of the U.S. market. Cardiac arrest survival rates are as low as those in the U.S., and the resuscitation process has remained relatively unchanged for nearly 15 years. The AutoPulse can help to augment this process by automating the process of delivering chest compressions to people in sudden cardiac arrest.

In addition, ZOLL believes there is as yet unrealized and significant opportunity in the international markets it serves to bring its unique data products to these markets via existing and complementary sales channels. ZOLL is also currently planning to expand the sales of the LifeVest Automatic Wearable Defibrillator for use in identical patient populations outside of the United States that would benefit from this technology.

Competition

Our principal competitors in the U.S. in the area of defibrillation (in hospital and EMS) are the Physio-Control division of Medtronic Inc. ("Physio-Control") and Royal Philips Electronics ("Philips"). Both Physio-Control and Philips compete across our entire defibrillator product line. ZOLL also competes with Cardiac Science Corporation, HeartSine Technologies, and Defibtech in the lower cost AED market. In the international market, ZOLL competes with Physio-Control, Philips, most AED competitors, and several other companies depending upon the country. Physio-Control is generally the market leader in the industry. Medtronic has announced its intention to spin off its external defibrillator business (Physio Control, Inc.) into a separate, publicly traded company. This has been delayed to complete corrections and address various quality issues being supervised by the FDA.

The business of developing and marketing software for data collection, billing, dispatching, and management in the EMS and fire market is competitive. Competitors in this business include Sansio, Healthware Technologies, Inc., Safety Pad Software, ImageTrend, Inc., eCore Software Solutions, Inc., PDSI Software, Inc., EnRoute Emergency Services (formally known as Geac Computer Corporation, Ltd.), DocuMed, Inc., Tritech Software Systems, Inc., Ortivus AB, RAM Software Systems, Inc., Intergraph Corporation, Affiliated Computer Services, Inc., Emergency Reporting, Inc., AmbPac, Inc., ESO Solutions, Golden Hour and Innovative Engineering. None of these competitors currently has a product that provides an integrated solution comparable to the RescueNet products.

ZOLL develops and markets software for data collection related to resuscitation practices in hospitals. ZOLL offers a system called CodeNet to provide data collection during resuscitation and to later organize this data into useful information related to performance measures for resuscitation practices. The primary alternative to our products in the hospital market involves manual interface between the defibrillator and the hospital's information systems.

The AutoPulse, while providing a unique mechanism of blood flow and operating from self contained batteries, has competition from other mechanical devices that provide mechanical circulatory support in place of manual CPR. Notably, Physio-Control has entered into a distribution agreement with Jolife, of Sweden, to market its Lucas CPR® Pump, which is a piston-driven device powered by a continuous source of compressed oxygen or air. ZOLL expects Physio-Control to move aggressively with the device in the U.S. market. Another U.S. company, Michigan Instruments, markets the Life-Stat® Model 1008 an updated mechanical device that was developed in the early 1960's that mimics traditional chest compressions by compressing the heart via a mechanized, air-driven piston device. All of these devices can improve the consistency of CPR and minimize interruptions and will to varying degrees sensitize the market to the clinical needs in the area of CPR improvement. ZOLL believes the unique characteristics of the AutoPulse, such as the high blood flows it provides, give it substantial advantages over devices that essentially simply automate manual compressions.

Competitive Factors

The Company believes that the principal competitive factors in the hospital market for cardiac resuscitation equipment are clinical efficacy, reliability, portability, ease-of-use, and standardization and readiness. In the EMS portion of the pre-hospital market, in addition to the foregoing considerations, durability, a reliable battery system, and availability of 12-lead ECG capabilities and the ability to send ECG data to remote locations are significant competitive factors. ZOLL believes that its products compete favorably with respect to each of these factors. In AEDs the provision of rescuer support performing CPR will become increasingly important. Presently there are no competitors for the LifeVest Automatic Wearable Defibrillator, and prescriber support and ease of implementation are important factors in expanding prescribers. Many competitive factors influence the attractiveness of data products, but we believe we are well positioned to provide superior customer support and that this is the most important factor in this portion of our business. In the area of hypothermia, we believe that speed of cooling and temperature regulation will become important factors in the selection of devices for this purpose, and the technology we have in this area will provide us with marketing and competitive advantage against other established competitors in this field.

Non-invasive temporary pacemakers and external defibrillators, such as those that ZOLL sells, are used in emergency situations and, accordingly, do not compete with permanent, implantable pacemakers or defibrillators that are used to treat chronic arrhythmias. In fact, the products are complementary, because emergency cardiac resuscitation is often required during the implantation of a permanent device.

ZOLL believes that principal competitive factors across all areas of its market include:

- A broad diverse range of resuscitation products that address a range of issues including electrical, circulatory, ventilation, and data management;
- Superior, proven CPR assistance technology in its line of defibrillators;
- A 25+year history of clinical excellence;
- User simplicity, convenience, and ease of use; and
- An integrated approach involving its line of defibrillators and their ability to share data for training and CQI purposes.

Foreign Operations

ZOLL currently conducts business outside of the United States through subsidiaries in Canada, Germany, Austria, The Netherlands, France, Australia, New Zealand, and the United Kingdom. The Company operates a number of additional international offices and has entered into distributor and sales representative business relationships in the world's major markets. ZOLL sells its products in more than 140 countries. For additional information concerning foreign operations, see Note N of the Notes to Consolidated Financial Statements.

Research and Development

ZOLL's research and development strategy is to continually improve and expand its product lines by combining existing proprietary technologies, newly developed proprietary technologies and the technologies of ZOLL's best-in-class partners into new product offerings that provide additional valued benefits to its customers. ZOLL pursues a multi-disciplinary approach to product design that includes substantial electrical, mechanical, software and biomedical engineering efforts. The Company is currently focusing research and development programs in data management, additional product variants of the R Series and AED Plus product lines, next-generation product platforms, clinical trials, expansion of its long-term technical research efforts, and other initiatives. Research and development expenses for fiscal 2008, 2007, and 2006 were approximately $32.4 million, $28.7 million and $23.4 million, respectively.

Manufacturing

ZOLL's primary manufacturing facilities are located in Chelmsford, Massachusetts; Pawtucket, Rhode Island; Sunnyvale, California; and Pittsburgh, Pennsylvania. In Chelmsford, ZOLL generally assembles its defibrillation devices and the Power Infuser from components produced to its specifications by ZOLL's suppliers. In Pawtucket, ZOLL manufactures its electrode products. The AutoPulse is manufactured at the facility located in Sunnyvale, and the LifeVest is built at the facility in Pittsburgh.

Patents and Proprietary Information

ZOLL and its subsidiaries currently hold over 140 U.S. and over 90 foreign patents, and numerous pending applications. The Company's patents and patent applications relate to pacing, defibrillation, CPR, hypothermia and other resuscitation therapies.

Customers

There is no customer whose purchases accounted for 10% or more of the Company's revenues in any of the years presented and whose loss the Company believes would have a material adverse effect on the Company and its subsidiaries taken as a whole. Total sales to various branches of the United States military were approximately $18 million in fiscal 2008, $12 million in fiscal 2007 and $20 million in fiscal 2006. No single customer accounted for more than 10% of the Company's total net sales or accounts receivable.

Employees

As of September 28, 2008, ZOLL employed approximately 1,431 people on a full-time basis, nearly 1,311 in the United States and the remainder outside the U.S. None of its employees is subject to collective bargaining agreements.

Executive Officers of the Registrant

Name	Age	Position
Richard A. Packer	51	Chairman and Chief Executive Officer
Jonathan A. Rennert	44	President
A. Ernest Whiton	47	Vice President of Administration and Chief Financial Officer
Ward M. Hamilton	61	Senior Vice President; Vice President, Marketing
Steven K. Flora	57	Senior Vice President; Vice President, North American Sales
Edward T. Dunn	55	Vice President, Operations
John P. Bergeron	57	Vice President and Corporate Treasurer
Alexander N. Moghadam	44	Vice President, International Operations
Stephen Korn	63	Vice President, General Counsel and Secretary
E. Jane Wilson, Ph.D	59	Vice President, Research and Development

Mr. Packer joined the Company in 1992 and in November 1999 was appointed Chairman of the Board and Chief Executive Officer. Mr. Packer served as President, Chief Operating Officer and director from 1996 to his appointment as CEO. From 1992 to 1996 he served as Vice President of Operations of the Company, and, additionally, as Chief Financial Officer from 1995 to 1996. From 1987 to 1992, Mr. Packer served as Vice President of various functions for Whistler Corporation, a consumer electronics company. Prior to this, Mr. Packer was a manager with the consulting firm of PRTM/KPMG, specializing in operations of high technology companies. Since April 2007, Mr. Packer has also served as a director of Bruker BioSciences Corporation, a bioscientific device company. Mr. Packer received B.S. and M. Eng. degrees from the Rensselaer Polytechnic Institute and a M.B.A. from the Harvard Graduate School of Business Administration.

Mr. Rennert joined the Company as President in June 2008. Prior to joining ZOLL, Mr. Rennert served as President and Chief Executive Officer of BioProcessors Corporation, a venture-financed life science tools developer, based in Woburn, Massachusetts, since January 2007. Prior to BioProcessors Corporation, Mr. Rennert held positions in general management, manufacturing and engineering with PerkinElmer, Inc. and United Technologies' Carrier Corporation. Earlier in his career, he was employed by General Electric and Anderson Consulting. Mr. Rennert holds M.S. degrees in Management and Mechanical Engineering from the Massachusetts Institute of Technology (MIT) and a B.S. degree in Engineering from Princeton University.

Mr. Whiton joined the Company as Vice President of Administration and Chief Financial Officer in January 1999. Prior to joining the Company, Mr. Whiton was Vice President and Chief Accounting Officer of Ionics, Incorporated, a global separations technology company, which he joined in 1993. Prior to Ionics, he was a manager at Price Waterhouse. Mr. Whiton has received a B.S. in Accounting from Bentley College and a M.B.A. from the Harvard Graduate School of Business Administration.

Mr. Hamilton joined the Company as Vice President of Marketing in February 1992. Prior to this time, Mr. Hamilton served from 1985 to 1991 as Director of New Business Development and Director of Marketing for ACLS products for Laerdal Medical Corporation, a manufacturer of portable automated defibrillators, and from 1977 to 1985 as Marketing Manager for defibrillators and non-invasive blood pressure monitors for Datascope Corporation. Mr. Hamilton received a B.A. in political science from Hartwick College and a M.P.A. from the University of Southern California.

Mr. Flora joined the Company as Vice President of North American Sales in September 1998. Prior to joining the Company, Mr. Flora served from 1981 to 1998 in various positions with Marquette Medical systems, a manufacturer of cardiovascular and physiological monitoring systems, most recently as Vice President of Sales. Mr. Flora received his B.S. in Biology from the University of Illinois.

Mr. Dunn joined the Company as Director of Materials in April 1995. In November 1997, he was appointed Vice President of Operations. Prior to joining the Company, Mr. Dunn was Materials Manager at Baird

Corporation, a manufacturer of spectrometers and night vision devices, which he joined in 1986. Prior to joining Baird, Mr. Dunn was Manufacturing Manager at Chelsea Clock Company, a manufacturer of marine clocks. Mr. Dunn received a B.S. in Industrial Engineering from Northeastern University.

Mr. Bergeron joined the Company as Vice President and Corporate Treasurer in August 2000. Prior to joining the Company, Mr. Bergeron was Vice President at Ionics, Incorporated, a global separations technology company, where he also served as Corporate Treasurer and Tax Director. Prior to joining Ionics in 1988, Mr. Bergeron served in a variety of tax positions at other multinational corporations. Mr. Bergeron received a B.B.A. from the University of Massachusetts at Amherst and a M.S. in Taxation from Bentley College.

Mr. Moghadam joined the Company as Vice President of International Operations in January 2005. Prior to joining the Company, from 1995 to 2005 Mr. Moghadam held a variety of commercial and operational roles with Thermo Electron Corporation, a scientific instrument and supply company, which included eight years of overseas assignments in Asia (Shanghai, Hong Kong) and France. Mr. Moghadam holds a M.B.A. from DePaul University, a Master of International Management from American Graduate School of International Management (Thunderbird), and a B.S. in biology from Loyola University of Chicago.

Mr. Korn joined the Company in 2005, and serves as Vice President, General Counsel, and Secretary. From 1989 to 2005 Mr. Korn was Vice President, General Counsel and Secretary of Ionics, Incorporated, a global separations technology company. Prior to his employment with Ionics, Mr. Korn served as Vice President, General Counsel and Secretary of Symbolics, Inc., a developer of artificial intelligence hardware and software, and was a member of the Boston law firm of Widett, Slater & Goldman, P.C. Mr. Korn holds a J.D. degree from Harvard Law School, an M.A. degree in organic chemistry from Columbia University, and a B.A. degree in chemistry from Brandeis University.

Ms. Wilson joined the Company as Vice President of Research and Development in April 2007. Prior to joining the Company, Ms. Wilson was Vice President of Research and Development of Haemonetics Corp., a developer and manufacturer of blood processing technology from 2005 to 2007. Prior to Haemonetics, Ms. Wilson held executive research and development positions at Baxter Healthcare and Abbott Laboratories. Ms. Wilson received a B.S. in Chemistry from the University of Virginia and an M.S. and Ph.D. in Nuclear Chemistry from Carnegie-Mellon University.

Marketing and Sales

ZOLL operates with sales and managerial staff comprised of direct representatives and their managers, distribution managers, special account representatives, distributors and manufacturer's representatives throughout the world. In the United States, the staff is split into dedicated groups, focused on the hospital, EMS, and public safety markets. In the United States, ZOLL sells products directly to hospitals and EMS and through distributor, manufacturer's representatives, and other indirect channels in the public safety market. The organization is similar in its international markets, and a mix of both direct and indirect channels are maintained relative to a country's size and business potential. ZOLL sells its RescueNet and LifeVest products through two separate, dedicated sales forces.

Backlog

ZOLL ended fiscal 2008 with a backlog of approximately $7.9 million. The Company anticipates that all of this backlog will ship during fiscal 2009. In order to facilitate shipments in light of the heavy end-of-quarter orders, ZOLL attempts to maintain a permanent backlog level of orders that will not be shipped at the end of each quarter. ZOLL believes this helps improve efficiency, lower costs and improve profitability. Due to possible changes in delivery schedules, cancellation of orders and delays in shipments, ZOLL's backlog at any particular date is not necessarily an accurate predictor of revenue for any succeeding period.

Government Regulation

The manufacture and sale of ZOLL's products are subject to extensive regulation by numerous governmental authorities, principally by the Food and Drug Administration (FDA), and corresponding foreign agencies. The FDA administers the Federal Food, Drug and Cosmetic Act and the regulations promulgated there under. ZOLL is subject to the standards and procedures with respect to the manufacture of medical devices and are subject to inspection by the FDA for compliance with such standards and procedures.

The FDA classifies medical devices into one of three classes depending on the degree of risk associated with each medical device and the extent of control needed to ensure safety and effectiveness. ZOLL's manual defibrillation and pacing products have been classified by the FDA as Class II devices. ZOLL's AED products have been classified as Class III devices. These devices must secure a 510(k) pre-market notification clearance before they can be introduced into the United States market. The process of obtaining 510(k) clearance typically takes several months and may involve the submission of limited clinical data supporting assertions that the product is substantially equivalent to an already approved device or to a device that was on the market before the enactment of the Medical Device Amendments of 1976.

Every company that manufactures or assembles medical devices is required to register with the FDA and adhere to certain "good manufacturing practices" in accordance with the FDA's Quality System Regulation, which regulates the manufacture of medical devices, prescribes record-keeping procedures and provides for the routine inspection of facilities for compliance with such regulations. The FDA also has broad regulatory powers in the areas of clinical testing, marketing and advertising of medical devices.

Medical device manufacturers are routinely subject to periodic inspections by the FDA. If the FDA believes that a company may not be operating in compliance with applicable laws and regulations, it can:

- place the company under observation and re-inspect the facilities;
- issue a warning letter apprising of violating conduct;
- detain or seize products;
- mandate a recall;
- enjoin future violations; and
- assess civil and criminal penalties against the company, its officers or its employees.

ZOLL is also subject to regulation in each of the foreign countries where its products are sold. Many of the regulations applicable to the Company's products in such countries are similar to those of the FDA. The national health or social security organizations of certain countries require that ZOLL's products be qualified before they can be marketed in those countries.

Investor Information

Financial and other information relating to the Company can be accessed from the Company's main Internet website (http://www.zoll.com) by clicking on "Investor Relations". Information on, or linked to, the Company's website is not part of this Annual Report on Form 10-K. The Company makes available, free of charge, copies of its annual reports on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K and amendments to those reports filed or furnished pursuant to Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended (the Exchange Act), as soon as reasonably practicable after filing such material electronically or otherwise furnishing it to the SEC. A copy may also be obtained upon written request to the Company at: Stockholder Relations, ZOLL Medical Corporation, 269 Mill Road, Chelmsford, MA 01824-4105.

Item 1A. Risk Factors.

If We Fail to Compete Successfully in the Future against Existing or Potential Competitors, Our Operating Results May Be Adversely Affected.

Our principal global competitors with respect to our entire cardiac resuscitation equipment product line are Physio-Control and Philips. Physio-Control is a subsidiary of Medtronic, Inc., a leading medical technology company, and has been the market leader in the defibrillator industry for over 20 years. As a result of Physio-Control's dominant position in this industry, many potential customers have relationships with Physio-Control that could make it difficult for us to continue to penetrate the markets for our products. In addition, Physio-Control and Philips and other competitors each have significantly greater resources than we do. Accordingly, Physio-Control, Philips and other competitors could substantially increase the resources they devote to the development and marketing of products that are competitive with ours. These and other competitors may develop and successfully commercialize medical devices that directly or indirectly accomplish what our products are designed to accomplish in a superior and/or less expensive manner. In addition, although our biphasic waveform technology is unique, our competitors have devised alternative biphasic waveform technology. Medtronic previously announced its intention to spin off its external defibrillator business into a separate publicly traded company once it resolves quality issues with the FDA which have disrupted shipments of its products. How these continuing developments will affect the competitive landscape in the future is unclear, but the Company has taken steps to pursue additional customers. (See additional discussion of this situation regarding Physio-Control, Medtronic's external defibrillator business, in the risk factor below entitled, ***The Resumption of Unrestricted Shipments of Physio-Control, a Division of Medtronic, May Adversely Affect our Revenues and Profits.***)

There are a number of smaller competitors in the United States, which include Cardiac Science Corporation, HeartSine Technology, and Defibtech. Internationally, we face the same competitors as in the United States as well as Nihon Kohden, Corpuls, Schiller, and other local competitors. It is possible the market may embrace these competitors' products, which could negatively impact our market share.

Additional companies may enter the market. For example, GE Healthcare entered the hospital market through cooperation with Cardiac Science Corporation. They have currently been focused on the International market but could begin to focus on the U.S. market, as well, which may impair our ability to gain market share.

In addition to external defibrillation and external pacing with cardiac resuscitation equipment, it is possible that other alternative therapeutic approaches to the treatment of sudden cardiac arrest may be developed. These alternative therapies or approaches, including pharmaceutical or other alternatives, could prove to be superior to our products.

There is significant competition in the business of developing and marketing software for data collection, billing, scheduling, dispatching, records and resource management in the emergency medical system and fire markets. Our principal competitors in this business include Sansio, Healthware Technologies, Inc., Safety Pad Software, ImageTrend, Inc., eCore Software Solutions, Inc., PDSI Software, Inc., EnRoute Emergency Systems (formerly Geac Computer Corporation, Ltd.), DocuMed, Inc., Tritech Software Systems, Inc., Ortivus AB, RAM Software Systems, Inc., Intergraph Corporation, Affiliated Computer Services, Inc., Emergency Reporting, Inc., AmbPac, Inc., ESO Solutions, Golden Hour and Innovative Engineering, some of which have greater financial, technical, research and development and marketing resources than we do. Because the barriers to entry in this business are relatively low, additional competitors may easily enter this market in the future. It is possible that systems developed by competitors could be superior to our data management system. Consequently, our ability to sell our data management systems could be materially affected and our financial results could be materially and adversely affected.

The Resumption of Unrestricted Shipments of Physio-Control, a Division of Medtronic, May Adversely Affect our Revenues and Profits.

Beginning in January 2007, Physio-Control, a division of Medtronic, had suspended most U.S. product shipments due to internal quality control issues. In August 2007, Physio-Control began shipping to U.S. customers under certain restrictions. As announced by Physio-Control on April 28, 2008, it has reached an agreement on a consent decree with the FDA regarding its quality system improvements for its external defibrillator products. Under the consent decree, Physio-Control will be allowed to continue limited shipments in the United States. In addition, under the consent decree, restrictions on shipments now apply to International shipments as well. Once certain conditions under the consent decree are met, Physio-Control will be allowed to resume unrestricted distribution. The full resumption of shipments may adversely affect our revenues in the future.

It is Possible that if Competitors Increase Their Use of Price Discounting, Our Gross Margins Could Decline.

Some competitors have, from time to time, used price discounting in order to attempt to gain market share. If this activity were to increase in the future it is possible that our gross margin and overall profitability could be adversely affected if we decided to respond in kind.

Our Operating Results are Likely to Fluctuate, Which Could Cause Our Stock Price to be Volatile, and the Anticipation of a Volatile Stock Price Can Cause Greater Volatility.

Our quarterly and annual operating results have fluctuated and may continue to fluctuate. Various factors have and may continue to affect our operating results, including:

- high demand for our products, which could disrupt our normal factory utilization and cause shipments to occur in uneven patterns;
- variations in product orders;
- timing of new product introductions;
- temporary disruptions of buying behavior due to changes in technology (e.g., shift to biphasic technology);
- changes in distribution channels;
- actions taken by our competitors such as the introduction of new products or the offering of sales incentives;
- the ability of our sales forces to effectively market our products;
- supply interruptions from our single-source vendors;
- temporary manufacturing disruptions;
- regulatory actions, including actions taken by the FDA or similar agencies; and
- delays in obtaining domestic or foreign regulatory approvals.

A large percentage of our sales are made toward the end of each quarter. As a consequence, our quarterly financial results are often dependent on the receipt of customer orders in the last weeks of a quarter. The absence of these orders could cause us to fall short of our quarterly sales targets, which, in turn, could cause our stock price to decline sharply. As we grow in size, and these orders are received closer to the end of a period, we may not be able to manufacture, test, and ship all orders in time to recognize the shipment as revenue for that quarter.

Based on these factors, period-to-period comparisons should not be relied upon as indications of future performance. In anticipation of less successful quarterly results, parties may take short positions in our stock. The actions of parties shorting our stock might cause even more volatility in our stock price. The volatility of our stock may cause the value of a stockholder's investment to decline rapidly.

The AED PAD (Public Access Defibrillation) Business is Highly Dynamic. If We are Not Successful in Competing in this Market, Our Operating Results May be Affected.

The PAD market has many new dynamics. This market involves many new types of non-traditional healthcare distributors, and the efficiency of these distributors may not be as robust as we expect. These new types of distributors may present credit risks since they may not be well established and may not have the necessary business volumes. In addition, we may not be successful in gaining greater market acceptance of our AED Plus into alternative PAD markets if our PAD distributors are not successful. All of these items could cause our operating results to be unfavorably affected.

We Acquired New Products and Technology, Such as the Catheter-Based Hypothermia Technology. If We Are Not Successful in Growing Our Business with These Products and Technology, Our Operating Results May Be Affected.

We have acquired a catheter-based hypothermia technology. As part of the successful development of the market for this technology, where applicable, we must:

- establish new marketing and sales strategies;
- identify respected health professionals and organizations to champion the products;
- work with potential customers to develop new sources of unbudgeted funding;
- conduct successful clinical trials; and
- achieve early success for the product in the field.

If we are delayed or fail to achieve these market development initiatives, we may encounter difficulties building our customer base for these products. Sub-par results from any of these items, such as inconclusive results from clinical trials, could cause our operating results to be unfavorably affected.

We Are Conducting Clinical Trials Related to Newer Technologies Which May Prove Unsuccessful and Have a Negative Impact on Future Sales.

We are conducting clinical trials related to the AutoPulse and the LifeVest. While we are confident in the future outcomes of these trials, an unsuccessful trial could affect the marketability of these products in the future.

Our Approach to Our Backlog Might Not Be Successful.

We maintain a backlog in order to generate operating efficiencies. If order rates are insufficient to maintain such a backlog, we may be subject to operating inefficiencies. For example, although our backlog typically increases in the fourth quarter, it did not increase in the fourth quarter of fiscal 2008. We believe this might be related to general economic concerns on the part of some professional customers. While we would anticipate that any such delay in purchasing behavior would be temporary, we cannot be certain as to when such purchases might actually be made.

We May be Required to Implement a Costly Product Recall.

In the event that any of our products proves to be defective, we can voluntarily recall, or the FDA could require us to redesign or implement a recall of, any of our products. Both our larger competitors and we have, on numerous occasions, voluntarily recalled products in the past, and based on this experience, we believe that future recalls could result in significant costs to us and significant adverse publicity, which could harm our ability to market our products in the future. Though it may not be possible to quantify the economic impact of a recall, it could have a material adverse effect on our business, financial condition and results of operations.

Changes in the Healthcare Industry May Require Us to Decrease the Selling Price for Our Products or Could Result in a Reduction in the Size of the Market for Our Products, Each of Which Could Have a Negative Impact on Our Financial Performance.

Trends toward managed care, healthcare cost containment, and other changes in government and private sector initiatives in the United States and other countries in which we do business are placing increased emphasis on the delivery of more cost-effective medical therapies, which could adversely affect the sale and/or the prices of our products. For example:

- major third-party payers of hospital and pre-hospital services, including Medicare, Medicaid and private healthcare insurers, have substantially revised their payment methodologies during the last few years, which has resulted in stricter standards for reimbursement of hospital and pre-hospital charges for certain medical procedures;
- Medicare, Medicaid and private healthcare insurer cutbacks could create downward price pressure in the cardiac resuscitation pre-hospital market;
- numerous legislative proposals have been considered that would result in major reforms in the U.S. healthcare system, which could have an adverse effect on our business;
- there has been a consolidation among healthcare facilities and purchasers of medical devices in the United States who prefer to limit the number of suppliers from whom they purchase medical products, and these entities may decide to stop purchasing our products or demand discounts on our prices;
- there is economic pressure to contain healthcare costs in international markets;
- there are proposed and existing laws and regulations in domestic and international markets regulating pricing and profitability of companies in the healthcare industry; and
- there have been initiatives by third-party payers to challenge the prices charged for medical products, which could affect our ability to sell products on a competitive basis.

Both the pressure to reduce prices for our products in response to these trends and the decrease in the size of the market as a result of these trends could adversely affect our levels of revenues and profitability of sales, which could have a material adverse effect on our business.

General Economic Conditions, Which Are Largely Out of the Company's Control, May Adversely Affect the Company's Financial Condition and Results of Operations.

The Company's businesses may be affected by changes in general economic conditions, both nationally and internationally. Recessionary economic cycles, higher interest rates, higher fuel and other energy costs, inflation, higher levels of unemployment, changes in the laws or industry regulations or other economic factors may adversely affect the demand for the Company's products. Additionally, these economic factors, as well as higher tax rates, increased costs of labor, insurance and healthcare, and changes in other laws and regulations may increase the Company's cost of sales and operating expenses, which may adversely affect the Company's financial condition and results of operations.

Our primary business is the sale of capital equipment. While customers may delay their purchases of capital equipment in the near-term due to the current economic environment, the equipment will ultimately need to be replaced as defibrillator products are a standard of care. However, we cannot be sure as to how long such delays may continue.

Recent Economic Trends Could Adversely Affect our Financial Performance.

Economic downturns and declines in consumption in our markets may affect the levels of both our sales and profitability. As widely reported, the domestic and global financial markets have been experiencing extreme

disruption in recent months, including severely diminished liquidity and credit availability. Concurrently, economic weakness has begun to accelerate. We believe these conditions have not materially affected our financial position as of September 28, 2008 or our liquidity for the year ended September 28, 2008. However, we could be negatively impacted if these conditions exist for a sustained period of time, or if there is further deterioration in financial markets and major economies. The current tightening of credit in financial markets may adversely affect the ability of our customers and suppliers to obtain financing, which could result in a decrease in, or deferrals or cancellations of, the sale of our products and services. In addition, weakening economic conditions and outlook may result in a further decline in the level of our customers' spending that could adversely affect our results of operations and liquidity. We are unable to predict the likely duration and severity of the current disruption in the domestic and global financial markets and the related adverse economic conditions.

We Can be Sued for Producing Defective Products and We May be Required to Pay Significant Amounts to Those Harmed If We are Found Liable, and Our Business Could Suffer from Adverse Publicity.

The manufacture and sale of medical products such as ours entail significant risk of product liability claims, and product liability claims are made against us from time to time. Our quality control standards comply with FDA requirements, and we believe that the amount of product liability insurance we maintain is adequate based on past product liability claims in our industry. We cannot be assured that the amount of such insurance will be sufficient to satisfy claims made against us in the future or that we will be able to maintain insurance in the future at satisfactory rates or in adequate amounts. Product liability claims could result in significant costs or litigation. A product liability lawsuit is currently pending. A successful claim brought against us in excess of our available insurance coverage or any claim that results in significant adverse publicity against us could have a material adverse effect on our business, financial condition and results of operations.

Recurring Sales of Electrodes to Our Customers May Decline.

We typically have recurring sales of electrodes to our customers. Other vendors have developed electrode adaptors that allow generic electrodes to be compatible with our defibrillators. If we are unable to continue to differentiate the superiority of our electrodes over these generic electrodes, our future revenue from the sale of electrodes could be reduced, or our pricing and profitability could decline.

Failure to Produce New Products or Obtain Market Acceptance for Our New Products in a Timely Manner Could Harm Our Business.

Because substantially all of our revenue comes from the sale of cardiac resuscitation devices and related products, our financial performance will depend upon market acceptance of, and our ability to deliver and support, new products. We cannot be assured that we will be able to produce viable products in the time frames we currently estimate. Factors which could cause delay in these schedules or even cancellation of our projects to produce and market these new products include: research and development delays, the actions of our competitors producing competing products, and the actions of other parties who may provide alternative therapies or solutions, which could reduce or eliminate the markets for pending products.

The degree of market acceptance of any of our products will depend on a number of factors, including:

- our ability to develop and introduce new products in a timely manner;
- our ability to successfully implement new product technologies;
- the market's readiness to accept new products;
- the standardization of an automated platform for data management systems;
- the clinical efficacy of our products and the outcome of clinical trials;

- the ability to obtain timely regulatory approval for new products; and
- the prices of our products compared to the prices of our competitors' products.

If our new products do not achieve market acceptance, our financial performance could be adversely affected.

Our Dependence on Sole and Single Source Suppliers Exposes Us to Supply Interruptions and Manufacturing Delays Caused by Faulty Components, Which Could Result in Product Delivery Delays and Substantial Costs to Redesign Our Products.

Although we use many standard parts and components for our products, some key components are purchased from sole or single source vendors for which alternative sources at present are not readily available. For example, we currently purchase proprietary components, including capacitors, display screens, gate arrays and integrated circuits, for which there are no direct substitutes. Our inability to obtain sufficient quantities of these components as well as our limited ability to deal with faulty components may result in future delays or reductions in product shipments, which could cause a fluctuation in our results of operations.

These or any other components could be replaced with alternatives from other suppliers, which could involve a redesign of our products. Such a redesign could involve considerable time and expense. We could be at risk that the supplier might experience difficulties meeting our needs.

If our manufacturers are unable or unwilling to continue manufacturing our components in required volumes, we will have to transfer manufacturing to acceptable alternative manufacturers whom we have identified, which could result in significant interruptions of supply. The manufacture of these components is complex, and our reliance on the suppliers of these components exposes us to potential production difficulties and quality variations, which could negatively impact the cost and timely delivery of our products. Accordingly, any significant interruption in the supply, or degradation in the quality, of any component would have a material adverse effect on our business, financial condition and results of operations.

We May Not be Able to Obtain Appropriate Regulatory Approvals for Our New Products.

The manufacture and sale of our products are subject to regulation by numerous governmental authorities, principally the FDA and corresponding state and foreign agencies. The FDA administers the Federal Food, Drug and Cosmetic Act, as amended, and the rules and regulations promulgated thereunder. Some of our products have been classified by the FDA as Class II devices and others, such as our AEDs, have been classified as Class III devices. All of these devices must secure a 510(k) pre-market notification clearance before they can be introduced into the U.S. market. The process of obtaining 510(k) clearance typically takes several months and may involve the submission of limited clinical data supporting assertions that the product is substantially equivalent to an already approved device or to a device that was on the market before the Medical Device Amendments of 1976. Delays in obtaining 510(k) clearance could have an adverse effect on the introduction of future products. Moreover, approvals, if granted, may limit the uses for which a product may be marketed, which could reduce or eliminate the commercial benefit of manufacturing any such product.

We are also subject to regulation in each of the foreign countries in which we sell products. Many of the regulations applicable to our products in such countries are similar to those of the FDA. However, the national health or social security organizations of certain countries require our products to be qualified before they can be marketed in those countries. We cannot be assured that such clearances will be obtained. For example, although we received U.S. 510(k) clearance on our biphasic waveform in 1999, to date we have not been able to obtain similar clearance in Japan. As a result, our Japanese defibrillator revenues are very modest. Although we anticipate clearance in the future, we can provide no such assurance that we will succeed.

If We Fail to Comply With Applicable Regulatory Laws and Regulations, the FDA and Other U.S. and Foreign Regulatory Agencies Could Exercise Any of Their Regulatory Powers, Which Could Have a Material Adverse Effect on Our Business.

Every company that manufactures or assembles medical devices is required to register with the FDA and to adhere to certain quality systems, which regulate the manufacture of medical devices and prescribe record keeping procedures and provide for the routine inspection of facilities for compliance with such regulations. The FDA also has broad regulatory powers in the areas of clinical testing, marketing and advertising of medical devices. To ensure that manufacturers adhere to good manufacturing practices, medical device manufacturers are routinely subject to periodic inspections by the FDA. If the FDA believes that a company may not be operating in compliance with applicable laws and regulations, it could take any of the following actions:

- place the company under observation and re-inspect the facilities;
- issue a warning letter apprising of violating conduct;
- detain or seize products;
- mandate a recall;
- enjoin future violations; and
- assess civil and criminal penalties against the company, its officers or its employees.

We, like most of our U.S. competitors, have received warning letters from the FDA in the past, and may receive warning letters in the future. We have always complied with the warning letters we have received. However, our failure to comply with FDA regulations could result in sanctions being imposed on us, including restrictions on the marketing or recall of our products. These sanctions could have a material adverse effect on our business.

If a foreign regulatory agency believes that we are not operating in compliance with their laws and regulations, they could prevent us from selling our products in their country, which could have a material adverse effect on our business.

We are Dependent upon Licensed and Purchased Technology for Upgradeable Features in Our Products, and We May Not Be Able to Renew These Licenses or Purchase Agreements in the Future.

We license and purchase technology from third parties for upgradeable features in our products, including a 12 lead analysis program, SPO2, EtCO2, CO and NIBP technologies. We anticipate that we will need to license and purchase additional technology to remain competitive. We may not be able to renew our existing licenses and purchase agreements or to license and purchase other technologies on commercially reasonable terms or at all. If we are unable to renew our existing licenses and purchase agreements or we are unable to license or purchase new technologies, we may not be able to offer competitive products.

Fluctuations in Currency Exchange Rates May Adversely Affect Our International Sales.

Our revenue from foreign operations can be denominated in or significantly influenced by the currency and general economic climate of the country in which we make sales. A decrease in the value of such foreign currencies relative to the U.S. dollar could result in downward price pressure for our products or losses from currency exchange rate fluctuations. As we continue to expand our international operations, downward price pressure and exposure to gains and losses on foreign currency transactions may increase.

Approximately 25% to 30% of our revenue is generated in foreign markets. More than half of this revenue, representing our direct subsidiaries sales, is denominated in a foreign currency and, as such, is subject to direct foreign currency exposure. The currency exposure on the revenue is partially offset by the operating expenses which are also denominated in local currencies. The currency exposure is also partially offset by any forward

contracts entered into to hedge our exposure to exchange rates. The other portion of revenue generated in the foreign markets is sold to distributors and is denominated in U.S. Dollars. This revenue could be subject to price pressure as the U.S. Dollar strengthens.

We may use forward contracts and other instruments to reduce our exposure to exchange rate fluctuations from intercompany accounts receivable and forecasted intercompany sales to our subsidiaries denominated in foreign currencies, and we may not be able to do this successfully. Accordingly, we may experience economic loss and a negative impact on our results of operations and equity as a result of foreign currency exchange rate fluctuations.

Our Current and Future Investments May Lose Value in the Future.

We hold investments in two private companies and may in the future invest in the securities of other companies and participate in joint venture agreements. These investments and future investments are subject to the risks that the entities in which we invest will become bankrupt or lose money.

Investing in other businesses involves risks and no assurance can be made as to the profitability of any investment. Our inability to identify profitable investments could adversely affect our financial condition and results of operations. Unless we hold a majority position in an investment or joint venture, we will not be able to control all of the activities of the companies in which we invest or the joint ventures in which we are participating. Because of this, such entities may take actions against our wishes and not in furtherance of, and even opposed to, our business plans and objectives. These investments are also subject to the risk of impasse if no one party exercises ultimate control over the business decisions.

Future Changes in Applicable Laws and Regulations Could Have an Adverse Effect on Our Business.

Federal, state or foreign governments may change existing laws or regulations or adopt new laws or regulations that regulate our industry. Changes in or adoption of new laws or regulations could result in the following consequences that would have an adverse effect on our business:

- regulatory clearance previously received for our products could be revoked;
- costs of compliance could increase; or
- we may be unable to comply with such laws and regulations so that we would be unable to sell our products.

Some of Our Activities May Subject Us to Risks under Federal and State Laws Prohibiting "Kickbacks" and False or Fraudulent Claims.

We are subject to the provisions of a federal law commonly known as the Medicare/Medicaid anti-kickback law, and several similar state laws, which prohibit payments intended to induce physicians or others either to refer patients or to acquire or arrange for or recommend the acquisition of healthcare products or services. While the federal law applies only to referrals, products or services for which payment may be made by a federal healthcare program, state laws often apply regardless of whether federal funds may be involved. These laws constrain the sales, marketing and other promotional activities of manufacturers of medical devices by limiting the kinds of financial arrangements, including sales programs, with hospitals, physicians, laboratories and other potential purchasers of medical devices. Other federal and state laws generally prohibit individuals or entities from knowingly presenting, or causing to be presented, claims for payment from Medicare, Medicaid, or other third-party payers that are false or fraudulent, or are for items or services that were not provided as claimed. Anti-kickback and false claims laws prescribe civil and criminal penalties (including fines) for noncompliance that can be substantial. While we continually strive to comply with these complex requirements, interpretations of the applicability of these laws to marketing practices is ever evolving and even an unsuccessful challenge could cause adverse publicity and be costly to respond to, and thus could harm our business and prospects.

Patients May Not Be Able to Obtain Appropriate Insurance Coverage for Our LifeVest Product.

The ability of patients to obtain appropriate insurance coverage for our LifeVest product from government and third-party payors is critical to the success of the product. The availability of insurance coverage affects which products physicians may prescribe. Implementation of healthcare reforms in the United States and abroad may limit the price of, or the level at which, insurance is provided for our LifeVest product and adversely affect both our pricing flexibility and the demand for the product. Hospitals or physicians may respond to such pressures by substituting other therapies for our LifeVest product.

Further legislative or administrative reforms to the U.S. or international reimbursement systems that significantly reduce insurance coverage for our LifeVest product or deny coverage for our LifeVest product, or adverse decisions regarding coverage or reimbursement issues relating to our LifeVest product by administrators of such systems, would have an adverse impact on the sales of our LifeVest product. This in turn could have an adverse effect on our financial condition and results of operations.

Our LifeVest Product is a Reimbursable Product and Is Subject to Laws that Are Different from Our Predominantly Capital Equipment Business.

The LifeVest product is our first reimbursed product which is different than our typical capital equipment business. The LifeVest product is governed by the Durable Medical Equipment Regulations and is subject to audit. The LifeVest is reimbursed by Medicare, Medicaid, or other third-party payors, for which reimbursement rates may fall with little notice.

Failure to Comply with HIPAA Obligations Puts Us at Risk.

The Health Insurance Portability and Accountability Act of 1996 (HIPAA) created two new federal crimes: healthcare fraud and false statements relating to healthcare matters. The healthcare fraud statute prohibits knowingly and willfully executing, or attempting to execute, a scheme to defraud any healthcare benefit program, including private payers. A violation of this statute is a felony and may result in fines, imprisonment or exclusion from government-sponsored programs. The false statements statute prohibits knowingly and willfully falsifying, concealing or covering up a material fact or making any materially false, fictitious or fraudulent statement in connection with the delivery of or payment for healthcare benefits, items or services. A violation of this statute is a felony and may result in fines or imprisonment.

HIPAA also protects the security and privacy of individually identifiable health information maintained or transmitted by healthcare providers, health plans and healthcare clearinghouses. HIPAA restricts the use and disclosure of patient health information, including patient records. Although we believe that HIPAA does not apply to us directly, most of our customers have significant obligations under HIPAA, and we intend to cooperate with our customers and others to ensure compliance with HIPAA with respect to patient information that comes into our possession. Failure to comply with HIPAA obligations can entail criminal penalties. Some states have also enacted rigorous laws or regulations protecting the security and privacy of patient information. If we fail to comply with these laws and regulations, we could face additional sanctions.

Uncertain Customer Decision Processes May Result in Long Sales Cycles, Which Could Result in Unpredictable Fluctuations in Revenues and Delay the Replacement of Cardiac Resuscitation Devices.

Many of the customers in the pre-hospital market consist of municipal fire and emergency medical systems departments. As a result, there are numerous decision-makers and governmental procedures in the decision-making process. In addition, decisions at hospitals concerning the purchase of new medical devices are sometimes made on a department-by- department basis. Accordingly, we believe the purchasing decisions of many of our customers may be characterized by long decision-making processes, which have resulted in and may

continue to result in long sales cycles for our products. For example, the sales cycles for cardiac resuscitation products typically have been between six to nine months, although some sales efforts have taken as long as two years.

Reliance on Domestic and International Distributors to Sell Our Products Exposes Us to Business Risks That Could Result in Significant Fluctuations in Our Results of Operations.

Although we perform credit assessments with sales to distributors, payment by the distributor may be affected by the financial stability of the customers to which the distributor sells. Future sales to distributors may also be affected by the distributor's ability to successfully sell our products to their customers. Either of these scenarios could result in significant fluctuations in our results of operations.

Our International Sales Expose Our Business to a Variety of Risks That Could Result in Significant Fluctuations in Our Results of Operations.

Approximately 29% of our sales for fiscal 2008 were made to foreign purchasers, and we plan to increase the sale of our products to foreign purchasers in the future. As a result, a significant portion of our sales is and will continue to be subject to the risks of international business, including:

- fluctuations in foreign currencies;
- trade disputes;
- changes in regulatory requirements, tariffs and other barriers;
- consequences of failure to comply with U.S. law and regulations concerning the conduct of business outside the U.S.;
- the possibility of quotas, duties, taxes or other changes or restrictions upon the importation or exportation of the products being implemented by the United States or these foreign countries;
- timing and availability of import/export licenses;
- political and economic instability;
- higher credit risk and difficulties in accounts receivable collections;
- increased tax exposure if our revenues in foreign countries are subject to taxation by more than one jurisdiction;
- accepting customer purchase orders governed by foreign laws, which may differ significantly from U.S. laws and limit our ability to enforce our rights under such agreements and to collect damages, if awarded;
- war on terrorism;
- disruption in the international transportation industry; and
- use of international distributors.

As international sales become a larger portion of our total sales, these risks could create significant fluctuations in our results of operations. These risks could affect our ability to resell trade-in products to domestic distributors, who in turn often resell the trade-in products in international markets. Our inability to sell trade-in products might require us to offer lower trade-in values, which might impact our ability to sell new products to customers desiring to trade in older models and then purchase newer products.

We intend to continue to expand our direct sales forces and our marketing support for these sales forces. We intend to continue to expand these areas, but if our sales forces are not effective, or if there is a sudden decrease in the markets where we have direct operations, we could be adversely affected.

We May Fail to Adequately Protect or Enforce Our Intellectual Property Rights or Secure Rights to Third Party Intellectual Property, and Our Competitors Can Use Some of Our Previously Proprietary Technology.

Our success will depend in part on our ability to obtain and maintain patent protection for our products, methods, processes and other technologies, to preserve our trade secrets and to operate without infringing the proprietary rights of third parties. We hold over 140 U.S. and over 90 foreign patents for our various inventions and technologies. Additional patent applications have been filed with the U.S. Patent and Trademark Office and outside the U.S. and are currently pending. The patents that have been granted to us are for a definitive period of time and will expire. We have filed certain corresponding foreign patent applications and intend to file additional foreign and U.S. patent applications as appropriate. We cannot be assured as to:

- the degree and range of protection any patents will afford against competitors with similar products;
- if and when patents will be issued;
- whether or not others will obtain patents claiming aspects similar to those covered by our patent applications;
- whether or not competitors will use information contained in our expired patents;
- whether or not others will design around our patents or obtain access to our know-how; or
- the extent to which we will be successful in avoiding any patents granted to others.

We have, for example, patents and pending patent applications for our proprietary biphasic technology. Our competitors could develop biphasic technology that has comparable or superior clinical efficacy to our biphasic technology and if our patents do not adequately protect our technology, our competitors would be able to obtain patents claiming aspects similar to our biphasic technology or our competitors could design around our patents.

If certain patents issued to others are upheld or if certain patent applications filed by others issue and are upheld, we may be:

- required to obtain licenses or redesign our products or processes to avoid infringement;
- prevented from practicing the subject matter claimed in those patents; or
- required to pay damages.

There is substantial litigation regarding patent and other intellectual property rights in the medical device industry. Litigation or administrative proceedings, including interference proceedings before the U.S. Patent and Trademark Office, related to intellectual property rights have been and in the future could be brought against us or be initiated by us. Adverse determinations in any patent litigation could subject us to significant liabilities to third parties, could require us to seek licenses from third parties and could, if licenses are not available, prevent us from manufacturing, selling or using certain of our products, some of which could have a material adverse effect on the Company. In addition, the costs of any such proceedings may be substantial whether or not we are successful.

Our success is also dependent upon the skills, knowledge and experience, none of which is patentable, of our scientific and technical personnel. To help protect our rights, we require all U.S. employees, consultants and advisors to enter into confidentiality agreements, which prohibit the disclosure of confidential information to anyone outside of our Company and require disclosure and assignment to us of their ideas, developments, discoveries and inventions. We cannot be assured that these agreements will provide adequate protection for our trade secrets, know-how or other proprietary information in the event of any unauthorized use or disclosure of the lawful development by others of such information.

Reliance on Overseas Vendors for Some of the Components for Our Products Exposes Us to International Business Risks, Which Could Have an Adverse Effect on Our Business.

Some of the components we use in our products are acquired from foreign manufacturers, particularly countries located in Europe and Asia. As a result, a significant portion of our purchases of components is subject to the risks of international business. The failure to obtain these components as a result of any of these risks can result in significant delivery delays of our products, which could have an adverse effect on our business.

We May Acquire Other Businesses, and We May Have Difficulty Integrating These Businesses or Generating an Acceptable Return from Acquisitions.

We acquired Revivant (now ZOLL Circulation, Inc.) and the assets of each of Infusion Dynamics, Lifecor (now ZOLL Lifecor Corporation), Radiant Corporation (now part of ZOLL Circulation), and BIO-key International, Inc.'s fire records management software business (now a part of ZOLL Data Systems). We have also acquired certain assets from Welch Allyn, Inc. We may acquire other companies or make strategic purchases of interests in other companies related to our business in order to grow, add product lines, acquire customers or otherwise attempt to gain a competitive advantage in new or existing markets. Such acquisitions and investments may involve the following risks:

- our management may be distracted by these acquisitions and may be forced to divert a significant amount of time and energy into integrating and running the acquired businesses;
- we may face difficulties associated with financing the acquisitions;
- we may face the inability to achieve the desired outcomes justifying the acquisition;
- we may face difficulties integrating the acquired business' operations and personnel; and
- we may face difficulties incorporating the acquired technology into our existing product lines.

Intangibles and Goodwill We Currently Carry on Our Balance Sheet May Become Impaired.

At September 28, 2008, we had approximately $76 million of goodwill and intangible assets on our balance sheet. These assets are subject to impairment if the cash flow that we generate from these assets specifically, or our business more broadly, are insufficient to justify the carrying value of the assets. Factors affecting our ability to generate cash flow from these assets include, but are not limited to, general market conditions, product acceptance, pricing and competition, distribution, costs of production and operations.

In addition, volatility in our stock price and declines in our market capitalization could put pressure on the carrying value of our goodwill and other long-lived assets if the current period of economic uncertainty and related volatility in the financial markets persist for an extended period of time.

Provisions in Our Charter Documents, Our Shareholder Rights Agreement and State Law May Make It Harder for Others To Obtain Control of the Company Even Though Some Stockholders Might Consider Such a Development to be Favorable.

Our board of directors has the authority to issue up to 1,000,000 shares of undesignated preferred stock and to determine the rights, preferences, privileges and restrictions of such shares without further vote or action by our stockholders. The rights of the holders of Common Stock will be subject to, and may be adversely affected by, the rights of the holders of any preferred stock that may be issued in the future. The issuance of preferred stock could have the effect of making it more difficult for third parties to acquire a majority of our outstanding voting stock. In addition, our restated articles of organization provide for staggered terms for the members of the board of directors, which could delay or impede the removal of incumbent directors and could make a merger,

tender offer or proxy contest involving the Company more difficult. Our restated articles of organization, restated by-laws and applicable Massachusetts law also impose various procedural and other requirements that could delay or make a merger, tender offer or proxy contest involving us more difficult.

We have also implemented a so-called poison pill by adopting our shareholders rights agreement, which was renewed in April 2008. This poison pill significantly increases the costs that would be incurred by an unwanted third party acquirer if such party owns or announces its intent to commence a tender offer for more than 15% of our outstanding Common Stock or otherwise "triggers" the poison pill by exceeding the applicable stock ownership threshold. The existence of this poison pill could delay, deter or prevent a takeover of the Company.

All of these provisions could limit the price that investors might be willing to pay in the future for shares of our Common Stock, which could preclude our shareholders from recognizing a premium over the prevailing market price of our stock.

We Have Only One Manufacturing Facility for Each of Our Major Products and Any Damage or Incapacitation of Any of the Facilities Could Impede Our Ability to Produce These Products.

We have only one manufacturing facility for each of our major products. Damage to any such facility could render us unable to manufacture the relevant product or require us to reduce the output of products at the damaged facility. In addition, a severe weather event, other natural disaster or any other significant disruption affecting a facility occurring late in a quarter could make it difficult to meet product shipping targets. Any of these events could materially and adversely impact our business, financial condition and results of operations.

The Company Holds Various Marketable Securities Investments Which Are Subject to Market Risk, Including Volatile Interest Rates, A Volatile Stock Market, Etc.

Management believes it has a conservative investment policy. It calls for investing in high quality investment grade securities with an average duration of 24 months or less. However, with the volatility of interest rates and fluctuations in credit quality of the underlying investments and issues of general market liquidity, there can be no assurance that the Company's investments will not lose value. Management does not believe it has material exposure currently.

Item 1B. Unresolved Staff Comments.

None.

Item 2. Properties.

Our executive headquarters are located in Chelmsford, Massachusetts, along with our research and development and our defibrillator and Power Infuser manufacturing operations. The Chelmsford facility offers approximately 155,000 square feet of leased office, warehouse and assembly space. We own a 33,000 square foot building in Pawtucket, Rhode Island, where we manufacture our electrode products and conduct related research and development. We lease approximately 40,000 square feet in Broomfield, Colorado, where our ZOLL Data Systems data management software business offices are located. We lease an approximate 19,000 square foot manufacturing facility in Sunnyvale, California, where the AutoPulse is manufactured. We lease approximately 18,000 square feet in Pittsburgh, Pennsylvania where our ZOLL LifeVest manufacturing facility is located. We also lease administrative offices in Manchester, England; Elst, the Netherlands; Cologne, Germany; Sydney, Australia; Mississauga, Ontario, Canada; Shanghai, China; and Amman, Jordan.

Item 3. Legal Proceedings.

The Company is, from time to time, involved in the normal course of its business in various legal proceedings, including intellectual property, contract, employment and product liability suits. Although the Company is unable to quantify the exact financial impact of any of these matters, it believes that none of these currently pending matters will have an outcome material to its financial condition or business.

Item 4. Submission of Matters to a Vote of Security Holders.

No matters were submitted to a vote of security holders during the fourth quarter of fiscal 2008.

PART II

Item 5. Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities.

Our Common Stock is traded on the NASDAQ Global Select Market under the symbol "ZOLL." The following table sets forth the high and low sales prices during the fiscal quarters specified:

	Sales Prices			
	2008		2007	
	High	Low	High	Low
First Quarter	$27.15	$21.31	$29.83	$17.38
Second Quarter	29.28	23.93	37.77	25.12
Third Quarter	37.66	24.96	28.83	19.91
Fourth Quarter	38.19	28.12	27.67	21.52

Dividends

We have never declared or paid cash dividends on our capital stock. We currently intend to retain any current and future earnings to finance the growth and development of our business and, therefore, do not anticipate paying any cash dividends in the foreseeable future.

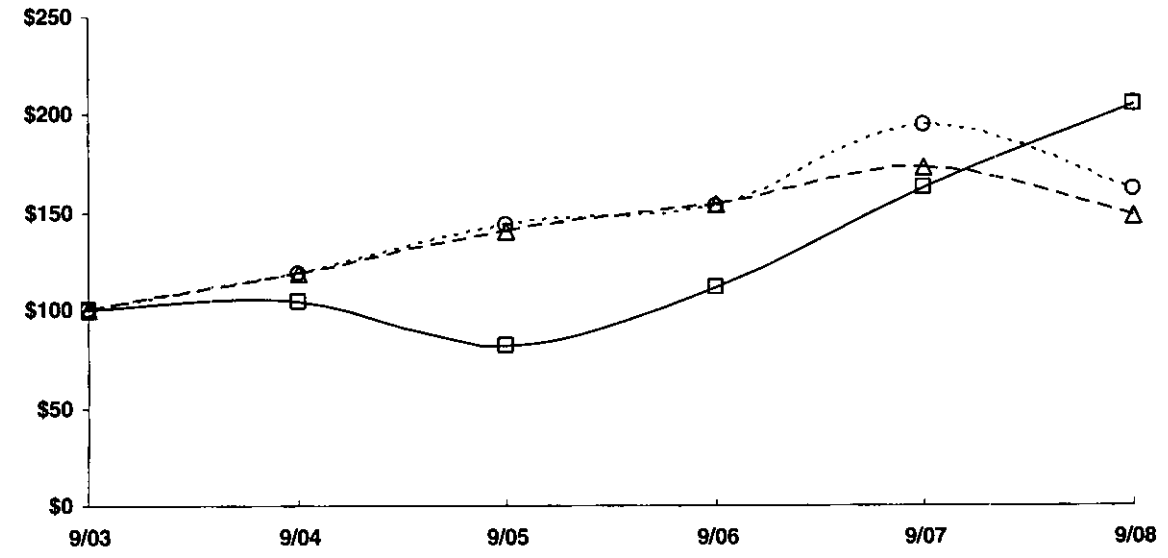
As of December 1, 2008, there were approximately 197 stockholders of record of our common stock. We believe there are approximately 8,000 beneficial holders of our common stock.

Performance Graph

The following graph compares the cumulative 5-year total return to shareholders on ZOLL Medical Corporation's common stock relative to the cumulative total returns of the Russell 2000 index and the NASDAQ Medical Equipment index. The graph assumes that the value of the investment in the company's common stock and in each of the indexes (including reinvestment of dividends) was $100 on 9/30/2003 and tracks it through 9/30/2008.

COMPARISON OF 5 YEAR CUMULATIVE TOTAL RETURN*

Among ZOLL Medical Corporation, The Russell 2000 Index
And The NASDAQ Medical Equipment Index



—⊟— ZOLL Medical Corporation – –△– – Russell 2000 ···⊙·· NASDAQ Medical Equipment

*$100 invested on 9/30/03 in stock & index-including reinvestment of dividends.
Fiscal year ending September 30.

	9/03	9/04	9/05	9/06	9/07	9/08
ZOLL Medical Corporation	100.00	104.18	81.84	111.98	161.75	204.18
Russell 2000	100.00	118.77	140.09	154.00	173.00	147.94
NASDAQ Medical Equipment	100.00	118.90	143.91	152.76	194.11	161.65

The stock price performance included in this graph is not necessarily indicative of future stock price performance.

Equity Compensation Plan Information

Plan Category	Number of securities to be issued upon exercise of outstanding options, warrants and rights	Weighted-average exercise price of outstanding options, warrants and rights	Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a)) as of end of most recently completed fiscal year
	(a)	(b)	(c)
Equity compensation plans approved by security holders	1,901,819(1)	$18.42	632,065(2)
Equity compensation plans not approved by security holders	0	N/A	0
Total	1,901,819(1)	$18.42	632,065(2)

(1) Does not include 42,500 shares of restricted common stock issued under the Amended and Restated 2001 Stock Incentive Plan, since such shares are issued and outstanding.

(2) Includes 55,470 shares available for issuance as restricted common stock under the Amended and Restated 2001 Stock Incentive Plan.

Item 6. Selected Financial Data.

ZOLL Medical Corporation

Consolidated Five-Year Financial Summary

(000's omitted, except per share data)	FISCAL YEAR 2008	2007	2006	2005	2004
Income Statement Data:					
Net sales	$398,018	$309,451	$255,633	$217,742	$219,311
Cost of goods sold	187,330	140,664	116,399	100,161	100,672
Gross profit	210,688	168,787	139,234	117,581	118,639
Expenses:					
Selling and marketing	111,835	91,855	78,366	74,404	74,345
General and administrative	30,681	26,203	22,417	18,667	14,504
Research and development	32,398	28,686	23,394	22,896	18,376
Total expenses	174,914	146,744	124,177	115,967	107,225
Income from operations	35,774	22,043	15,057	1,614	11,414
Investment and other (expense) income	(258)	3,591	2,082	572	1,323
Income before income taxes	35,516	25,634	17,139	2,186	12,737
Provision for income taxes	12,075	8,972	5,999	223	3,781
Net income	$ 23,441	$ 16,662	$ 11,140	$ 1,963	$ 8,956
Basic earnings per common share	$ 1.12	$ 0.82	$ 0.58	$ 0.10	$ 0.49
Weighted average common shares outstanding	20,862	20,208	19,286	19,130	18,381
Diluted earnings per common and common equivalent share	$ 1.10	$ 0.81	$ 0.57	$ 0.10	$ 0.48
Weighted average common and common equivalent shares outstanding	21,304	20,678	19,442	19,260	18,608
Balance Sheet Data:					
Working capital	$151,790	$125,159	$112,746	$107,140	$114,785
Total assets	$346,020	$315,849	$251,486	$219,536	$207,192
Stockholders' equity	$267,858	$235,786	$195,646	$181,428	$170,946

Certain prior period amounts have been reclassified to conform to the current period presentation with no impact on either net income or earnings per share.

Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations.

We intend for this discussion and analysis to provide you with information that will assist you in understanding our consolidated financial statements, the changes in certain key items in those consolidated financial statements from year to year and the primary factors that accounted for those changes. Our consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States. This discussion and analysis should be read in conjunction with our consolidated financial statements as of September 28, 2008 and for the year then ended and the notes accompanying those consolidated financial statements.

Executive Overview

We are committed to developing technologies that help advance the practice of resuscitation. With products for pacing, defibrillation, circulation, ventilation, and fluid resuscitation, we provide a comprehensive set of technologies that help clinicians, EMS professionals, and lay rescuers resuscitate sudden cardiac arrest or trauma

victims. We also design and market software that automates the documentation and management of both clinical and non-clinical information.

We believe our recent successes continue to be attributable to multiple factors which include, in no particular order, (1) new defibrillator products, (2) investments made in new technologies, (3) the breadth of product offerings and differentiated features, (4) bolstering our distribution channels, (5) management changes in the Hospital and International markets, and (6) benefits resulting from competitors' regulatory issues.

We ended fiscal 2008 with approximately $71 million of cash and investments and no long-term debt. We completed fiscal 2008 with record revenues of approximately $398 million. Our sales growth was strong in all major areas of our business. The growth was mainly due to the increased volume of professional defibrillator platform sales which include the M Series product, E Series and R Series. Other contributors included increased volume of AEDs, the LifeVest product, data management products, and other resuscitation equipment including Military and AutoPulse products.

Results of Operations

Fiscal 2008 Compared to Fiscal 2007

Sales

Our net sales increased 29% to $398 million in fiscal 2008 compared to $309.5 million in the prior fiscal year.

Net sales by customer/product categories were as follows:

(000's omitted)	2008	2007	% Change
Devices and Accessories to the Hospital Market-North America	$117,106	$ 85,275	37%
Devices, Accessories, and Data Management Software to the Pre-hospital Market-North America	161,667	131,233	23%
Other Products to North America	22,633	20,881	8%
Subtotal North America	301,406	237,389	27%
All Products to the International Market	96,612	72,062	34%
Total Sales	$398,018	$309,451	29%

Our sales to the North American Hospital market increased $31.8 million, or 37%, in 2008. The increase of sales to the North American Hospital market was primarily due to increased volume of U.S. military sales of approximately $14 million, and increased volume of our professional defibrillator products to other customers of approximately $13 million, including the M Series and R Series products. The remaining increase of approximately $5 million was due to the volume of AED sales to the North American Hospital market.

Our sales to the North American Pre-hospital market increased $30.4 million, or 23%, in 2008. The increase in Pre-hospital sales was due to increased volume of the LifeVest product of approximately $10 million, increased volume of professional defibrillators of approximately $9 million, data management software products of approximately $7 million and, to a lesser extent, increased volume of AEDs and AutoPulse products.

International sales increased by $24.6 million, or 34%, to $96.6 million in 2008 compared to $72.1 million in 2007. The increase in International sales was driven by increased volume of professional defibrillator sales of $15 million. This growth was primarily a function of the continued success of our M Series product, as our newer platforms build momentum. Other contributors to the increase included increased volume of AEDs of

approximately $8 million, and increased volume of AutoPulse. Included in these increases are approximately $4 million of benefit from foreign exchange fluctuations. Geographical areas where sales experienced significant growth included Latin America and Eastern Europe, both with growth of approximately $4 million; China, with growth of approximately $2.4 million; and France and Germany, both with growth of approximately $2 million.

Foreign exchange rates have become more volatile. The recent, sudden strengthening of the U.S. dollar potentially impacts us in two ways. For sales to international distributors which are denominated in U.S. dollars, our goods may appear more expensive. Our foreign subsidiary sales which are denominated in local currency may translate into fewer U.S. dollar revenues. Although it is difficult to predict how foreign exchange rates will fluctuate prospectively, this sudden volatility of the U.S. dollar may have a significantly greater impact on future results than it has historically.

Total sales of the AutoPulse product to all our markets increased by approximately $3.1 million, or 21%, to $17.8 million in fiscal 2008, compared to $14.7 million for fiscal 2007. We believe the outlook for the AutoPulse continues to remain strong.

Gross Margins

Cost of sales consists primarily of material, labor, overhead, and freight associated with the manufacturing of our various medical equipment devices, data collection software and disposable electrodes. These products are primarily sold to the Hospital, Pre-hospital, and International markets. We sell data collection software, mainly to the Pre-hospital market. Our consolidated gross margin may fluctuate considerably depending on unit volume levels, mix of product and customer class activity levels, and overall market conditions.

Overall, gross margins for fiscal 2008 decreased to approximately 53% compared to 54.5% in fiscal 2007. A low-margin California order, which occurred in the first quarter of fiscal 2008, accounts for approximately 1 percentage point of the decrease in gross margin. To a lesser extent, the margin was also unfavorably affected by increased International sales, which carry lower-than-average margins. Offsetting the decrease in the overall gross margin was the favorable effect of the LifeVest product which carries higher-than-average margin. Other than the impact of the California order, each of the remaining factors causing the fluctuation in gross margin represents less than a percentage point of our overall gross margin.

Backlog

We ended fiscal 2008 with a backlog of approximately $7.9 million. Our backlog did not grow in the fourth quarter as it typically has, which we believe is indicative of the current economic environment which may have caused capital spending to be constrained. We believe we need to maintain a permanent backlog level of orders that will not be shipped at the end of each quarter. We believe this will help us improve our efficiency, lower our costs and improve our profitability as it will make it less likely that we will be required to incur substantial additional costs at the end of the quarter. Due to possible changes in delivery schedules, cancellation of orders and delays in shipments, our backlog at any particular date is not necessarily an accurate predictor of revenue for any succeeding period.

Costs and Expenses

Operating expenses were as follows:

(000's omitted)	2008	% of Sales	2007	% of Sales	Change %
Selling and marketing	$111,835	28%	$ 91,855	30%	22%
General and administrative	30,681	8%	26,203	8%	17%
Research and development	32,398	8%	28,686	9%	13%
Total expenses	$174,914	44%	$146,744	47%	19%

Selling and marketing expenses increased approximately $20 million for the year ended September 28, 2008 compared to the same period last year. Approximately $14 million of the increase related to increased personnel-related costs, including salaries, commissions and stock-based compensation for selling and marketing employees. The remaining increase primarily relates to increases in selling and marketing personnel travel and tradeshow expenses. Selling and marketing expenses decreased as a percentage of revenues as we have been able to achieve greater efficiency with our sales organization and marketing efforts as our revenue has grown.

General and administrative expenses increased approximately $4.5 million for the year ended September 28, 2008 compared to the previous year. Approximately $3 million of the increase related to increased personnel-related costs including salaries and stock-based compensation for general and administrative employees.

Research and development expenses increased approximately $3.7 million for the year ended September 28, 2008 compared to fiscal 2007. Approximately $2.4 million of the increase related to increased personnel-related costs including salaries and stock-based compensation for research and development employees. Other contributors include increased clinical trial work related to the AutoPulse and LifeVest.

Investment and Other Income (Expense)

Investment and other income (expense) decreased to ($258,000) in fiscal 2008, as compared to $3.6 million in the previous year. This decrease reflected foreign exchange losses on marking our foreign denominated intercompany receivable balances to the spot rate at the end of the year, lower average interest rates and a $200,000 reserve on certain investments in mortgage-backed and auction rate securities.

Income Taxes

Our effective tax rate for fiscal 2008 decreased to 34% compared to 35% in fiscal 2007. The decreased rate resulted from an increase in the Section 199 deduction (production deduction) benefit from 3% in fiscal 2007 to 6% in fiscal 2008 along with a decision made in the fourth quarter of fiscal 2008 not to provide U.S. taxes on undistributed earnings of our foreign subsidiaries. These benefits were partially offset by the expiration of a research and development credit at December 31, 2007, allowing only one quarter of benefit in fiscal 2008. Subsequent to our fiscal year end, Congress has extended the research and development credit through December 31, 2009. The benefit from this Congressional action will be recognized in fiscal 2009.

Effective October 1, 2007, we adopted the provisions of FASB Interpretation No. 48, "*Accounting for Uncertainty in Income Taxes*" ("FIN 48"). As a result of the implementation of FIN 48, we recognized approximately $374,000 of increase in our liability for unrecognized tax benefits. All of this increase was reflected as a reduction to the October 1, 2007 balance of retained earnings. At the adoption date of October 1, 2007, we had $1.3 million of gross unrecognized tax benefits, which, if recognized, would affect goodwill and our effective tax rate. At September 28, 2008, we had $3.3 million of gross unrecognized tax benefits, all of which, if recognized, would affect goodwill and our effective tax rate.

We are subject to U.S. federal income tax as well as income tax of multiple state and foreign jurisdictions. We have concluded all U.S. federal and most state and foreign income tax matters through fiscal 2004.

We do not currently have any income tax audits in progress and, therefore, foresee little change in our current reserve for uncertain tax positions in the next twelve months. Our historical practice is to recognize interest and penalties related to income tax matters in income tax expense. We had $315,000 accrued for interest and penalties at the time of the adoption of FIN 48 and $480,000 at September 28, 2008.

We currently estimate that our fiscal 2009 effective tax rate will be approximately 35%.

Fiscal 2007 Compared to Fiscal 2006

Sales

Our net sales increased 21% to $309.5 million in fiscal 2007 compared to $255.6 million in the prior year.

Net sales by customer/product categories were as follows:

(000's omitted)	2007	2006	% Change
Devices and Accessories to the Hospital Market-North America	$ 85,275	$ 78,093	9%
Devices, Accessories, and Data Management Software to the Pre-hospital Market-North America	131,233	101,675	29%
Other Products to North America	20,881	19,336	8%
Subtotal North America	237,389	199,104	19%
All Products to the International Market	72,062	56,529	27%
Total Sales	$309,451	$255,633	21%

Our sales to the North American Hospital market increased $7.2 million, or 9%, in 2007. The increase of sales to the North American Hospital market was primarily due to increased volume of our professional defibrillator products of approximately $11 million, including the M Series and the new R Series product and a $3 million higher volume of AED sales. This increase was, offset by a lower volume of U.S. military sales for 2007 of approximately $8 million as compared to 2006.

Our sales to the North American Pre-hospital market increased $29.6 million, or 29%, in 2007. North American Pre-hospital results also include the results of ZOLL Lifecor (the assets of which were acquired in April 2006) for a full twelve months in fiscal 2007 as opposed to only six months in fiscal 2006. Other factors contributing to the increase include increased volume of AEDs of approximately $8 million and data management software products of approximately $6 million in the Pre-hospital market and, to a lesser extent, increased volume of professional defibrillators and AutoPulse products.

International sales increased by $15.5 million, or 27%, to $72.1 million in 2007 compared to $56.5 million in 2006. The increase in International sales was driven by increased volume of professional defibrillator sales. The growth was primarily a function of the continued success of our M Series product, as our newer platforms are still relatively early in their sales cycles. Other contributors to the increase included increased volume of AutoPulse and AEDs of approximately $2.3 million and $1.5 million, respectively. Geographical areas where sales experienced significant growth included the United Kingdom, approximately $2.1 million; Russia and Germany, approximately $1.5 million each; and Eastern Europe, Middle East, and Netherlands, approximately $1.4 million each.

Total sales of the AutoPulse product to all our markets increased by approximately $4.7 million, or 47%, to $14.7 million, compared to $10.0 million for fiscal 2006.

Gross Margins

Overall, gross margins for fiscal 2007 remained relatively flat at approximately 54.5% compared to fiscal 2006. Gross margins were favorably affected in fiscal 2007 by the mix of the results of ZOLL Lifecor (which was acquired in April 2006), and an increase in sales of data management software, which carries higher-than-average margins. The favorable impact was offset by increased International sales, which carry lower-than-average margins, and sales of our AutoPulse product, which currently carries a lower-than-average margin due to current low production volumes. Each of the factors describing the fluctuation in gross margin represents less than a percentage point of our overall gross margin.

Backlog

We ended fiscal 2007 with a backlog of approximately $24.3 million, which includes approximately $8 million related to our California Homeland Security order, as we typically build a backlog in the fourth quarter. All of this backlog shipped during fiscal 2008. Due to possible changes in delivery schedules, cancellation of orders and delays in shipments, our backlog at any particular date is not necessarily an accurate predictor of revenue for any succeeding period.

Costs and Expenses

Operating expenses were as follows:

(000's omitted)	2007	% of Sales	2006	% of Sales	Change %
Selling and marketing	$ 91,855	30%	$ 78,366	31%	17%
General and administrative	26,203	8%	22,417	9%	17%
Research and development	28,686	9%	23,394	9%	23%
Total expenses	$146,744	47%	$124,177	49%	18%

Selling and marketing expenses increased approximately $13.5 million for the year ended September 30, 2007 compared to the previous year. Approximately $6.3 million of the increase related to increased personnel-related costs, including salaries, commissions and stock-based compensation for selling and marketing employees. The inclusion of expenses related to the ZOLL Lifecor business, following the April 2006 asset acquisition, accounted for approximately $4.6 million of this increase as these expenses were included for only six months of the prior year. Selling and marketing expenses decreased as a percentage of revenues as we have been able to achieve greater efficiency with our related sales organization and marketing efforts as our revenue has grown.

General and administrative expenses increased approximately $3.8 million for the year ended September 30, 2007 compared to the previous year. The inclusion of expenses related to the ZOLL Lifecor business, following the April 2006 asset acquisition, accounted for approximately $2.2 million of this increase as these expenses were included for only six months of the prior year. Other contributors included $1.4 million of increased personnel-related costs including salaries and stock-based compensation for general and administrative employees.

Research and development expenses increased approximately $5.3 million for the year ended September 30, 2007 compared to the previous year. Approximately $2.9 million of the increase related to increased clinical trial work as we initiated a new clinical trial related to the AutoPulse. Other contributors included $2.0 million of increased personnel-related costs including salaries and stock-based compensation for research and development employees. The inclusion of expenses related to the business of ZOLL Lifecor also accounted for approximately $700,000 of this increase as these expenses were included for only six months of the prior year.

Investment and Other Income

Investment and other income increased to $3.6 million in fiscal 2007, as compared to $2.1 million in the previous year. This increase was due to the increase in interest earned as a result of increased cash balances maintained for a majority of the fiscal year and increased foreign currency exchange gains compared to the prior year.

Income Taxes

Our effective tax rate for fiscal 2007 and 2006 was a provision of 35%. The 2007 rate was negatively affected by the elimination of the deduction for extraterritorial income, which was available only for the first quarter of fiscal 2007. It was positively affected by the retroactive reinstatement of the research and development

credit in fiscal 2007 as part of the Tax Relief and Health Care Act of 2006. This Act not only provided us with a full fiscal year benefit of the research and development credit in 2007, it also allowed us to book the tax credits related to R&D expenses incurred in our last three fiscal quarters of 2006.

Financial Condition

Liquidity and Capital Resources

Our overall financial condition continues to remain strong. Our cash, cash equivalents, and short-term and long-term investments at September 28, 2008 totaled $71.1 million compared with $57.4 million at September 30, 2007. We continue to have no long-term debt.

As we have previously discussed, with the January 2007 suspension of U.S. shipments from the Medtronic Physio-Control unit, we have used cash, and it is possible we will use additional cash to assist customers who transition to our products with various financing arrangements.

Cash Requirements

We believe that the combination of existing cash, cash equivalents, and highly liquid marketable securities on hand, along with cash to be generated by future operations and amounts available under our line of credit, will be sufficient to meet our ongoing operating and capital expenditure requirements for the foreseeable future.

Sources and Uses of Cash

To assist with the discussion, the following table presents the abbreviated cash flows for the years ended September 28, 2008, September 30, 2007, and October 1, 2006:

(000's omitted)	2008	2007	2006
Net cash provided by operating activities	$ 35,378	$ 5,667	$ 28,467
Cash used in investing activities	(42,588)	(31,153)	(23,964)
Cash provided by financing activities	7,336	18,948	1,689
Effect of foreign exchange rates on cash	(1,082)	1,338	369
Net change in cash and cash equivalents	(956)	(5,200)	6,561
Cash and cash equivalents—beginning of year	37,631	42,831	36,270
Cash and cash equivalents—end of year	$ 36,675	$ 37,631	$ 42,831

Operating Activities

Cash provided by operating activities increased $29.7 million in fiscal 2008 to $35.4 million compared to $5.7 million in 2007. This increase in cash from operating activities was primarily attributable to a decrease in cash required for inventory of approximately $22 million compared to the prior year. The increase in inventory purchases in fiscal 2007 relative to fiscal 2006 includes the impact of building inventory to support higher levels of business, including approximately $5 million related to our California Homeland Security order, new product offerings, such as the R Series, additional order activity related to the continued suspension of U.S. shipments by our largest competitor, and evaluation units. Other factors having a positive effect on 2008 operating activities include increased collections of accounts receivable compared to the prior year and an increase in net income of $6.8 million. This increase was partially offset by the timing of payments of accounts payable and accrued expenses.

Investing Activities

Cash used in investing activities increased approximately $11.4 million in fiscal 2008 to $42.6 million as compared to $31.2 million in the prior year. This increasing use of cash was primarily attributable to the increase in net purchases of marketable securities during the fiscal year of approximately $15 million. This increase in investing activities was partially offset by the decrease in acquisition-related payments in fiscal 2008 as the assets of BIO-Key International and Radiant Corporation were purchased in fiscal 2007. Property and equipment additions for fiscal 2008 totaled approximately $15 million, which is consistent with prior year additions. We anticipate additions for fiscal 2009 to be consistent with fiscal 2008.

Financing Activities

Cash provided by financing activities was approximately $7.3 million for fiscal 2008 in comparison to approximately $18.9 million in the previous year. The change reflects a lower number of stock options exercised during 2008 (approximately 349,000 shares in 2008 and 989,000 shares in 2007) at a higher weighted-average exercise price per share ($15.66 in 2008 and $14.60 in 2007). Similarly, the excess tax benefit from the exercise of stock options decreased from $4.5 million in the previous year to $1.9 million for fiscal 2008, due to the lower number of stock options exercised during 2008.

Investments

In March 2004, we acquired substantially all the assets of Infusion Dynamics. Under the terms of the acquisition, we are obligated to make additional earn-out payments through 2011 ("contingencies") based on performance of the acquired business. Because additional consideration is based on the growth of sales, a reasonable estimate of the future payments to be made cannot be determined. As these contingencies are resolved and the consideration is distributable, we record the fair value of the additional consideration as additional cost of the acquired assets. Our earn-out payments, in the form of cash, for fiscal 2006 and 2007 were approximately $445,000 and $11,000, respectively. We have accrued, but not yet paid, an earn-out for 2008 of approximately $19,000, which is expected to be paid in cash during the first quarter of fiscal 2009.

We exercised our option to acquire Revivant, the manufacturer of the AutoPulse, on October 12, 2004. We paid $15 million in the form of cash and shares of our common stock as the initial merger consideration. Additional contingent consideration under the merger agreement was dependent upon certain clinical developments (milestone payments) and increases in revenue through fiscal 2007 (earn-out payments). In January 2007, we paid approximately $1.2 million in cash and issued 72,128 shares of common stock in payment of the 2006 earn-out, which was accrued during fiscal 2006, to the former shareholders of Revivant. In December 2007, we paid approximately $3.6 million in cash and issued 220,864 shares of common stock in payment of the fiscal 2007 earn-out, which was accrued during fiscal 2007, to the former shareholders of Revivant. The December 2007 payment represented the contingent consideration due to the former shareholders of Revivant for the final earn-out period related to this acquisition.

We exercised our option to acquire the business and assets of Lifecor on March 22, 2006 and acquired the business and assets on April 10, 2006. We assumed Lifecor's outstanding debt (plus an additional $3.0 million owed to us, which was cancelled) and certain stated liabilities. We paid the third-party debt in April 2006. We agreed to pay additional consideration in the form of earn-out payments to Lifecor based upon future revenue growth of the acquired business over a five-year period. Earn-out payments to Lifecor were made in the form of cash for fiscal 2006 and fiscal 2007 in the approximate amounts of $77,000 and $3.2 million, respectively. For both annual earn-outs, the additional consideration was accrued during the fiscal period when earned and paid out in the subsequent fiscal period. We have accrued, but not yet paid, an earn-out for 2008 of approximately $4.8 million, which is expected to be paid in cash during the first quarter of fiscal 2009. Because additional consideration will be based on the growth of sales, a reasonable estimate of the total acquisition cost cannot be determined.

On May 22, 2007, we acquired the fire records management software business and related assets from BIO-key International, Inc. for approximately $7.0 million in cash. Under terms of the acquisition, no additional consideration will be paid.

On September 18, 2007, we acquired certain assets from Radiant Medical, Inc., a private medical technology company developing endovascular temperature therapy products, for approximately $5.8 million in cash. Under the terms of the acquisition, no additional consideration will be paid.

We recently announced a strategic alliance with Welch Allyn involving research and development, manufacturing, sales, service, and distribution related to Welch Allyn's defibrillator and monitoring products. We anticipate that the elements of the strategic alliance will be implemented over the next several months upon completion of certain milestones. Total consideration for all elements could approximate $6 million.

Debt Instruments and Related Covenants

We maintain an unsecured working capital line of credit with our bank. Under this working capital line, we may borrow, on a demand basis, up to $12 million. This line of credit bears interest at the bank's rate of LIBOR plus 2% for short-term borrowings (2 – 3 months). For longer term loans, the line of credit bears interest at the rate of LIBOR plus 4% – 6%. No borrowings were outstanding on this line during fiscal 2008. There are no covenants related to this line of credit.

Off-Balance Sheet Arrangements

Our only off-balance sheet arrangements consist of non-cancelable operating leases entered into in the ordinary course of business and one minimum purchase commitment contract for a critical raw material component. The table below in the next section titled "Contractual Obligations and Other Commercial Commitments" shows the amounts of our operating lease commitments and purchase commitments payable by year. For liquidity purposes, in general, we choose to lease our facilities instead of purchasing them.

Contractual Obligations and Other Commercial Commitments

The following table sets forth certain information concerning our obligations and commitments to make future payments under contracts, such as debt and lease agreements, and under contingent commitments.

Contractual Obligations *(in $000s)*	Payments Due by Period				
	Total	Less than 1 year	1 – 3 years	4 – 5 years	After 5 years
Non-Cancelable Operating Lease Obligations	$ 5,830	$2,479	$2,982	$ 369	$—
Purchase Obligations	4,773	1,526	1,632	1,615	—
Total Contractual Obligations	$10,603	$4,005	$4,614	$1,984	$—

The Company leases certain office and manufacturing space under operating leases. The Company's office leases are subject to adjustments based on actual floor space occupied. The leases also require payment of real estate taxes and operating costs. In addition to the office leases, the Company leases automobiles for business use by a portion of the sales force.

The Company's executive headquarters and defibrillator and Power Infuser manufacturing operations are located in Chelmsford, Massachusetts. The Chelmsford facility is covered by an eight year lease, beginning July 1, 2003 and expiring on June 29, 2011. The agreement does not contain a renewal period and provides that

the Company pay a pro-rata amount of the landlord's real estate tax and operating expenses based upon square footage. The lease also provided the Company with an allowance of approximately $3.7 million for any construction costs associated with their relocation efforts to the leased facility. This reimbursement has been recorded as a deferred lease incentive within accrued expenses and other liabilities and is being amortized as a reduction to rent expense over the life of the lease. Any leasehold improvements made as part of the relocation have been capitalized as leasehold improvements within Property and Equipment and are being amortized over the eight year life of the lease.

Purchase obligations include all legally binding contracts that are non-cancelable. Purchase orders or contracts for the purchase of raw materials and other goods and services are not included in the table above. Purchase orders represent authorizations to purchase rather than binding agreements. For the purposes of this table, contractual obligations for purchase of goods and services are defined as agreements that are enforceable and legally binding and that specify all significant terms, including: fixed or minimum quantities to be purchased; fixed, minimum or variable price provisions; and the approximate timing of the transaction. Our purchase orders are based upon our current inventory needs and are fulfilled by our suppliers within short time periods. We also enter into contracts for outsourced services; however, the obligations under these contracts are not significant and the contracts generally contain clauses allowing for cancellation without significant penalty.

Contractual obligations that are contingent upon future performance and growth of sales are not included in the table above. These include the additional earn-out payments for the assets of Infusion Dynamics and Lifecor through fiscal 2011. Because all of these earn-out payments are based upon the growth of sales over several years, a reasonable estimate of the future payment obligations cannot be determined.

Critical Accounting Estimates

Our management strives to report our financial results in a clear and understandable manner, even though in some cases accounting and disclosure rules are complex and require us to use technical terminology. We follow accounting principles generally accepted in the United States in preparing our consolidated financial statements. These principles require us to make certain estimates of matters that are inherently uncertain and to make difficult and subjective judgments that affect our financial position and results of operations. Our most critical accounting policy is revenue recognition, and our most critical accounting estimates include accounts receivable reserves, warranty reserves, inventory reserves, the valuation of long-lived assets and stock-based compensation. Management continually reviews its accounting policies, how they are applied and how they are reported and disclosed in our financial statements. Following is a summary of our more significant accounting policies, which include revenue recognition and those that require significant estimates and judgments and uncertainties, and potentially could result in materially different results under different assumptions and conditions, and how they are applied in preparation of the financial statements.

Revenue Recognition

Revenues from sales of cardiac resuscitation devices, disposable electrodes and accessories are recognized when a signed non-cancelable purchase order exists, the product is shipped, title and risk have passed to the customer, the fee is fixed or determinable, and collection is considered probable. Circumstances that generally preclude the immediate recognition of revenue include shipping terms of FOB destination or the existence of a customer acceptance clause in a contract based upon customer inspection of the product. In these instances, revenue is deferred until adequate documentation is obtained to ensure that these criteria have been fulfilled. Similarly, revenues from the sales of our products to distributors fall under the same guidelines. For all significant orders placed by our distributors, we require an approved purchase order, we perform a credit review, and we ensure that the terms on the purchase order or contract are proper and do not include any contingencies which preclude revenue recognition. We do not typically offer any special right of return, stock rotation or price protection to our distributors or end customers.

Our sales to customers often include a cardiac resuscitation device, disposable electrodes and other accessories. For the vast majority of our shipments, all deliverables are shipped together. In cases where some elements of a multiple element arrangement are not delivered as of a reporting date, we defer the fair value of the undelivered elements and only recognize the revenue related to the delivered elements in accordance with Emerging Issues Task Force ("EITF") 00-21, "*Revenue Arrangements with Multiple Deliverables.*" Revenues are recorded net of estimated returns. Some sales to customers of our cardiac resuscitation devices may include some data collection software. The cardiac resuscitation device and software product can operate independently of each other and one does not affect the functionality of the other. In cases where both elements are included in a customer's order but only one has been delivered by the reporting date and fair value for the undelivered element can be established, we defer the fair value of the undelivered element and recognize the revenue related to the delivered item in accordance with EITF 03-05, "*Applicability of AICPA Statement of Position 97-2, Software Revenue Recognition to Non-Software Deliverables in an Arrangement Containing More-Than-Incidental Software*" and EITF 00-21.

We also license software under non-cancelable license agreements and provide services including training, installation, consulting and maintenance, which consists of product support services and unspecified upgrade rights (collectively, post-contract customer support ("PCS")). Revenue from the sale of software is recognized in accordance with the American Institute of Certified Public Accountants ("AICPA") Statement of Position ("SOP") 97-2, "*Software Revenue Recognition,*" as amended and related literature. License fee revenues are recognized when a non-cancelable license agreement has been signed, the software product has been delivered, there are no uncertainties surrounding product acceptance, the fees are fixed or determinable, and collection is considered probable. Revenues from maintenance agreements and upgrade rights are recognized ratably over the period of service. Revenue for services, such as software deployment and consulting, is recognized when the service is performed. Our software arrangements contain multiple elements, which include software products, services and PCS. Generally, we do not sell computer hardware products with our software products. We will occasionally facilitate the hardware purchase by providing information to the customer such as where to purchase the equipment. We generally do not have vendor-specific objective evidence of fair value for our software products. We do, however, have vendor-specific objective evidence of fair value for items such as consulting and technical services, deployment and PCS based upon the price charged when such items are sold separately. Accordingly, for transactions where vendor-specific objective evidence exists for undelivered elements but not for delivered elements, we use the residual method as discussed in SOP 98-9, "*Modification of SOP 97-2.*" Under the residual method, the total fair value of the undelivered elements, as indicated by vendor-specific objective evidence, is deferred and the difference between the total arrangement fee and the amount deferred for the undelivered elements is recognized as revenue related to the delivered elements.

We do not typically ship any of our software products to distributors or resellers. Our software products are sold by our sales force directly to the end user. We may sell software to system integrators who provide complete solutions to end users on a contract basis. In each of the years in the three-year period ended September 28, 2008, software revenue did not exceed 10% of our total revenues.

We also rent our LifeVest product to customers on a monthly basis once a physician prescribes the LifeVest to their patients. The LifeVest product is reimbursed by Medicare, Medicaid or other third-party payers. Revenue is recognized ratably over the service period once we have evidence of an arrangement, the LifeVest has been delivered to the patient, fees are fixed or determinable, and collection is reasonably assured.

In the fourth quarter of fiscal 2007, we were awarded a contract of approximately $11.6 million with a contractor hired by the State of California to supply defibrillators and accessories. The contract also includes preventative maintenance and storage services for certain defibrillators and accessories over a five-year period. Based on the award, we shipped the defibrillators and accessories ("equipment") in three installments over the course of four months beginning in the fourth quarter of fiscal 2007 and ending in the first quarter of fiscal 2008. Title and risk of loss for this equipment passed to the customer upon shipment. At the request of the State of

California, the equipment was shipped to three warehouse locations within California in order to provide for rapid deployment in the case of an emergency. Two of the warehouses are facilities leased by us on their behalf. As a result, the State of California requested that we make arrangements to store and maintain certain of the equipment to ensure proper performance when deployed. We considered the specific guidance and criteria for bill-and-hold arrangements as outlined in the SEC's Staff Accounting Bulletin No. 104 and concluded we have complied with all of the criteria for revenue recognition. The preventative maintenance services include preventative maintenance on the defibrillator units as well as battery and electrode replacement upon expiration of their shelf life within the five-year period of the contract.

Although we delivered the first installment of the equipment during the fourth quarter of the fiscal year 2007, no revenue was recognized because objective and reliable evidence of fair value did not exist for all undelivered elements. We recognized approximately $8.5 million of revenue related to the delivered equipment in fiscal 2008, because we believe that objective and reliable evidence of fair value exists for all remaining undelivered elements, including maintenance, storage, insurance and accessories. The remaining amount of consideration will be recognized over a five-year period as the undelivered elements are delivered.

In fiscal 2005, we began performance under a "state of readiness" contract awarded by the U.S. government to supply defibrillators on short notice. Based on the award, we received two types of payments from the U.S. government. The first payment of approximately $5 million was to reimburse us for the cost to acquire inventories required to meet potentially short-notice delivery schedules. This payment is carried within 'Deferred revenue' on our balance sheet as a liability. We also received a payment from the U.S. government to compensate us for managing the purchase, build, storage and inventory rotation process. This payment also compensated us for making future production capacity available. The portion of this payment associated with the purchase and build aspects of the contract was recognized on a percentage of completion basis while the portion of the payment for the storage, inventory rotation and facilities charge was recognized ratably over the contract period.

This government contract is for a one-year term, and the U.S. government has four one-year extension options that require the payment of additional fees to us if exercised (the contract is currently in its fourth and final extension). These fees are for the storage, inventory rotation and facilities charge and are recognized ratably over the contract period. The U.S. government has two options to acquire defibrillators under this contract. They may buy on a replenishment basis, which means we will record a sale under our normal U.S. government price list and maintain our "state of readiness," or they may buy on a non-replenishment basis, which will still allow us to obtain normal margins but will reduce our future obligations under this arrangement.

For information concerning the accounting treatment of Trade-In Allowances, see the next section "Allowance for Doubtful Accounts / Sales Returns and Allowances / Trade-In Allowances."

For those markets for which we sell separately priced extended warranties, revenue is deferred and recognized over the applicable warranty period, based upon the fair value of the contract.

Allowance for Doubtful Accounts / Sales Returns and Allowances / Trade-In Allowances

We maintain an allowance for doubtful accounts for estimated losses, for which related provisions are included in bad-debt expense, resulting from the inability of our customers to make required payments. Specifically identified reserves are charged to selling and marketing expenses. Provisions for general reserves are charged to general and administrative expenses. We determine the adequacy of this allowance by regularly reviewing the aging of our accounts receivable and evaluating individual customer receivables, considering customers' financial condition, historical experience, communications with the customers, credit history and current economic conditions. We also maintain an estimated reserve for potential future product returns and

discounts given related to trade-ins and to current period product sales, which is recorded as a reduction of revenue. We analyze the rate of historical returns when evaluating the adequacy of the allowance for sales returns, which is included in the sales returns and allowance accounts on our balance sheet.

As of September 28, 2008, our accounts receivable balance of $84.4 million is reported net of allowances of $6.2 million. We believe our reported allowances at September 28, 2008 are adequate. If the financial conditions of our customers were to deteriorate, however, resulting in their inability to make payments, we might need to record additional allowances, resulting in additional expenses being recorded for the period in which such determination would be made.

Although we are not typically contractually obligated to provide trade-in allowances under existing sales contracts, we may offer such allowances when negotiating new sales arrangements. When pricing sales transactions, we contemplate both cash consideration and the net realizable value of any used equipment to be traded in. The trade-in allowance value stated in a sales order may differ from the estimated net realizable value of the underlying equipment. Any excess in the trade-in allowance over the estimated net realizable value of the used equipment represents additional sales discount.

We account for product sales transactions by recording as revenue the total of the cash consideration and the estimated net realizable value of the trade-in equipment less a normal profit margin. Any difference between the estimated net realizable value of the used equipment and the trade-in allowance granted is recorded as a reduction to revenue at the time of the sale.

Used ZOLL equipment is recorded at the lower of cost or market consistent with Accounting Research Bulletin No. 43 ("ARB 43"). We regularly review our reserves to assure that the balance sheet value associated with our trade-in equipment is properly stated.

If the trade-in equipment is a competitor's product, we will usually resell the product to a third-party distributor who specializes in sale of used medical equipment, without any refurbishment. We typically do not recognize a profit upon the resale of a competitor's used equipment, although as a result of the inherent nature of the estimation process, we could recognize either a nominal gain or loss.

Warranty Reserves

Our products are sold with warranty provisions that require us to remedy deficiencies in quality or performance over a specified period of time, usually one year for pre-hospital and international customers and five years for hospital customers. Revenue is deferred for pre-hospital customers who receive warranties beyond one year. Such revenue is then recognized over the period of extended warranty. We provide for the estimated cost of product warranties at the time product is shipped and revenue is recognized. The costs that we estimate include material, labor, and shipping. While we engage in product quality programs and processes, our warranty obligation is affected by product failure rates, material usage and service delivery costs incurred in correcting a product failure. We believe that our recorded liability of $3.7 million at September 28, 2008 is adequate to cover future costs for the servicing of our products sold through that date and under warranty. If actual product failure rates, material usage or service delivery costs differ from our estimates, revisions to the estimated warranty liability would be required.

Inventory

We value our inventories at the lower of cost or market. Cost is determined by the first-in, first-out ("FIFO") method, including material, labor and factory overhead.

Inventory on hand may exceed future demand either because the product is outdated, obsolete, or because the amount on hand is in excess of future needs. We provide for the total value of inventories that we determine

to be obsolete based on criteria such as customer demand and changing technologies. We estimate excess inventory amounts by reviewing quantities on hand and comparing those quantities to sales forecasts for the next 12 months, identifying historical service usage trends, and matching that usage with the installed base quantities to estimate future needs. At September 28, 2008, our inventory was recorded at net realizable value requiring adjustments of $5.8 million, or 8.7% of our $66.8 million gross inventories.

Goodwill

At September 28, 2008, we had approximately $42 million in goodwill, primarily resulting from our acquisitions of Revivant (approximately $27 million), certain assets of BIO-key International, Inc. (approximately $5 million), the assets of Infusion Dynamics (approximately $4 million), and the assets of Lifecor (approximately $5 million). In accordance with Statement of Financial Accounting Standards (SFAS) No. 142, "Goodwill and Other Intangible Assets," we test our goodwill for impairment at least annually by comparing the fair value of our reporting units to the carrying value of those reporting units. Fair value is determined based on an estimate of the discounted future cash flows expected from the reporting units. The determination of fair value requires significant judgment on the part of management about future revenues, expenses and other assumptions that contribute to the net cash flows of the reporting units. Additionally, we periodically review our goodwill for impairment whenever events or changes in circumstances indicate that an impairment has occurred.

Long-Lived Assets

We periodically review the carrying amount of our long-lived assets, including property and equipment, and intangible assets, to assess potential impairment whenever events or changes in circumstances indicate that their carrying amount may not be recoverable. The determination includes evaluation of factors such as current market value, business climate and future cash flows expected to result from the use of the related assets. Fair value is determined based on an estimate of the undiscounted cash flows in assessing potential impairment and to record an impairment loss based on fair value in the period when it is determined that the carrying amount of the asset may not be recoverable. This process requires judgment on the part of management.

Income Taxes

We use the asset and liability method of accounting for deferred income taxes. The provision for income taxes includes income taxes currently payable and those deferred as a result of temporary differences between the financial statement and tax basis of assets and liabilities. A valuation allowance is provided to reduce deferred tax assets to the amount of future tax benefit when it is more likely than not that some portion of the deferred tax assets will not be realized. Projected future taxable income and ongoing tax planning strategies are considered and evaluated when assessing the need for a valuation allowance. Any increase or decrease in a valuation allowance could have a material adverse or beneficial impact on our income tax provision and net income in the period in which the determination is made.

We adopted the provisions of FASB Interpretation No. 48, "Accounting for Uncertainty in Income Taxes" ("FIN 48"), on October 1, 2007. FIN 48 contains a two-step approach to recognizing and measuring uncertain tax positions accounted for in accordance with SFAS No. 109, "Accounting for Income Taxes." The first step is to evaluate the tax position for recognition by determining if the weight of available evidence indicates that it is more likely than not that the position will be sustained upon audit, including resolutions of related appeals or litigation processes, if any. The second step is to measure the tax benefit as the largest amount that is more than 50% likely of being realized upon ultimate settlement. We reevaluate these uncertain tax positions on a quarterly basis. This evaluation is based on factors including, but not limited to, changes in facts or circumstances, changes in tax law, effectively settled issues under audit and new audit activity. Any change in these factors could result in the recognition of a tax benefit or an additional charge to the tax provision. FIN 48 also provides guidance on classification, interest and penalties, accounting in interim periods, disclosure and transition.

Stock-Based Compensation

The Company adopted the provisions of SFAS No. 123R, "Share Based Payment" (SFAS 123R), beginning October 3, 2005, using the modified prospective transition method. SFAS 123R requires the Company to measure the cost of employee services in exchange for an award of equity instruments based on the grant-date fair value of the award and to recognize cost over the requisite service period. Under the modified prospective transition method, financial statements for periods prior to the date of adoption are not adjusted for the change in accounting. However, compensation expense is recognized for (a) all share-based payments granted after the effective date under SFAS 123R, and (b) all awards granted under SFAS 123 to employees prior to the effective date that remain unvested on the effective date. The Company recognizes compensation expense on fixed awards with pro rata vesting on a straight-line basis over the vesting period.

Prior to October 3, 2005, the Company used the intrinsic value method to account for stock-based employee compensation under Accounting Principles Board Opinion No. 25, "Accounting for Stock Issued to Employees," and, therefore, the Company did not recognize compensation expense in association with options granted at or above the market price of the Company's common stock at the date of grant.

Refer to Note A to the consolidated financial statements for further discussion and analysis of the impact of adoption on our statement of operations.

Safe Harbor Statement

Certain statements contained herein constitute "forward-looking statements" as that term is defined under the Private Securities Litigation Reform Act of 1995 (the "Act") and releases issued by the SEC and within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934. The words "believe," "expect," "anticipate," "intend," "estimate" and other expressions which are predictions of or indicate future events and trends and which do not relate to historical matters identify forward-looking statements. Particularly, the Company's expectations regarding its business, operational results, future operational liquidity, contractual obligations and other commercial commitments, and capital requirements are forward-looking statements. Reliance should not be placed on forward-looking statements because they involve known and unknown risks, uncertainties and other factors, which may cause the actual results, performance or achievements of the Company to differ materially from anticipated future results, performance or achievements expressed or implied by such forward-looking statements. The Company undertakes no obligation to publicly update or revise any forward-looking statement, whether as a result of new information, future events or otherwise. Factors that could cause actual results to differ materially from those expressed or implied by such forward-looking statements include, but are not limited to, the actions of competitors, the acceptance of our products in their respective markets, and those other risks and uncertainties contained in Item 1A in Part I of this Annual Report on Form 10-K entitled "Risk Factors".

Item 7A. Quantitative and Qualitative Disclosures About Market Risk.

We have cash equivalents and marketable securities that primarily consist of money market accounts and fixed-rate, asset-backed corporate securities. The majority of these investments have maturities within one to five years. We believe that our exposure to interest rate risk is minimal due to the term and type of our investments and that the fluctuations in interest rates would not have a material adverse effect on our results of operations.

We have international subsidiaries in Canada, the United Kingdom, the Netherlands, France, Germany, Austria, Australia, and New Zealand. These subsidiaries transact business in their functional or local currency. Therefore, we are exposed to foreign currency exchange risks and fluctuations in foreign currencies, along with economic and political instability in the foreign countries in which we operate, all of which could adversely impact our results of operations and financial condition.

We use foreign currency forward contracts to manage our currency transaction exposures. These currency forward contracts are not designated as cash flow, fair value or net investment hedges under SFAS No. 133, "Accounting for Derivative Instruments and Hedging Activities," ("SFAS 133") and therefore, are marked-to-market with changes in fair value recorded to earnings. These derivative instruments do not subject our earnings or cash flows to material risk since gains and losses on those derivatives generally offset losses and gains on the assets and liabilities being hedged.

We had one forward exchange contract outstanding serving as a hedge of our Euro intercompany receivables in the notional amount of approximately 7 million Euros at September 28, 2008. The contract serves as a hedge of a substantial portion of our Euro-denominated intercompany balances. The fair value of this contract at September 28, 2008 was approximately $10.2 million, resulting in an unrealized gain of $762,000. A sensitivity analysis of a change in the fair value of the Euro derivative foreign exchange contract outstanding at September 28, 2008 indicates that, if the U.S. dollar weakened by 10% against the Euro, the fair value of this contract would decrease by approximately $1 million resulting in a total loss on the contract of approximately $261,000. Conversely, if the U.S. dollar strengthened by 10% against the Euro, the fair value of this contract would increase by approximately $930,000 resulting in a total gain on the contract approximately of $1.7 million. Any gains and losses on the fair value of the derivative contract would be largely offset by losses and gains on the underlying transaction. These offsetting gains and losses are not reflected in the analysis below.

Intercompany Receivable Hedge
Exchange Rate Sensitivity: September 28, 2008

	Expected Maturity Dates for fiscal year							
	2009	2010	2011	2012	2013	Thereafter	Total	Unrealized Gain
Forward Exchange Agreements (Receive $/Pay Euro)								
Contract Amount	$10,991,000						$10,991,000	$762,000
Average Contract Exchange Rate	1.5701	—	—	—	—	—	1.5701	

As of September 28, 2008, we had contracts outstanding to serve as a hedge of our forecasted sales to our subsidiaries totaling approximately $3.9 million, all maturing in less than twelve months. Because these derivatives did not qualify for hedge accounting in accordance with SFAS 133, the Company subsequently entered into offsetting derivatives totaling $3.9 million. All of the contracts have been marked to market with changes in fair value recorded to earnings. As of September 28, 2008, the net settlement amount on these contracts was an unrealized loss of approximately $29,000. The Company believes there is no further exposure under these contracts as they effectively offset each other. A sensitivity analysis of a change in the fair value of the derivative foreign exchange contracts outstanding at September 28, 2008 indicates that, if the U.S. dollar weakened by 10% against the foreign currencies, the fair value of these contracts would decrease by approximately $30,000, resulting in a total loss on the contracts of approximately $59,000. Conversely, if the U.S. dollar strengthened by 10% against the foreign currencies, the fair value of these contracts would increase by $27,000, resulting in a total loss on the contracts of approximately $2,000. Any gains and losses on the fair value of the derivative contract would be partially offset by losses and gains on the underlying transaction. These offsetting gains and losses are not reflected in the analysis below.

Forecasted Sales Hedge
Exchange Rate Sensitivity: September 28, 2008
(Amounts in $)

	Expected Maturity Dates for fiscal year							Unrealized (Gain)/
	2009	2010	2011	2012	2013	Thereafter	Total	Loss
Forward Exchange Agreements (Receive $/Pay Euro) Contract Amount	$1,429,000						$1,429,000	$ 32,000
Average Contract Exchange Rate	1.4294	—	—	—	—	—	1.4294	
Forward Exchange Agreements (Receive $/Pay GBP) Contract Amount	$1,012,000						$1,012,000	$(91,000)
Average Contract Exchange Rate	2.0235	—	—	—	—	—	2.0235	
Forward Exchange Agreements (Receive $/Pay AUD) Contract Amount	$ 434,000						$ 434,000	$(18,000)
Average Contract Exchange Rate	0.8675	—	—	—	—	—	0.8675	
Forward Exchange Agreements (Receive $/Pay CAD) Contract Amount	$1,007,000						$1,007,000	$(38,000)
Average Contract Exchange Rate	0.9935	—	—	—	—	—	0.9935	
Forward Exchange Agreements (Receive Euro/Pay $) Contract Amount	$1,471,000						$1,471,000	$ 10,000
Average Contract Exchange Rate	1.4710	—	—	—	—	—	1.4710	
Forward Exchange Agreements (Receive GPB/Pay $ Contract Amount	$1,013,000						$1,013,000	$ 92,000
Average Contract Exchange Rate	2.0260	—	—	—	—	—	2.0260	
Forward Exchange Agreements (Receive AUD/Pay $) Contract Amount	$ 433,000						$ 433,000	$ 17,000
Average Contract Exchange Rate	0.8659	—	—	—	—	—	0.8659	
Forward Exchange Agreements (Receive CAD/Pay $) Contract Amount	$ 994,000						$ 994,000	$ 25,000
Average Contract Exchange Rate	0.9932	—	—	—	—	—	0.9932	

Item 8. Financial Statements and Supplementary Data.

ZOLL MEDICAL CORPORATION

FINANCIAL STATEMENT INDEX

Report of Independent Registered Public Accounting Firm

Board of Directors and Stockholders
ZOLL Medical Corporation
Chelmsford, Massachusetts

We have audited the accompanying consolidated balance sheet of ZOLL Medical Corporation as of September 28, 2008 and the related consolidated statements of income, stockholders' equity and comprehensive income, and cash flows for the year then ended. In connection with our audit of the financial statements, we have also audited the financial statement schedule listed in the Index at Item 15(a)(2) for the year ended September 28, 2008. These financial statements and schedule are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements and schedule based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements and schedule. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of ZOLL Medical Corporation at September 28, 2008, and the results of its operations and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note I to the consolidated financial statements, effective October 1, 2007, the Company adopted FASB Interpretation No. 48, *Accounting for Uncertainty in Income Taxes—an interpretation of FASB No. 109.*

Also, in our opinion, the financial statement schedule, when considered in relation to the basic consolidated financial statements taken as a whole, presents fairly, in all material respects, the information set forth therein for the year ended September 28, 2008.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), ZOLL Medical Corporation's internal control over financial reporting as of September 28, 2008, based on criteria established in *Internal Control—Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) and our report dated December 5, 2008, expressed an unqualified opinion thereon.

/s/ BDO Seidman, LLP

Boston, Massachusetts
December 5, 2008

Report of Independent Registered Public Accounting Firm

The Board of Directors and Shareholders of ZOLL Medical Corporation

We have audited the accompanying consolidated balance sheet of ZOLL Medical Corporation as of September 30, 2007 and related consolidated statements of income, stockholders' equity and comprehensive income, and cash flows for each of the two years in the period ended September 30, 2007. Our audits also included the financial statement schedule listed in the Index at Item 15 (a) (2) for the two years ended September 30, 2007. These financial statements and schedule are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements and schedule based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of ZOLL Medical Corporation at September 30, 2007, and the consolidated results of its operations and its cash flows for each of the two years in the period ended September 30, 2007, in conformity with U.S. generally accepted accounting principles. Also, in our opinion, the related financial statement schedule for the two years ended September 30, 2007, when considered in relation to the basic financial statements taken as a whole, presents fairly in all material respects the information set forth therein.

/s/ ERNST & YOUNG LLP

December 12, 2007
Boston, Massachusetts

ZOLL Medical Corporation

Consolidated Balance Sheets

(000's omitted, except per share amounts)	Sept. 28, 2008	Sept. 30, 2007
Assets		
Current assets:		
Cash and cash equivalents	$ 36,675	$ 37,631
Marketable securities	32,597	19,767
Accounts receivable, less allowances of $6,229 and $8,438 at September 28, 2008 and September 30, 2007, respectively	84,423	78,086
Inventories:		
Raw materials	24,682	22,500
Work-in-process	6,568	5,783
Finished goods	29,773	29,646
	61,023	57,929
Prepaid expenses and other current assets	12,313	11,809
Total current assets	227,031	205,222
Property and equipment at cost:		
Land, building and improvements	1,271	1,184
Machinery and equipment	79,101	66,705
Construction in progress	1,569	2,388
Tooling	16,463	15,255
Furniture and fixtures	3,957	3,813
Leasehold improvements	5,372	5,357
	107,733	94,702
Less accumulated depreciation and amortization	73,779	62,198
Net property and equipment	33,954	32,504
Investments	1,310	1,310
Notes receivable	3,581	2,025
Long-term marketable securities	1,772	—
Goodwill	42,146	37,414
Patents and developed technology, net	20,951	22,591
Deferred tax asset	—	990
Intangibles and other assets, net	15,275	13,793
	$346,020	$315,849
Liabilities and Stockholders' Equity		
Current liabilities:		
Accounts payable	$ 17,539	$ 21,860
Deferred revenue	25,771	25,549
Accrued expenses and other liabilities	31,931	32,654
Total current liabilities	75,241	80,063
Non-Current liabilities:		
Other long-term liabilities	2,921	—
Total liabilities	78,162	80,063
Commitments and contingencies (Note J and Note O)		
Stockholders' equity:		
Preferred stock, $0.01 par value, authorized 1,000 shares, none issued or outstanding	—	—
Common stock, $0.01 par value, authorized 38,000 shares, 21,018 and 20,438 issued and outstanding at September 28, 2008 and September 30, 2007, respectively	210	204
Capital in excess of par value	155,547	145,471
Accumulated other comprehensive loss	(7,593)	(6,516)
Retained earnings	119,694	96,627
Total stockholders' equity	267,858	235,786
	$346,020	$315,849

See accompanying notes, which are an integral part of the consolidated financial statements.

ZOLL Medical Corporation

Consolidated Income Statements

(000's omitted, except per share data)	YEAR ENDED Sept. 28, 2008	Sept. 30, 2007	Oct. 1, 2006
Net sales	$398,018	$309,451	$255,633
Cost of goods sold	187,330	140,664	116,399
Gross profit	210,688	168,787	139,234
Expenses:			
Selling and marketing	111,835	91,855	78,366
General and administrative	30,681	26,203	22,417
Research and development	32,398	28,686	23,394
Total expenses	174,914	146,744	124,177
Income from operations	35,774	22,043	15,057
Investment and other (expense) income	(258)	3,591	2,082
Income before income taxes	35,516	25,634	17,139
Provision for income taxes	12,075	8,972	5,999
Net income	$ 23,441	$ 16,662	$ 11,140
Basic earnings per common share	$ 1.12	$ 0.82	$ 0.58
Weighted average common shares outstanding	20,862	20,208	19,286
Diluted earnings per common and common equivalent share	$ 1.10	$ 0.81	$ 0.57
Weighted average common and common equivalent shares outstanding	21,304	20,678	19,442

See accompanying notes, which are an integral part of the consolidated financial statements.

ZOLL Medical Corporation

Consolidated Statements of Stockholders' Equity and Comprehensive Income

(000's omitted)	Common Shares	Amount	Capital in Excess of Par Value	Accumulated Other Comprehensive Income (Loss)	Retained Earnings	Total Stockholders' Equity
Balance at October 2, 2005	9,599	$192	$115,515	$(3,104)	$ 68,825	$181,428
Stock issuance for prior year acquisition	24		1,344			1,344
Exercise of stock options	61	1	1,405			1,406
Stock-based compensation			715			715
Excess tax benefit realized upon exercise of stock options			283			283
Comprehensive income:						
Net income					11,140	11,140
Unrealized gain on available-for-sale securities				90		90
Cumulative foreign currency translation adjustment				(760)		(760)
Total comprehensive income						10,470
Balance at October 1, 2006	9,684	193	119,262	(3,774)	79,965	195,646
Two-for-one stock split	9,953					
Stock issuance for prior year acquisition	72	1	5,631			5,632
Exercise of stock options	720	10	14,439			14,449
Issuance of restricted stock	10					
Stock-based compensation			1,661			1,661
Cancellation of restricted stock	(1)		(21)			(21)
Excess tax benefit realized upon exercise of stock options			4,499			4,499
Comprehensive income:						
Net income					16,662	16,662
Unrealized loss on available-for-sale securities				(17)		(17)
Cumulative foreign currency translation adjustment				(2,725)		(2,725)
Total comprehensive income						13,920
Balance at September 30, 2007	20,438	204	145,471	(6,516)	96,627	235,786
Stock issuance for prior year acquisition	221	3	101			104
Exercise of stock options	349	3	5,460			5,463
Issuance of restricted stock	12					
Stock-based compensation			2,701			2,701
Cancellation of restricted stock	(2)		(59)			(59)
Excess tax benefit realized upon exercise of stock options			1,873			1,873
Cumulative effect of adoption of FIN 48					(374)	(374)
Comprehensive income:						
Net income					23,441	23,441
Unrealized loss on available-for-sale securities				(267)		(267)
Cumulative foreign currency translation adjustment				(810)		(810)
Total comprehensive income						22,364
Balance at September 28, 2008	21,018	$210	$155,547	$(7,593)	$119,694	$267,858

See accompanying notes, which are an integral part of the consolidated financial statements.

ZOLL Medical Corporation

Consolidated Statements of Cash Flows

(000's omitted)	YEAR ENDED Sept. 28, 2008	Sept. 30, 2007	Oct. 1, 2006
Operating Activities:			
Net income	$ 23,441	$ 16,662	$ 11,140
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	16,857	13,923	12,286
Stock-based compensation expense	2,701	1,661	715
Net realized gain (loss) on sale of marketable securities	(53)	(21)	90
Provision for warranty expense	1,465	1,178	1,347
Deferred income taxes	3,362	(142)	2,153
Changes in current assets and liabilities, net of effect of acquisitions:			
Accounts receivable	(6,537)	(17,368)	(10,164)
Inventories	(4,133)	(25,561)	453
Prepaid expenses and other current assets	223	(2,785)	(1,054)
Accounts payable and accrued expenses	(1,948)	18,120	11,501
Net cash provided by operating activities	**35,378**	**5,667**	**28,467**
Investing Activities:			
Additions to property and equipment	(14,969)	(14,548)	(10,521)
Purchases of marketable securities	(68,215)	(27,754)	(36,561)
Proceeds from sales and maturities of marketable securities	53,272	28,535	30,566
Equity investments in private companies	—	—	(60)
Payments for acquisitions, net of cash acquired	—	(12,790)	(5,055)
Milestone payment related to prior year acquisitions	(6,816)	(1,709)	(1,327)
Amounts advanced to Lifecor under a line of credit	—	—	(645)
Other assets, net	(5,860)	(2,887)	(361)
Net cash used in investing activities	**(42,588)**	**(31,153)**	**(23,964)**
Financing Activities:			
Exercise of stock options	5,463	14,449	1,406
Excess tax benefit from the exercise of stock options	1,873	4,499	283
Net cash provided by financing activities	**7,336**	**18,948**	**1,689**
Effect of exchange rates on cash and cash equivalents	**(1,082)**	**1,338**	**369**
Net increase/(decrease) in cash and cash equivalents	**(956)**	**(5,200)**	**6,561**
Cash and cash equivalents at beginning of year	**37,631**	**42,831**	**36,270**
Cash and cash equivalents at end of year	**$ 36,675**	**$ 37,631**	**$ 42,831**
Supplemental disclosures of cash flow information:			
Cash paid during the year:			
Income taxes	$ 9,212	$ 6,218	$ 2,576
Non-cash activity during the year:			
Common stock issued at fair value for acquisition of Revivant	$ 104	$ 5,632	$ 1,344
Earnout accrual for acquisition of Revivant	$ —	$ 3,635	$ 1,187
Conversion of investment for Lifecor asset acquisition	$ —	$ —	$ 4,798
Earnout accrual for Lifecor asset acquisition	$ 4,765	$ 3,170	$ 2,587

See accompanying notes, which are an integral part of the consolidated financial statements.

Note A-Significant Accounting Policies

Description of Business: ZOLL Medical Corporation ("the Company") designs, manufactures, markets and/or sells non-invasive resuscitation devices and related software solutions. With products for pacing, defibrillation, circulation, ventilation, and fluid resuscitation, the Company provides a comprehensive set of technologies that help clinicians, EMS professionals, and lay rescuers resuscitate sudden cardiac arrest or trauma victims. The Company also designs and markets software that automates the documentation and management of both clinical and non-clinical information.

Principles of Consolidation: The consolidated financial statements include the accounts of the Company and its wholly owned subsidiaries. All significant intercompany accounts and transactions have been eliminated. The Company considers the principles of Financial Accounting Standards Board (FASB) Interpretation (FIN) No. 46, *Consolidation of Variable Interest Entities* and Accounting Research Bulletin No. 51, *Consolidation of Financial Statements* when determining whether an entity is subject to consolidation. The Company accounts for investments in companies over which it has the ability to exercise significant influence under the equity method if the Company holds 50 percent or less of the voting stock.

Reclassification: Certain amounts in prior year financial statements have been reclassified to conform to the current year presentation with no impact on net income or earnings per share.

Fiscal Year: The Company's fiscal year ends on the Sunday closest to September 30. The years ended September 28, 2008, September 30, 2007 and October 1, 2006 all included 52 weeks.

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

Cash and Cash Equivalents: The Company considers all highly liquid instruments with an original maturity of three months or less to be cash equivalents. Substantially all cash and cash equivalents are invested in a money market investment account. These amounts are stated at cost, which approximates market value.

Marketable Securities: The Company accounts for marketable securities in accordance with SFAS No. 115, "*Accounting for Certain Investments in Debt and Equity Securities.*" ("SFAS 115") SFAS 115 establishes the accounting and reporting requirements for all debt securities and for investments in equity securities that have readily determinable fair values. All marketable securities must be classified as one of the following: held-to-maturity, available-for-sale, or trading. The Company classifies its marketable securities as available-for-sale and, as such, carries the investments at fair value, with unrealized holding gains and losses reported in stockholders' equity as a separate component of accumulated other comprehensive income (loss). The cost of securities sold is determined based on the specific identification method. Realized gains and losses, and declines in value judged to be other than temporary, are included in investment income.

Concentration of Risk: The Company sells its products primarily to hospitals, emergency care providers, the U.S. military and university teaching hospitals. Collateral is generally not required. With the introduction of the AED Plus product, the Company has established distribution agreements with approximately 400 distributors to distribute this product to non-professional users, including in no particular order, schools, corporations, health clubs, and other public and non-public entities. The Company performs periodic credit evaluations of its customers' financial condition. Total sales to various branches of the U.S. military were approximately $18 million in 2008, $12 million in 2007, and $20 million in 2006. No single customer accounted for more than 10% of the Company's total net sales or accounts receivable in any of the periods presented.

In addition, the Company sells its products to the international market to both end users and distributors. Although the Company does not foresee a material credit risk associated with international receivables to either end users or distributors, repayment is dependent upon the financial stability of the customers to which it sells. In order to mitigate the risk of loss in geographical areas with historical credit risks, in some cases the Company requires letters of credit from its foreign customers. Foreign sales accounted for 29%, 28% and 27% of the Company's net sales in 2008, 2007 and 2006, respectively. The percent of foreign sales to distributors was approximately 41% in 2008, 37% in 2007 and 38% in 2006. No single distributor or end-user customer accounts for a significant portion of the Company's international sales or accounts receivable. No individual foreign country represented a significant portion of the Company's sales or accounts receivable.

The Company maintains reserves for potential trade receivable credit losses, and such losses historically have been within management's expectations. These reserves are charged to bad debt expense when established. Specifically identified reserves are charged to selling and marketing expenses. Provisions for general reserves are charged to general and administrative expenses. The Company determines the adequacy of this allowance by regularly reviewing the aging of its accounts receivable and evaluating individual customer receivables, considering customers' financial condition, historical experience, credit history and current economic condition.

Financial Instruments: Management estimates the fair value of the Company's financial instruments, which include cash and cash equivalents, marketable securities, accounts receivable, notes receivable and accounts payable based on assumptions concerning the amount and timing of estimated future cash flows and assumed discount rates reflecting varying degrees of perceived risk. The carrying value of these financial instruments approximated their fair value at September 28, 2008 and September 30, 2007, respectively, due to the short-term nature of these instruments.

The Company may utilize foreign currency forward contracts to reduce its exposure to foreign currency risk due to fluctuations in exchange rates underlying the value of intercompany accounts receivable denominated in foreign currencies and forecasted foreign currency denominated sales to subsidiaries. The Company accounts for all derivative financial instruments (foreign currency forward contracts) in accordance with SFAS No. 133, "*Accounting for Derivative Instruments and Hedging Activities*". Changes in the fair value of derivative instruments are recorded in earnings unless hedge accounting criteria are met. For derivative instruments designated as fair value hedges, the changes in fair value of both the derivative instrument and the hedged item are recorded in earnings. For derivative instruments designed as cash flow and net investment hedges, the effective portions of changes in the fair value of the derivative are recorded in other comprehensive income ("OCI"), and the ineffective portions are recognized in earnings. To date, the ineffective portions of changes in the fair value of derivatives have not been material.

Inventories: Inventories, principally purchased parts, are valued at the lower of first-in, first-out ("FIFO") cost or market. Market is determined by the replacement value for raw materials and net realizable value, after allowance for estimated costs of completion and disposal, for work-in-process and finished goods. At September 28, 2008 and September 30, 2007, our inventory was recorded at net realizable value requiring adjustments of $5.8 million, or 8.7% of our $66.8 million gross inventories in fiscal 2008, and $7.4 million, or 11.3% of our $65.3 million gross inventories in fiscal 2007.

Intangible Assets: Patents are stated at cost and amortized using the straight-line method over their expected lives. Prepaid license fees are amortized over the term of the related contract, once commercialization of the related product begins.

In accordance with SFAS No. 142, "*Goodwill and Other Intangible Assets*," the Company tests its goodwill for impairment at least annually by comparing the fair value of the reporting units to the carrying value of those

reporting units. Fair value is determined based on an estimate of the discounted future cash flows expected from the reporting units. The determination of fair value requires significant judgment on the part of management about future revenues, expenses and other assumptions that contribute to the net cash flows of the reporting units. Additionally, the Company periodically reviews its goodwill for impairment whenever events or changes in circumstances indicate that an impairment indicator has occurred. Since many of the intangibles relate to new technologies, recoverability of these assets depends on market penetration.

Property and Equipment: Property and equipment are stated at cost. In general, depreciation is computed on a straight-line basis over the estimated economic useful lives of the assets (40 years for buildings, three to ten years for machinery and equipment and five years for tooling, furniture, fixtures, and software). Leasehold improvements are amortized over the shorter of the useful life or the life of the related lease. Depreciation and amortization expense totaled $12,873,000, $10,633,000 and $9,996,000 in fiscal 2008, 2007, and 2006, respectively. Repair and maintenance costs are expensed as incurred.

Long-lived Assets: The Company reviews long-lived assets at least annually to determine if any adverse conditions exist that would indicate impairment. Conditions that would trigger an impairment assessment include, but are not limited to, a significant adverse change in legal factors or business climate that could affect the value of an asset or an adverse action or assessment by a regulator. If the carrying amount of an asset exceeds the sum of its undiscounted cash flows, the carrying value is written down to fair value in the period identified. Fair value is calculated as the present value of estimated future cash flows using a risk-adjusted discount rate.

Investments: Investments in those entities where the Company owns less than twenty percent of the voting stock of the individual entity and does not exercise significant influence over operating and financial policies of the entity are accounted for using the cost method. Investments in those entities where the Company owns twenty percent or more but not in excess of fifty percent of the voting stock of the individual entity or less than twenty percent and exercises significant influence over operating and financial policies of the entity are accounted for using the equity method. As of September 28, 2008 and September 30, 2007, the Company's investments were in companies that are not publicly traded and, therefore, no established market for their securities exists. The Company has a policy in place to review its investments on a regular basis to evaluate the carrying value of the investments in these companies. The fair value of a cost method investment is not estimated if there are no identified events or changes in circumstance that may have a significant adverse affect on the fair value of the investment. If the Company believes that the carrying value of an investment is in excess of estimated fair value, it is the Company's policy to record an impairment charge to adjust the carrying value to estimated fair value, if the impairment is deemed other-than-temporary.

As of September 28, 2008 and September 30, 2007, the Company had investments in privately held companies of $1.3 million.

Notes Receivable, Long-term: The Company has notes receivable with outstanding balances aggregating $3.6 million and $2.0 million at September 28, 2008 and September 30, 2007, respectively, from customers to whom extended payment terms have been granted. The notes range in length from 15 months to 5 years and earn interest at a fixed rate. The range of interest rates on the notes is 6.0% to 8.0%. Included in accounts receivable, current are the current portions of the notes receivable due within one year totaling $4.3 million and $919,000 at September 28, 2008 and September 30, 2007, respectively.

Income Taxes: The Company uses the asset and liability method of accounting for deferred income taxes. The provision for income taxes includes income taxes currently payable and those deferred as a result of temporary differences between the financial statement and tax bases of assets and liabilities. A valuation allowance is provided to reduce deferred tax assets to the amount of future tax benefit when it is more likely than not that some portion of the deferred tax assets will not be realized. Projected future taxable income and ongoing tax planning strategies are considered and evaluated when assessing the need for a valuation allowance. Any increase or decrease in a valuation allowance could have a material adverse or beneficial impact on the Company's income tax provision and net income in the period in which the determination is made.

The Company adopted the provisions of FASB Interpretation No. 48, "Accounting for Uncertainty in Income Taxes" ("FIN 48"), on October 1, 2007. FIN 48 contains a two-step approach to recognizing and measuring uncertain tax positions accounted for in accordance with SFAS No. 109, "Accounting for Income Taxes." The first step is to evaluate the tax position for recognition by determining if the weight of available evidence indicates that it is more likely than not that the position will be sustained upon audit, including resolutions of related appeals or litigation processes, if any. The second step is to measure the tax benefit as the largest amount that is more than 50% likely of being realized upon ultimate settlement. The Company reevaluates these uncertain tax positions on a quarterly basis. This evaluation is based on factors including, but not limited to, changes in facts or circumstances, changes in tax law, effectively settled issues under audit and new audit activity. Any change in these factors could result in the recognition of a tax benefit or an additional charge to the tax provision. FIN 48 also provides guidance on classification, interest and penalties, accounting in interim periods, disclosure and transition.

Revenue Recognition: Revenues from sales of cardiac resuscitation devices, disposable electrodes and accessories are recognized when a signed non-cancelable purchase order exists, the product is shipped, title and risk have passed to the customer, the fee is fixed or determinable, and collection is considered probable. Circumstances that generally preclude the immediate recognition of revenue include shipping terms of FOB destination or the existence of a customer acceptance clause in a contract based upon customer inspection of the product. In these instances, revenue is deferred until adequate documentation is obtained to ensure that these criteria have been fulfilled. Similarly, revenues from the sales of our products to distributors fall under the same guidelines. For all significant orders placed by our distributors, we require an approved purchase order, we perform a credit review, and we ensure that the terms on the purchase order or contract are proper and do not include any contingencies which preclude revenue recognition. We do not typically offer any special right of return, stock rotation or price protection to our distributors or end customers.

Our sales to customers often include a cardiac resuscitation device, disposable electrodes and other accessories. For the vast majority of our shipments, all deliverables are shipped together. In cases where some elements of a multiple element arrangement are not delivered as of a reporting date, we defer the fair value of the undelivered elements and only recognize the revenue related to the delivered elements in accordance with Emerging Issues Task Force (EITF) 00-21, "*Revenue Arrangements with Multiple Deliverables.*" Revenues are recorded net of estimated returns. Some sales to customers of our cardiac resuscitation devices may include some data collection software. The cardiac resuscitation device and software product can operate independently of each other and one does not affect the functionality of the other. In cases where both elements are included in a customer's order but only one has been delivered by the reporting date, we defer the fair value of the undelivered element and recognize the revenue related to the delivered item in accordance with EITF 03-05, "*Applicability of AICPA Statement of Position 97-2, Software Revenue Recognition to Non-Software Deliverables in an Arrangement Containing More-Than-Incidental Software*" and EITF 00-21.

We also license software under non-cancelable license agreements and provide services including training, installation, consulting and maintenance, which consists of product support services, and unspecified upgrade rights (collectively, post-contract customer support ("PCS")). Revenue from the sale of software is recognized in accordance with the American Institute of Certified Public Accountants ("AICPA") Statement of Position ("SOP") 97-2, "*Software Revenue Recognition*," as amended. License fee revenues are recognized when a non-cancelable license agreement has been signed, the software product has been delivered, there are no uncertainties surrounding product acceptance, the fees are fixed and determinable, and collection is considered probable. Revenues from maintenance agreements and upgrade rights are recognized ratably over the period of service. Revenue for services, such as software deployment and consulting, is recognized when the service is performed. Our software arrangements contain multiple elements, which include software products, services and PCS. Generally, we do not sell computer hardware products with our software products. We will occasionally facilitate the hardware purchase by providing information to the customer such as where to purchase the equipment. We generally do not have vendor-specific objective evidence of fair value for our software products. We do, however, have vendor-specific objective evidence of fair value for items such as consulting and technical services, deployment and PCS based upon the price charged when such items are sold separately. Accordingly, for transactions where vendor-specific objective evidence exists for undelivered elements but not for delivered elements, we use the residual method as discussed in SOP 98-9, "Modification of SOP 97-2." Under the residual method, the total fair value of the undelivered elements, as indicated by vendor-specific objective evidence, is deferred and the difference between the total arrangement fee and the amount deferred for the undelivered elements is recognized as revenue related to the delivered elements.

We do not typically ship any of our software products to distributors or resellers. Our software products are sold by our sales force directly to the end user. We may sell software to system integrators who provide complete solutions to end users on a contract basis. In each of the years in the three-year period ended September 28, 2008, software revenue did not exceed 10% of our total revenues.

In fiscal 2007, the Company was awarded a contract of approximately $11.6 million with a contractor hired by the State of California to supply defibrillators and accessories. The contract also includes preventative maintenance and storage services for certain defibrillators and accessories over a five-year period. Based on the award, the Company shipped the defibrillators and accessories ("equipment") in three installments over the course of four months beginning in the fourth quarter of fiscal 2007 and ending in the first quarter of fiscal 2008. At the request of the State, the equipment was shipped to three warehouse locations within California in order to provide for rapid deployment in the case of an emergency. Two of the warehouses are facilities leased by the Company. Due to the life support function of the equipment and the requirement that they be deployed at a moment's notice to sustain life in the event of an emergency, it is important that they are stored in an appropriate condition and location. As a result, the State requested that we make arrangements to store and maintain certain of the equipment to ensure it performs its life support function when deployed. Individuals with the requisite background, skills and credentials store and maintain the products. The preventative maintenance services include preventative maintenance on the defibrillator units as well as battery and electrode replacement upon expiration of their shelf life within the five year period of the contract.

Although the Company delivered the first two installments of the equipment during the fourth quarter of the fiscal year ended September 30, 2007, no revenue was recognized since objective and reliable evidence of fair value did not exist for all undelivered elements. The Company recognized revenue related to the delivered equipment in the first quarter of fiscal 2008 as it determined that objective and reliable evidence of fair value exists for all remaining undelivered elements, including maintenance, storage, insurance and accessories. The Company recognized approximately $8 million of revenue during the first quarter of fiscal 2008. The remaining amount of consideration is being recognized over a five-year period as the undelivered elements are delivered, of

which approximately $500,000 was recognized during the remainder of fiscal 2008. As of September 28, 2008, the Company had approximately $3.2 million in deferred revenue related to this contract.

In fiscal 2005, we began performance under a "state of readiness" contract awarded by the U.S. government to supply defibrillators on short notice. Based on the award, we received two types of payments from the U.S. government. The first payment of approximately $5 million was to reimburse us for the cost to acquire inventories required to meet potentially short-notice delivery schedules. This payment is carried within 'Deferred revenue' on our balance sheet as a liability under government contract.

We also received a payment from the U.S. government to compensate us for managing the purchase, build, storage and inventory rotation process. This payment also compensated us for making future production capacity available. The portion of this payment associated with the purchase and build aspects of the contract was recognized on a percentage of completion basis while the portion of the payment for the storage, inventory rotation and facilities charge was recognized ratably over the contract period.

This government contract is for a one-year term, and the U.S. government has four one-year extension options that require the payment of additional fees to us if exercised (the contract is currently in its fourth and final extension). These fees are for the storage, inventory rotation and facilities charge and are recognized ratably over the contract period. The U.S. government has two options to acquire defibrillators under this contract. They may buy on a replenishment basis, which means we will record a sale under our normal U.S. government price list and maintain our "state of readiness", or they may buy on a non-replenishment basis, which will still allow us to obtain normal margins but will reduce our future obligations under this arrangement.

For those markets for which we sell separately priced extended warranties, revenue is deferred and recognized over the applicable warranty period, based upon the fair value of the contract.

Advertising Costs: Advertising costs are expensed as incurred and totaled $2,679,000, $2,495,000, and $2,082,000 in 2008, 2007, and 2006, respectively.

Shipping & Handling Costs: Shipping and handling costs are recorded in Costs of Goods Sold and totaled $8,440,000, $6,599,000, and $4,883,000 in 2008, 2007, and 2006, respectively.

Product Warranty: Expected future product warranty costs, included in accrued expenses and other liabilities, are recognized at the time of sale for all products covered under warranty. Warranty periods usually range from one to five years. The Company estimates its warranty reserve requirement based upon the number of units remaining under warranty and the historical per unit repair costs and return rates, and specific known warranty issues.

Product warranty activity for fiscal 2008, 2007, and 2006 is as follows:

(000's omitted)	Beginning Balance	Accruals for Warranties Issued During the Period	Decrease to Preexisting Warranties	Ending Balance
September 28, 2008	$3,328	$1,465	$1,060	$3,733
September 30, 2007	$3,614	$1,178	$1,464	$3,328
October 1, 2006	$3,263	$1,347	$ 996	$3,614

Research and Development Expenses: The Company evaluates whether to capitalize or expense software development costs in accordance with SFAS No. 86, "*Accounting for the Costs of Computer Software to be Sold, Leased, or Otherwise Marketed.*" The Company sells products in a market that is subject to rapid technological change, new product development and changing customer needs; accordingly, the Company has concluded that technological feasibility is not established until the development stage of the product is nearly complete. The Company defines technological feasibility as the completion of a working model. The time period during which costs could be capitalized from the point of reaching technological feasibility until the time of general product release, is very short and, consequently, the amounts that could be capitalized are not material to the Company's financial position or results of operations. For products other than software products, research and development costs are expensed as incurred.

Foreign Currency: The functional currency for each of the Company's subsidiaries is each country's local currency. All assets and liabilities are translated into U.S. dollar equivalents at the exchange rate in effect on the balance sheet date. Revenues and expenses are translated at the average exchange rates for the year. Translation gains or losses are recorded in stockholders' equity as an element of accumulated other comprehensive income. The Company also incurs transactional gains and losses resulting from transactions denominated in foreign currencies and the translation of intercompany balances. Such items are recorded as other (expense) income in the consolidated income statement and totaled approximately ($2,078,000), $785,000, and $9,000 in 2008, 2007, and 2006, respectively.

Stock-Based Compensation: The Company adopted the provisions of SFAS No. 123R, "*Share-Based Payment*" ("SFAS 123R"), beginning October 3, 2005, using the modified prospective transition method. SFAS 123R requires the Company to measure the cost of employee services in exchange for an award of equity instruments based on the grant-date fair value of the award and to recognize cost over the requisite service period. Under the modified prospective transition method, financial statements for periods prior to the date of adoption are not adjusted for the change in accounting. However, compensation expense is recognized for (a) all share-based payments granted after the effective date under SFAS 123R, and (b) all awards granted under SFAS 123 to employees prior to the effective date that remain unvested on the effective date. The Company recognizes compensation expense on fixed awards with pro rata vesting on a straight-line basis over the vesting period.

Prior to October 3, 2005, the Company used the intrinsic value method to account for stock-based employee compensation under Accounting Principles Board Opinion No. 25, "*Accounting for Stock Issued to Employees*," and therefore the Company did not recognize compensation expense in association with options granted at or above the market price of the Company's Common Stock at the date of grant.

On July 22, 2005, the Company accelerated the vesting of the Company's outstanding stock options with an exercise price greater than the closing price of the Company's common stock on that date ($13.31). The Company accelerated the vesting to reduce the effects of the adoption of SFAS 123R, which requires companies to recognize stock-based compensation associated with stock options based on the fair value method. Had the Company not taken this action, $3.6 million of stock-based compensation charges would have been recorded in the statement of operations through fiscal 2008 (approximately $2 million in fiscal 2006; approximately $1 million in fiscal 2007; and approximately $600,000 in fiscal 2008).

Stock-based compensation charges during the twelve months ended September 28, 2008, September 30, 2007 and October 1, 2006 totaled approximately $2.7 million, $1.7 million and $715,000, respectively. The effect of recording stock-based compensation by line item for the fiscal years ended September 28, 2008, September 30, 2007 and October 1, 2006 was as follows:

(000's omitted)	2008	2007	2006
Cost of goods sold	$ 243	$ 123	$ 55
Selling and marketing expense	682	482	208
General and administrative expense	1,343	801	347
Research and development expense	433	255	105
Total stock-based compensation	$2,701	$1,661	$715

The fair value of each option grant is estimated on the date of the grant using the Black-Scholes option-pricing model with the following weighted average assumptions used for grants in 2008, 2007 and 2006:

	2008	2007	2006
Dividend yield	0%	0%	0%
Expected volatility	46.4%	46.8%	47.7%
Risk-free interest rate	3.15%	4.70%	4.52%
Expected lives (years)	5.99	6.25	6.25
Weighted-average fair value of options granted during the year	$11.83	$11.11	$6.20

Historical Company information was the primary basis for the expected volatility assumption. Fiscal year 2005 grants were calculated using historical volatility data over the options expected life (five years). The Company believes that the historical volatility over the life of the option (ten years) is more indicative of the options expected volatility in the future. Therefore, beginning in fiscal 2006, the Company's expected volatility is based upon historical volatility over a ten year period. Prior to December 31, 2007, the Company was unable to use historical information to estimate the expected lives and therefore used the "simplified" method as prescribed by the SEC's Staff Accounting Bulletin No. 107. The Company now believes that it has sufficient internal historical data to refine the expected term assumption. As such, expected life now is calculated based on the contractual term of each grant and takes into account the historical exercise and termination behavior of participants. Forfeiture rates used for executives and non-executives, based on historical information, ranged from 5% to 25%.

Earnings per Share: The shares used for calculating basic earnings per common share were the weighted average shares of common stock outstanding during the period and the shares used for calculating diluted earnings per common share were the weighted average shares of common stock outstanding during the period plus the dilutive effect of stock options.

(000's omitted)	2008	2007	2006
Average shares outstanding for basic earnings per share	20,862	20,208	19,286
Dilutive effect of stock options and restricted stock grants	442	470	156
Average shares outstanding for diluted earnings per share	21,304	20,678	19,442

Average shares outstanding for diluted earnings per share does not include options to purchase 388,050, 174,277 and 2,168,846 shares of common stock for the fiscal years 2008, 2007, and 2006, respectively, as their effect would have been antidilutive.

Comprehensive Income: The Company computes comprehensive income (loss) in accordance with SFAS No. 130, ("SFAS 130") "*Reporting Comprehensive Income.*" SFAS 130 establishes standards for the reporting and display of comprehensive income (loss) and its components in financial statements. Other comprehensive income (loss), as defined, includes all changes in equity during a period from non-owner sources, such as unrealized gains and losses on available-for-sale securities and foreign currency translation. Total comprehensive loss as of fiscal year-end 2008 and 2007 was as follows:

(000's omitted)	2008	2007
Unrealized gain/(loss) on available-for-sales securities	$ (277)	$ (10)
Cumulative foreign currency translation	(7,316)	(6,506)
Accumulated other comprehensive loss	$(7,593)	$(6,516)

Recent Accounting Pronouncements:

In April 2008, the FASB issued FSP No. FAS 142-3, "*Determination of the Useful Life of Intangible Assets.*" ("FSP No. 142-3") FSP No. 142-3 amends the factors that should be considered in developing renewal or extension assumptions used to determine the useful life of a recognized intangible asset under SFAS No. 142, "*Goodwill and Other Intangible Assets*" ("SFAS No. 142"). The objective of FSP No. 142-3 is to improve the consistency between the useful life of a recognized intangible asset under SFAS No. 142 and the period of expected cash flows used to measure the fair value of the asset under SFAS No. 141(revised 2007), "*Business Combinations,*" ("SFAS No. 141(R)"), and other U.S. GAAP. FSP No. 142-3 applies to all intangible assets, whether acquired in a business combination or otherwise, and shall be effective for financial statements issued for fiscal years beginning after December 15, 2008, and interim periods within those fiscal years and should be applied prospectively to intangible assets acquired after the effective date. Early adoption is prohibited. The Company is in the process of evaluating FSP No. 142-3 and does not expect it to have a significant impact on its consolidated financial statements.

In March 2008, the FASB issued SFAS No. 161, "*Disclosures about Derivative Instruments and Hedging Activities—an amendment of FASB Statement No. 133.*" ("SFAS 161") SFAS 161 requires entities that utilize derivative instruments to provide qualitative disclosures about their objectives and strategies for using such instruments, as well as any details of credit-risk-related contingent features contained within derivatives. SFAS 161 also requires entities to disclose additional information about the amounts and location of derivatives within the financial statements, how the provisions of SFAS 133 have been applied, and the impact that hedges have on an entity's financial position, financial performance and cash flows. SFAS 161 will be effective for fiscal years and interim periods beginning after November 15, 2008, with early application encouraged. The Company believes that this new pronouncement will have an immaterial impact on the Company's financial statements in future periods.

In December 2007, the FASB issued SFAS No. 160, "*Noncontrolling Interests in Consolidated Financial Statements—an amendment of ARB No. 51.*" ("SFAS 160") SFAS 160 establishes accounting and reporting standards for the noncontrolling interest in a subsidiary and for the deconsolidation of a subsidiary. The guidance will become effective as of the beginning of the Company's fiscal year beginning after December 15, 2008. The Company believes that this new pronouncement will have an immaterial impact on the Company's financial statements in future periods as they relate to transactions executed prior to adoption. With respect to potential transactions that may be executed subsequent to adoption, the accounting consequences could be materially different than under the current accounting rules.

In December 2007, the FASB issued SFAS No. 141 (R), "*Business Combinations.*" ("SFAS 141R") SFAS 141R establishes principles and requirements for how the acquirer of a business recognizes and measures in its

financial statements the identifiable assets acquired, the liabilities assumed, and any noncontrolling interest in the acquiree. SFAS 141R also provides guidance for recognizing and measuring the goodwill acquired in the business combination and determines what information to disclose to enable users of the financial statements to evaluate the nature and financial effects of the business combination. The guidance will become effective as of the beginning of the Company's fiscal year beginning after December 15, 2008. SFAS 141R will be adopted on a prospective basis for new acquisitions subsequent to the effective date. The Company is currently evaluating the impact that this new pronouncement may have on the Company's financial statements in future periods.

In February 2007, the FASB issued SFAS No. 159, "*The Fair Value Option for Financial Assets and Financial Liabilities—Including an Amendment of SFAS 115.*" ("SFAS 159") SFAS 159 provides entities with the option to measure financial instruments and certain other items at fair value. Unrealized gains and losses on items for which the fair value option has been elected are reported in earnings. SFAS 159 is effective with fiscal years beginning after November 15, 2007. The Company is currently evaluating the impact that the implementation of SFAS 159 may have on the Company's consolidated results and financial position.

In September 2006, the FASB issued SFAS 157. SFAS 157 defines fair value, establishes a framework for measuring fair value in accounting principles generally accepted in the United States and expands disclosures about fair value measurements. SFAS 157 applies under other accounting pronouncements that require or permit fair value measurements, the FASB having previously concluded in those accounting pronouncements that fair value is the relevant measurement attribute. Accordingly, SFAS 157 does not require any new fair value measurements. However, for some companies, the application of SFAS 157 will change current practice. Position 157-2, "*Effective Date of FASB Statement No. 157*," defers the effective date of SFAS 157 for one year for all nonfinancial assets and nonfinancial liabilities, except for those items that are recognized or disclosed at fair value in the financial statements on a recurring basis (at least annually). Therefore, the Company is required to adopt SFAS 157 on the first day of fiscal 2009 for financial assets and liabilities and nonfinancial assets and nonfinancial liabilities that are recognized or disclosed at fair value in the financial statements on a recurring basis. The Company is required to adopt SFAS 157 on the first day of fiscal 2010 for all other nonfinancial assets and nonfinancial liabilities. The Company is currently evaluating the impact that the implementation of SFAS 157 may have on the Company's consolidated results and financial position.

Note B-Marketable Securities

Investments in marketable securities are classified as available-for-sale at September 28, 2008 and September 30, 2007. Available-for-sale securities consist of mainly corporate obligations of $32.6 million and $19.8 million as of September 28, 2008 and September 30, 2007, respectively.

The securities are carried at fair value, with unrealized gains and losses reported in stockholders' equity as a separate component of accumulated other comprehensive income (loss). At September 28, 2008 and September 30, 2007, the investment portfolio had gross unrealized losses of $267,000 and $10,000, respectively. Net gains/(losses) reclassified from accumulated other comprehensive income to earnings were not material in 2008, 2007 and 2006. The Company realized gains of less than $5,000 and losses of $58,000 on sales of available-for-sale securities in 2008, gains of less than $1,000 and losses of $6,000 in 2007, and gains of $13,000 and losses of $5,000 in 2006. The market value of investments maturing in the next year is $17.3 million, $2.8 million matures within two to five years, $511,000 matures within 6 to 10 years, $5.5 million matures within 11 to 20 years, and $6.5 million has maturities greater than 20 years.

During fiscal 2008, the Company reclassified approximately $2 million of its marketable securities from current assets to non-current assets due to the recent illiquidity in the auction-rate securities market. The underlying assets of these investments are student loans which are backed by the federal government. During

fiscal 2008, auctions failed for the auction rate securities. As a result, the Company's ability to liquidate and fully recover the carrying value of the auction rate securities in the near term may be limited. An auction failure means that the parties wishing to sell the securities could not do so. The Company's auction rate securities are currently rated AAA. The Company recorded a $100,000 impairment charge on these securities based on valuation models. Subsequently, the Company entered into a Rights Agreement with UBS Financial Services, Inc. (UBS) through whom these securities were acquired. The Rights Agreement entitles the Company to sell these securities to UBS at any time between June 30, 2010 and July 2, 2012 for par value. The Company will continue to receive interest payments based on the default provisions in the instruments until the securities are sold on the market or sold to UBS during the period established by the Rights Agreement. The Company believes these securities are not materially impaired, primarily due to the government guarantee of the underlying securities and also because of the UBS guaranty.

At September 28, 2008 the Company also held approximately $600,000 of marketable securities in mortgage-backed securities. During fiscal 2008, the Company recorded a $100,000 impairment charge on these securities based on valuation models. These mortgage-backed securities are collateralized by prime home equity lines of credit and carry a 100% principal and interest guarantee. The Company believes that it will be able to liquidate its investments without significant losses within the next year, or to hold these securities for a longer period of time, if necessary, until market conditions improve.

Note C-Investments

In January 2003, the Company invested $1.3 million in the common stock of Advanced Circulatory Systems, Inc. (formerly ResQSystems, Inc.), a development stage medical device corporation. The Company's investment in Advanced Circulatory Systems, Inc. ("ACSI") represented approximately 6% of ACSI's outstanding common stock as of September 28, 2008.

The Company accounts for its investment at cost.

Note D-Acquisitions

BIO-Key International, Inc.'s Fire Records Management Software Business

On May 22, 2007, the Company acquired a fire records management software business as a result of an asset acquisition from BIO-key International, Inc., a public company that provides mobile and wireless solutions for public safety. The Company paid approximately $7 million in cash for the business, and the assets acquired in this acquisition are being utilized as part of the Company's data management business. The Company believes that the acquisition presents an opportunity to further penetrate the fire department market in conjunction with the Company's current data management and medical equipment products.

Assets of Radiant Medical, Inc.

On September 18, 2007, the Company acquired certain assets from Radiant Medical, Inc. ("Radiant"), a private medical technology company developing endovascular temperature therapy products. At the time of the purchase, Radiant was ceasing operations, and, in the opinion of the Company, Radiant had one of the best technologies in the emerging therapeutic hypothermia market and an extensive intellectual property portfolio. The Company believes that the acquisition presents an opportunity to broaden the Company's resuscitation strategy into the area of induced hypothermia, which is emerging as a standard treatment for resuscitated patients. The Company paid approximately $5.8 million in cash for the assets, which primarily consist of patented technology (with an estimated 15 year weighted-average useful life). The assets acquired in this acquisition are being utilized at the Company's Sunnyvale, California subsidiary, ZOLL Circulation, Inc.

Strategic Alliance with Welch Allyn

The Company recently announced a strategic alliance with Welch Allyn involving research and development, manufacturing, sales, service, and distribution related to Welch Allyn's defibrillator and monitoring products. The Company anticipates that the elements of the strategic alliance will be implemented over the next several months upon completion of certain milestones. Total consideration for all elements could approximate $6 million.

Contingent Consideration for Prior Period Acquisitions

The terms of the March 2004 acquisition of the assets of Infusion Dynamics, Inc. ("Infusion Dynamics") and the April 2006 acquisition of the assets of Lifecor, Inc. ("Lifecor"), provide for possible annual earn-out payments based upon revenue growth over a multi-year period. Such payments may be due with respect to Infusion Dynamics and Lifecor through fiscal 2011. Because the prospective earn-out payments for Infusion Dynamics and Lifecor will be based upon revenue growth over several years, a reasonable estimate of the future payment obligations could not be determined. The annual earn-out payments will be recorded as an additional cost of the purchase and recorded as goodwill if the revenue growth specified in the respective acquisition agreements is achieved and becomes payable.

For fiscal 2008, approximately $19,000 has been accrued for payment to the former shareholders of Infusion Dynamics. Annual earn-out payments to former shareholders of Infusion Dynamics, in the form of cash, for fiscal 2007 and 2006 were approximately $11,000 and $445,000, respectively. For fiscal 2008, $4.8 million has been accrued for payment to the former shareholders of Lifecor. The annual earn-out payments, in the form of cash, to the former shareholders of Lifecor for fiscal 2007 and 2006 were approximately $3.2 million and $77,000, respectively. The annual earn-out payments are accrued during the respective fiscal year in which they are earned and are paid in the respective subsequent fiscal year.

For fiscal 2007, which was the final earn-out period in connection with the acquisition of Revivant Corporation ("Revivant"), the Company accrued in fiscal 2007 and paid in the first quarter of 2008 approximately $9.4 million to the former shareholders of Revivant. Of this amount, approximately $3.6 million was in the form of cash and the remainder was in the form of 220,864 shares of the Company's common stock. The annual earn-out payments for fiscal year 2006 was approximately $2.4 million to the former shareholders of Revivant. Of this amount approximately $1.2 million was paid in cash to the former shareholders of Revivant, and the remainder of the earn-out for fiscal 2006 was in the form of 72,128 shares of the Company's common stock. The annual earn-out payments were accrued during the respective fiscal year in which they were earned and paid in the respective subsequent fiscal year.

Note E-Prepaid Expenses and Other Current Assets

Prepaid expenses and other current assets consist of:

(000's omitted)	Sept. 28, 2008	Sept. 30, 2007
Deferred income taxes (Note I)	$ 9,087	$ 8,323
Other	3,226	3,486
Total prepaid expenses and other current assets	$12,313	$11,809

Note F-Goodwill, Intangibles and Other Assets

The carrying value of goodwill was approximately $42 million and $37 million at September 28, 2008 and September 30, 2007, respectively. The $5 million increase in goodwill from fiscal 2007 to fiscal 2008 is a result of the earnout payments related to prior years' acquisitions.

Intangibles and other assets consist of:

(000's omitted)	Weighted Average Life	Sept. 28, 2008 Gross Carrying Amount	Sept. 28, 2008 Accumulated Amortization	Sept. 30, 2007 Gross Carrying Amount	Sept. 30, 2007 Accumulated Amortization
Prepaid license fees	17 years	$11,426	$ 3,072	$10,709	$ 2,516
Patents and developed technology	12 years	28,855	7,904	28,032	5,441
Customer-related intangible	10 years	4,750	1,137	4,600	633
Intangible asset not subject to amortization		890	—	890	—
Other assets	—	4,767	2,349	2,631	1,888
		$50,688	$14,462	$46,862	$10,478

Total amortization expense for the fiscal 2008, 2007 and 2006 was approximately $3,984,000, $3,290,000, and $2,290,000 respectively.

The following table provides estimated amortization expense for each of the five succeeding fiscal years and thereafter based upon the Company's intangible asset portfolio at September 28, 2008.

Fiscal Year	Estimated Amortization Expense (000's omitted)
2009	$ 4,217
2010	4,192
2011	4,096
2012	4,045
2013	3,286
Thereafter	15,382
	$35,218

Note G-Accrued Expenses, Other Liabilities, and Other Long-Term Liabilities

Accrued expenses and other liabilities consist of:

(000's omitted)	Sept. 28, 2008	Sept. 30, 2007
Accrued salaries and wages and related expenses	$16,240	$12,499
Accrued warranty expense	3,733	3,328
Deferred lease incentives	1,365	2,019
Accrued corporate income taxes	1,152	936
Accrued earn out payments	4,784	6,833
Other accrued expenses	4,657	7,039
Total accrued expenses and other liabilities	$31,931	$32,654

Other long-term liabilities consist of:

(000's omitted)	Sept. 28, 2008	Sept. 30, 2007
Deferred tax liabilities	$ 809	$—
Unrecognized tax benefits	2,112	—
Total other long-term liabilities	$2,921	$—

Note H-Line of Credit

The Company maintains an unsecured working capital line of credit with its bank with borrowing capacity, on a demand basis, up to $12 million. This line of credit bears interest at the bank's rate of LIBOR plus 2% for short-term borrowings (2 – 3 months). For longer term loans, the line of credit bears interest at the rate of LIBOR plus 4% – 6%. The full amount of the line was available to the Company at September 28, 2008. There are no covenants related to this line of credit.

Note I-Income Taxes

The provision for income taxes consists of the following:

(000's omitted)	2008	2007	2006
Federal:			
Current	$ 5,535	$6,279	$1,419
Deferred	4,224	(83)	2,251
	9,759	6,196	3,670
State:			
Current	1,410	1,427	820
Deferred	87	(59)	(193)
	1,497	1,368	627
Foreign:			
Current	1,768	1,408	1,607
Deferred	(949)	—	95
	819	1,408	1,702
Total:			
Current	8,713	9,114	3,846
Deferred	3,362	(142)	2,153
	$12,075	$8,972	$5,999

The following table allocates income before income taxes between domestic and foreign jurisdictions:

(000's omitted)	2008	2007	2006
Domestic	$29,913	$21,569	$12,847
Foreign	5,603	4,065	4,292
	$35,516	$25,634	$17,139

The income tax provision differed from the statutory federal income tax provision as follows:

(000's omitted)	2008	2007	2006
Income taxes at statutory rate	$12,431	$8,972	$5,999
Tax credits, federal and state	(255)	(640)	(90)
Extraterritorial income exclusion	—	(124)	(407)
Production deduction	(398)	(216)	—
State income taxes, net of federal benefit	985	697	445
Foreign income taxes at different rates	(193)	(343)	(77)
Other	(495)	626	129
	$12,075	$8,972	$5,999

Deferred income taxes reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. Significant components of the Company's deferred tax assets and liabilities are as follows:

(000's omitted)	Sept. 28, 2008	Sept. 30, 2007
Deferred tax assets:		
Acquired NOL—Revivant Corp.	$ 4,840	$ 7,223
Accounts receivable and inventory	3,652	4,577
Product warranty accruals and deferred revenues	3,991	3,740
Research and development benefits	—	584
Acquired research and development credits	893	893
Stock-based compensation	1,027	132
Capitalized start-up costs	—	167
Other assets	2,934	1,834
Total deferred tax assets	17,337	19,150
Deferred tax liabilities:		
Accelerated tax depreciation	1,845	943
Intangible assets	2,722	3,453
Unrepatriated foreign earnings	(206)	743
Total deferred tax liabilities	4,361	5,139
Net deferred tax asset before valuation allowance	12,976	14,011
Valuation allowance	(4,698)	(4,698)
Net deferred tax asset	$ 8,278	$ 9,313

As a result of the acquisition of Revivant, the Company, at the date of acquisition, obtained net operating loss carryovers of approximately $43.8 million, which will expire in its fiscal years ending 2012 through 2024. The utilization of these losses is subject to the Internal Revenue Code Section 382 limitations, and the Company has established a valuation allowance against goodwill to reduce the deferred tax asset to the amount that is more likely than not to be recognized. In 2008, the Company used $6.6 million of NOLs to reduce taxes payable. The Company also obtained approximately $900,000 of research tax credit carryovers against which a full valuation allowance has been established against goodwill. These credits will expire at the end of fiscal years 2012 through 2024. The Company also acquired technology, valued at $9.0 million on its books, which has no income tax basis, resulting in $3.0 million of net deferred tax liabilities.

Upon adoption of SFAS 141R, the reduction of a valuation allowance that pertains to the acquired companies is generally recorded to reduce the Company's income tax expense. The Company is not subject to the provisions of SFAS 141R until the period beginning September 28, 2009.

The Company does not provide income taxes on the undistributed earnings of non-U.S. subsidiaries as such earnings are considered to be indefinitely invested outside the United States. Non-U.S. income taxes are, however, provided on these foreign subsidiaries' undistributed earnings. In fiscal 2007, the Company provided $1,050,000 on a portion of unremitted earnings of foreign subsidiaries that were deemed not permanently reinvested. At September 28, 2008 and September 30, 2007, approximately $19.7 million and $10.0 million, respectively, of pretax undistributed earnings of non-U.S. subsidiaries were indefinitely invested outside the U.S.

Effective October 1, 2007, the Company adopted the provisions of FASB Interpretation No. 48, "*Accounting for Uncertainty in Income Taxes.*" (FIN 48) As a result of the implementation of FIN 48, the Company recognized an increase of approximately $374,000 as a liability for unrecognized tax benefits. All of this increase was reflected as a reduction to the October 1, 2007 balance of retained earnings.

At the adoption date of October 1, 2007 and at September 28, 2008, the Company had $1.3 million and $3.3 million of gross unrecognized tax benefits, respectively, which, if recognized, could impact goodwill and/or the effective tax rate. Additionally, during the year ended September 28, 2008, $1.8 million of deferred tax liabilities were reclassified and included in the FIN 48 accrued balance.

The reconciliation of the total amounts of unrecognized tax benefits at October 1, 2007 and September 28, 2008 is as follows:

(000's omitted)	Sept. 28, 2008
Balance at October 1, 2007	$1,312
Reclass amount from deferred taxes	1,840
Additions based on tax positions related to the current year	487
Additions for tax positions of prior years	41
Reductions for positions of prior years	(416)
Balance at September 28, 2008	$3,264

Of the $3.3 million current year balance, $1.2 million is expected to reverse in fiscal 2009. The Company recognizes interest and penalties related to unrecognized tax benefits in income tax expense in the consolidated statements of income. As of the date of adoption and September 28, 2008, the Company had $314,000 and $480,000 of accrued interest and penalties, respectively, in income taxes payable.

Note J-Commitments and Contingencies

The Company is, from time to time, involved in the normal course of its business in various legal proceedings, including intellectual property, contract, employment and product liability suits. Although the Company is unable to quantify the exact financial impact of any of these matters, it believes that none of these currently pending matters will have an outcome material to its financial condition or business.

The Company leases certain office and manufacturing space under operating leases. The Company's office leases are subject to adjustments based on actual floor space occupied. The leases also require payment of real estate taxes and operating costs. In addition to the office leases, the Company leases automobiles for business use by a portion of the sales force.

The Company's executive headquarters and defibrillator manufacturing operations are located in Chelmsford, Massachusetts. The Chelmsford facility is covered by an eight year lease, beginning July 1, 2003 and expiring on June 29, 2011. The agreement does not contain a renewal period and provides that the Company pay a pro-rata amount of the landlord's real estate tax and operating expenses based upon square footage. The lease also provided the Company with an allowance of approximately $3.7 million for any construction costs associated with their relocation efforts to the leased facility. This reimbursement has been recorded as a deferred lease incentive within accrued expenses and other liabilities and is being amortized as a reduction to rent expense over the life of the lease. Any leasehold improvements made as part of the relocation have been capitalized as leasehold improvements within Property and Equipment and are being amortized over the 8 year life of the lease.

Listed below are the future minimum rental payments (excluding common area maintenance and real estate tax charges) required under operating leases with non-cancelable terms in excess of one year at September 28, 2008.

(000's omitted)	
2009	$2,479
2010	1,728
2011	1,254
2012	213
2013	156
Thereafter	—
	$5,830

Total rental expense under operating leases was approximately $3,776,000, $3,463,000 and $3,358,000 in 2008, 2007 and 2006, respectively.

The Company also has non-cancelable purchase commitments of approximately $4.8 million as of September 28, 2008. Purchases under these commitments totaled approximately $307,000, $140,000 and $965,000 in 2008, 2007, and 2006, respectively.

Note K-Hedging Activities

The Company operates globally, and its earnings and cash flows are exposed to market risk from changes in currency exchange rates. The Company addresses these risks through a risk management program that includes the use of derivative financial instruments. The program is operated pursuant to documented corporate risk management policies. The Company does not enter into any derivative transactions for speculative purposes.

The Company uses foreign currency forward contracts to manage its currency transaction exposures with intercompany receivables denominated in foreign currencies. These currency forward contracts are not designated as cash flow, fair value or net investment hedges under SFAS No. 133 ("SFAS 133"), "*Accounting for Derivative Instruments and Hedging Activities*" and, therefore, are marked to market with changes in fair value recorded to earnings. These derivative instruments do not subject the Company's earnings or cash flows to material risk since gains and losses on those derivatives offset losses and gains on the assets and liabilities being hedged.

The Company had one foreign currency forward contract outstanding at September 28, 2008, serving to mitigate the foreign currency risk of a substantial portion of our Euro-denominated intercompany balances, in the notional amount of approximately 7 million Euros. The net settlement amount of this contract at September 28, 2008 is an unrealized gain of approximately $762,000, which is included in earnings within "investment and

other income." Net realized losses from foreign currency forward contracts totaled $980,800, $615,300, and $141,945 during fiscal 2008, 2007 and 2006, respectively, and are included in "investment and other income" in the consolidated income statements.

As of September 28, 2008, the Company had contracts outstanding totaling $3.9 million to serve as a hedge of our forecasted sales to our subsidiaries, all maturing in less than twelve months. Because these derivatives did not qualify for hedge accounting in accordance with SFAS 133, the Company subsequently entered into offsetting derivatives, totaling $3.9 million. All of the contracts have been marked to market with changes in fair value recorded to earnings. As of September 28, 2008, the net settlement amount on these contracts was an unrealized loss of approximately $29,000. The Company believes there is no further exposure under these contracts as they effectively offset each other. Net realized losses from foreign currency forward contracts, serving as a hedge of our forecasted foreign currency denominated sales to subsidiaries, totaled $377,000 and $445,000 during 2008 and 2007, respectively, and are included in "investment and other income" in consolidated statement of income. The Company had no forward exchange contracts outstanding serving as a hedge of our forecasted sales to our subsidiaries during fiscal 2006.

Note L-Stockholders' Equity

Preferred Stock: On April 22, 2008, the Company's Board of Directors renewed a Shareholder Rights Plan. In connection with the Shareholder Rights Plan, the Board of Directors declared a dividend distribution of one Preferred Stock purchase right for each outstanding share of Common Stock to stockholders of record as of the close of business on April 24, 2008. Initially, these rights are not exercisable and trade with the shares of ZOLL's Common Stock. Under the Shareholder Rights Plan, the rights generally become exercisable if a person becomes an "acquiring person" by acquiring 15% or more of the Common Stock of ZOLL, if a person who owns 10% or more of the Common Stock of ZOLL is determined to be an "adverse person" by the Board of Directors, or if a person commences a tender offer that would result in that person owning 15% or more of the Common Stock of ZOLL. Under the Shareholder Rights Plan, a shareholder of ZOLL who beneficially owns 15% or more of the Company's Common Stock as of April 24, 2008 generally will be deemed an "acquiring person" if such shareholder acquires additional shares of the Company's Common Stock. In the event that a person becomes an "acquiring person" or is declared an "adverse person" by the Board, each holder of a right (other than the acquiring person or the adverse person) would be entitled to acquire such number of shares of Preferred Stock which are equivalent to ZOLL Common Stock having a value of twice the then-current exercise price of the right. If ZOLL is acquired in a merger or other business combination transaction after any such event, each holder of a right would then be entitled to purchase, at the then-current exercise price, shares of the acquiring company's common stock having a value twice the exercise price of the right. The Board of Directors is authorized to fix the designations, relative rights, preferences and limitations on the Preferred Stock at the time of issuance. To date, no shares of preferred stock have been issued.

Stock Option Plans: At September 28, 2008, the Company had two active stock-based compensation plans under which stock-based grants may be issued, and two other stock-based compensation plans under which grants are no longer being made. No further grants are being made under the Company's 1992 Stock Option Plan ("1992 Plan") or 1996 Non-Employee Directors' Stock Option Plan ("1996 Plan"), and option grants remain outstanding under both such plans. The Company's active plans are the Amended and Restated 2001 Stock Incentive Plan ("2001 Plan") and the Amended and Restated 2006 Non-Employee Director Stock Option Plan ("2006 Plan").

At the 2006 Annual Meeting, the Company's Stockholders approved (i) an additional 630,000 shares available for issuance (for a total authorized of 2,520,000 shares) pursuant to nonqualified stock options to be

granted from time to time under the 2001 Plan, plus 120,000 shares to be issued as restricted common stock from time to time under the 2001 Plan; and (ii) the adoption of the 2006 Plan, with 110,000 shares authorized for issuance, to replace the existing 1996 Plan, upon its expiration in April 2006.

Stock options outstanding under the 1992 Plan, the 1996 Plan, the 2001 Plan, and the 2006 Plan generally vest over a four-year period and have exercise prices equal to the fair market value of the Common Stock at the date of grant. All options have a 10-year term. All options issued under the 2001 Plan and 2006 Plan must have an exercise price no less than fair market value on the date of grant. Restricted common stock grants made under the 2001 Plan will generally vest over a four-year period.

The total number of shares authorized for the 2001 Plan and the 2006 Plan was 2,642,500, including 12,500 shares carried over into the 2006 Plan from the 1996 Plan. Of the total number of shares authorized, 632,000 shares remain available for grant at September 28, 2008. Approximately 2,608,000 shares of common stock are reserved for future issuance under the Company's stock option plans as of September 28, 2008.

Changes in outstanding stock options for the three years ended September 28, 2008, were as follows:

	Number of Shares	Weighted-Average Exercise Price	Weighted-Average Remaining Contractual Term in Years	Aggregate Intrinsic Value ($000's)
Outstanding at October 2, 2005	2,525,904	$16.89		
Granted	442,000	11.82		
Exercised	(122,396)	11.49		$ 769
Forfeited	(272,306)	16.21		
Outstanding at October 1, 2006	2,573,202	15.25	6.00	8,041
Granted	428,600	21.88		
Exercised	(989,197)	14.60		12,360
Forfeited	(37,043)	13.99		
Outstanding at September 30, 2007	1,975,562	17.06	6.26	17,662
Granted	280,250	24.64		
Exercised	(348,980)	15.66		5,293
Forfeited	(5,013)	24.35		
Outstanding at September 28, 2008	1,901,819	$18.42	6.03	$29,243
Exercisable at September 28, 2008	1,077,677	$17.09	4.28	$17,993
Vested and expected to vest at September 28, 2008	1,784,836	$18.50	5.98	$27,292

It is the Company's policy to issue new shares upon the exercise of options.

The following table summarizes the activity for unvested restricted stock awards for the three years ended September 28, 2008:

	Number of Shares	Weighted-Average Fair Value
Unvested at October 2, 2005	—	$ —
Granted	38,100	13.24
Vested	—	—
Forfeited	—	—
Unvested at October 1, 2006	38,100	13.24
Granted	15,975	28.20
Vested	(9,525)	13.24
Forfeited	(1,975)	16.29
Unvested at September 30, 2007	42,575	18.71
Granted	14,750	25.10
Vested	(12,505)	17.54
Forfeited	(2,320)	18.56
Unvested at September 28, 2008	42,500	$21.23

At September 28, 2008, there was approximately $6.8 million of unrecognized compensation cost related to non-vested awards, which the Company expects to recognize over a weighted-average period of 2.51 years.

Note M-Employee Benefit Plans

Defined contribution retirement plan: ZOLL has a defined contribution retirement plan (the "ZOLL Plan") which contains a 401(k) program for all employees with three months of service who have attained 21 years of age. Participants in the ZOLL Plan may contribute up to 15% of their eligible compensation. The Company may make discretionary matching contributions to the ZOLL Plan in an amount determined by its Board of Directors. The discretionary employer match is currently set at 50% of the employee contribution up to 7% of eligible compensation, following action by the Board of Directors in fiscal 2008 increase the discretionary employer match from 40%. The Company recorded expense related to Company contributions of approximately $2,106,000, $1,038,000 and $491,000, in 2008, 2007 and 2006, respectively, related to the ZOLL Plan. In 2005, employees of ZOLL Circulation, Inc. became eligible to participate in the ZOLL Plan. In 2006, employees of ZOLL Lifecor, Inc. became eligible to participate in the ZOLL Plan. In fiscal 2008, employees of ZOLL Data Systems, Inc. (ZDS) commenced participation in the ZOLL Plan (see following paragraph.)

401(k) Salary Deferral Plan: Beginning in 1998, ZDS maintained a retirement savings plan (the "ZOLL Data Systems Plan") pursuant to which eligible employees deferred compensation for income tax purposes under Section 401(k) of the Internal Revenue Code of 1986. Participants in the ZOLL Data Systems Plan contributed up to 15% of their eligible compensation, which contributions were matched by ZDS at 50% of the employee contribution up to 6% of eligible compensation. The Company made discretionary matching contributions to the ZOLL Data Systems Plan in an amount determined by its Board of Directors. ZDS recorded expense related to Company contributions to the ZOLL Data Systems Plan of approximately $118,000 and $114,000 in 2007 and 2006, respectively. The ZOLL Data Systems Plan merged into the ZOLL Plan effective October 1, 2007.

Note N-Segment and Geographic Information

Segment information: The Company operates in a single business segment: the design, manufacture and marketing of a range of non-invasive resuscitation devices and software solutions. These devices and software solutions help healthcare professionals, emergency medical service providers, and first responders diagnose and treat victims of trauma, as well as sudden cardiac arrest. In order to make operating and strategic decisions, the Company's chief executive officer (the "chief operating decision maker") evaluates revenue performance based on the worldwide revenues of four customer/product categories, but, due to shared infrastructures, profitability is based on an enterprise-wide measure. These customer/product categories consist of (1) the sale of resuscitation devices and accessories to the North American hospital market, including the military marketplace, (2) the sale of resuscitation devices, accessories and data collection management software to the North American pre-hospital market, (3) the sale of disposable/other products in North America, and (4) the sale/lease/rental of resuscitation devices, accessories, disposable electrodes and data collection management software to the international market.

Net sales by customer/product categories were as follows:

(000's omitted)	2008	2007	2006
Hospital Market-North America	$117,106	$ 85,275	$ 78,093
Pre-hospital Market-North America	161,667	131,233	101,675
Other-North America	22,633	20,881	19,336
International Market-excluding North America	96,612	72,062	56,529
	$398,018	$309,451	$255,633

The Company reports assets on a consolidated basis to the chief operating decision maker.

Geographic information: Net sales by major geographical area, determined on the basis of destination of the goods, are as follows:

(000's omitted)	2008	2007	2006
United States	$282,004	$222,018	$187,616
Foreign	116,014	87,433	68,017
	$398,018	$309,451	$255,633

Long-lived assets located outside the United States are not material.

In each of the years in the three year period ended September 28, 2008, no single customer represented over 10% of the Company's consolidated net sales.

Note O-Legal Proceedings

The Company is, from time to time, involved in the normal course of its business in various legal proceedings, including intellectual property, contract, employment and product liability suits. Although the Company is unable to quantify the exact financial impact of any of these matters, it believes that none of these currently pending matters will have an outcome material to its financial condition or business.

Note P-Quarterly Financial Data (Unaudited)

Summarized quarterly financial data for 2008 and 2007 is as follows:

	Quarter Ended			
(000's omitted, except per share data)	Sept. 28, 2008	June 29, 2008	March 30, 2008	Dec. 30, 2007
Net sales	$105,599	$100,244	$99,160	$93,015
Gross profit	58,281	53,624	53,638	45,145
Income from operations	14,026	8,623	8,550	4,575
Net income	8,863	5,744	5,654	3,180
Basic earnings per common share	$ 0.42	$ 0.27	$ 0.27	$ 0.15
Diluted earnings per common and equivalent share	$ 0.41	$ 0.27	$ 0.27	$ 0.15

	Quarter Ended			
(000's omitted, except per share data)	Sept. 30, 2007	July 1, 2007	April 1, 2007	Dec. 31, 2006
Net sales	$92,785	$79,232	$70,839	$66,595
Gross profit	51,162	43,628	38,019	35,978
Income from operations	9,888	5,489	4,016	2,650
Net income	6,825	4,313	3,172	2,352
Basic earnings per common share	$ 0.33	$ 0.21	$ 0.16	$ 0.12
Diluted earnings per common and equivalent share	$ 0.33	$ 0.21	$ 0.15	$ 0.12

As discussed in Note A, the Company's financial statements are prepared on a fiscal year basis ending on the last Sunday closest to September 30. The years ended September 28, 2008, September 30, 2007 and October 1, 2006 all included 52 weeks.

Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure.

On June 23, 2008, the Audit Committee of the Board of Directors of ZOLL Medical Corporation (the "Company") dismissed Ernst & Young LLP ("Ernst & Young") as the Company's independent registered public accounting firm. The reports of Ernst & Young on the financial statements of the Company for the past two fiscal years contained no adverse opinion or disclaimer of opinion and were not qualified or modified as to uncertainty, audit scope or accounting principles, except as follows: Ernst & Young's report on the consolidated financial statements of the Company as of and for the years ended September 30, 2007 and October 1, 2006 contained a separate paragraph stating that "As discussed in Note A to the consolidated statements, effective October 2, 2005, the Company adopted Statement of Financial Accounting Standards No. 123R, "Share-Based Payments" using the modified-prospective transition method."

During the two most recent fiscal years and through June 23, 2008, there have been no disagreements with Ernst & Young on any matter of accounting principles or practices, financial statement disclosure, or auditing scope or procedure, which disagreements if not resolved to the satisfaction of Ernst & Young would have caused it to make reference to the subject matter of such disagreements in their reports on the financial statements for such years.

During the two most recent fiscal years and through June 23, 2008, there have been no "reportable events" (as defined in Item 304(a)(1)(v) of Regulation S-K).

The Company had requested that Ernst & Young LLP furnish it with a letter addressed to the Securities and Exchange Commission stating whether or not it agrees with the above statements. A copy of such letter, dated June 24, 2008, is filed as Exhibit 16.1 to Form 8-K filed June 26, 2008.

On June 23, 2008, the Company's Audit Committee voted to appoint BDO Seidman, LLP as the independent registered public accounting firm for the Company for the fiscal year ended September 28, 2008. During the last two fiscal years and through June 23, 2008, the Company has not consulted with BDO Seidman, LLP regarding (i) the application of accounting principles to a specified transaction or transactions, either completed or proposed, or the type of audit opinion BDO Seidman, LLP might render on the Company's financial statements or (ii) any matter that was either the subject of a disagreement, as that term is defined in Item 304(a)(1)(iv) of Regulation S-K and the related instructions to that item, or a "reportable event" as that term is defined in Item 304(a)(1)(v) of Regulation S-K.

Item 9A. Controls and Procedures.

Evaluation of Disclosure Controls and Procedures

Our Chief Executive Officer and Chief Financial Officer (our principal executive officer and principal financial officer, respectively) have evaluated the effectiveness of our 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 the end of the period covered by this Annual Report on Form 10-K. Based on this evaluation, our principal executive officer and principal financial officer have concluded that, as of the end of the period covered by this report, the Company's disclosure controls and procedures are effective.

Changes in Internal Control Over Financial Reporting

There were no significant changes in the Company's internal control over financial reporting that occurred during the quarter ended September 28, 2008 and through the date of this filing of Form 10-K that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

Item 9B. Other Information.

Not Applicable.

Management's Report on Internal Control Over Financial Reporting

Our management is responsible for establishing and maintaining adequate internal control over financial reporting, as such term is defined in Exchange Act Rule 13a-15(f). Under the supervision and with the participation of our management, including our principal executive officer and principal financial officer, we conducted an evaluation of the effectiveness of our internal control over financial reporting based on the framework in *Internal Control—Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based on our evaluation under the framework in *Internal Control—Integrated Framework*, our management concluded that our internal control over financial reporting was effective as of September 28, 2008.

The effectiveness of our internal control over financial reporting as of September 28, 2008 has been audited by BDO Seidman, LLP, an independent registered public accounting firm, as stated in their report below.

/S/ RICHARD A. PACKER

Richard A. Packer
Chief Executive Officer

/S/ A. ERNEST WHITON

A. Ernest Whiton
Vice President of Administration and
Chief Financial Officer

Report of Independent Registered Public Accounting Firm

Board of Directors and Shareholders
ZOLL Medical Corporation
Chelmsford, Massachusetts

We have audited ZOLL Medical Corporation's internal control over financial reporting as of September 28, 2008, based on criteria established in *Internal Control—Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission (the COSO criteria). ZOLL Medical Corporation's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying "Item 9A, Management's Report on Internal Control Over Financial Reporting". Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audit also included performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

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

In our opinion, ZOLL Medical Corporation maintained, in all material respects, effective internal control over financial reporting as of September 28, 2008, based on the COSO criteria.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheet of ZOLL Medical Corporation as of September 28, 2008, and the related consolidated statements of income, stockholders' equity and comprehensive income, and cash flows for the year then ended and our report dated December 5, 2008 expressed an unqualified opinion thereon.

/s/ BDO Seidman, LLP

Boston, Massachusetts
December 5, 2008

Part III

Item 10. Directors, Executive Officers and Corporate Governance.

The Company's Board of Directors currently consist of eight members, divided into three classes, with the directors of each class serving for a term of three years and until then successors are duly elected and qualified. The following are the members of the Board:

Class I Directors (terms expire at 2011 Annual Meeting)

Daniel M. Mulvena
Principal, Commodore Associates, Inc. (consulting)

Benson F. Smith
Chief Executive Officer, BFS & Associates LLC (strategic planning and ventures investing)

John J. Wallace
Consultant

Class II Directors (terms expire at 2009 Annual Meeting)

Thomas M. Claflin, II
Principal, Claflin Capital Management, Inc. (venture capital)

Richard A. Packer
Chairman and Chief Executive Officer, ZOLL Medical Corporation

Class III Directors (terms expire at 2010 Annual Meeting)

James W. Biondi, M.D.
Chairman of the Board, Cardiopulmonary Corp. and Ivy Biomedical Systems, Inc.

Robert J. Halliday
Executive Vice President and Chief Financial Officer, Varian Semiconductor Equipment Associates, Inc.

Lewis H. Rosenblum
President, China Operations, Thermo Fisher Scientific Corporation until his retirement in February, 2008.

Information required with respect to compliance with Section 16(a) of the Exchange Act appears under the caption "Section 16(a) Beneficial Ownership Reporting Compliance" in the Company's Proxy Statement for the 2009 Annual Meeting of Stockholders, dated on or about December 19, 2008 (the "Proxy Statement"), which is incorporated herein by reference.

The information relating to our Audit Committee and our Audit Committee financial expert under the headings "The Board of Directors and its Committees—Audit Committee" in the Company's Proxy Statement is incorporated herein by reference.

The information relating to any material changes to our procedures by which security holders may recommend nominees to our Board of Directors under the heading "The Board of Directors and its Committees—Nominating and Corporate Governance Committee" in the Company's Proxy Statement is incorporated herein by reference.

The information relating to our executive officers in response to this Item is contained in part under the caption "Executive Officers of the Registrant" in Part I of this Annual Report on Form 10-K and the remainder is incorporated herein by reference to our Proxy Statement.

Code of Ethics

The Company has adopted a Code of Ethics that applies to all its employees, including its principal executive officer, principal financial officer and controller. This Code of Ethics was ratified by the Board of Directors in December 2003. This policy became effective for all of ZOLL's employees in June 2004. This Code of Ethics is available on our website, *www.zoll.com*, under the heading Investor Relations, and is called "Code of Conduct".

Item 11. Executive Compensation.

The discussion under the headings "Executive Compensation," "Director Compensation," "Compensation Discussion and Analysis," "Compensation Committee Report," and "Compensation Committee Interlocks and Insider Participation" in the Company's Proxy Statement is incorporated herein by reference.

Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters.

The information required by this Item is incorporated by reference from the Proxy Statement under the captions "Proposal 1—Election of Directors" and "Other Matters—Principal and Management Stockholders". See also "Equity Compensation Plan Information" under Part II, Item 5 of this Annual Report on Form 10-K.

Item 13. Certain Relationships and Related Transactions, and Director Independence.

The information required by this Item is incorporated by reference from the Proxy Statement under the captions "Certain Relationships and Related Party Transactions" and "The Board of Directors and its Committees—Director Independence."

Item 14. Principal Accountant Fees and Services.

The information required by this Item is incorporated by reference from the Proxy Statement under the caption "Independent Registered Public Accounting Firm".

SCHEDULE II—VALUATION AND QUALIFYING ACCOUNTS

Classifications	Balance Beginning of Period	Additions Charged to Costs and Expenses	Deductions	Balance At End of Period
Year Ended September 28, 2008				
Allowance for doubtful accounts	$8,438,000	$1,075,000	$3,284,000	$6,229,000
Year Ended September 30, 2007				
Allowance for doubtful accounts	$7,897,000	$1,016,000	$ 475,000	$8,438,000
Year Ended October 1, 2006				
Allowance for doubtful accounts	$5,555,000	$2,409,000	$ 67,000	$7,897,000

Part IV

Item 15. Exhibits and Financial Statement Schedules

(a)(1) The following Consolidated Financial Statements, Notes thereto and Reports of Independent Registered Public Accounting Firms are set forth under Item 8:

Reports of Independent Registered Public Accounting Firms
Consolidated Balance Sheets
Consolidated Income Statements
Consolidated Statements of Stockholders' Equity and Comprehensive Income
Consolidated Statements of Cash Flows
Notes to Consolidated Financial Statements

(a)(2) The following Consolidated Financial Statement Schedule is included herein:

Schedule II - Valuation and Qualifying Accounts

All other schedules have been omitted since the information is not required, the amounts are not sufficient to require submission of the schedules or because the information is included in the consolidated financial statements.

(a)(3) The following is a complete list of Exhibits filed or incorporated by reference as part of this report:

Exhibit No.	Exhibit
3.1	Restated Articles of Organization. (2)
3.2	Articles of Amendment to the Restated Articles of Organization. (16)
3.3	Amended and Restated By-laws. (2)
3.4	Certificate of Amendment to the Company's Amended and Restated By-laws. (17)
3.5	Certificate of Amendment to the Company's Amended and Restated By-laws. (20)
3.6	Amended and Restated Certificate of Vote of Directors Establishing a Series of Preferred Stock of ZOLL Medical Corporation classifying and designating the Series A Junior Participating Cumulative Preferred Stock. (21)
4.1	Amendment No. 2 to Shareholders Rights Agreement, dated as of June 8, 1998, between the Company and Computershare Trust Company, N.A., dated as of April 24, 2008. (19)
4.2	Shareholders Rights Agreement dated as of April 23, 2008, between the Company and Computershare Trust Company, N.A. (22)
10.1	Amended and Restated 2001 Stock Incentive Plan, as amended through January 25, 2006. (9)*
10.2	1992 Stock Option Plan. (2)*
10.3	1983 Incentive Stock Option Plan, as amended and restated February 6, 1990. (2)*
10.4	Revolving Loan and Security Agreement dated March 9, 1992 between the Company and Brown Brothers Harriman & Co. (2)
10.5	2006 Non-Employee Director Stock Option Plan. (9)*
10.6	Form of Non-Qualified Stock Option Agreement under the 2006 Non-Employee Director Stock Option Plan. (9)*

10.7	Form of Restricted Stock Award Agreement under Amended and Restated 2001 Stock Incentive Plan. (9)*
10.8	Form of Non-Qualified Stock Option Agreement under Amended and Restated 2001 Stock Incentive Plan. (9)*
10.9	Employment Agreement dated July 19, 1996 between the Company and Richard A. Packer regarding Mr. Packer's employment. (3)*
10.10	Non Employee Directors' Stock Option Plan. (6)*
10.11	Senior Executive Severance Agreement dated January 21, 2000 between the Company and Richard A. Packer. (7)*
10.12	Amended and Restated Executive Severance Agreement dated April 1, 2002 between the Company and A. Ernest Whiton. (10)*
10.13	Amended and Restated 2001 Stock Incentive Plan. (14)*
10.14	Form of Incentive Option Agreement under the 2001 Stock Incentive Plan. (14)*
10.15	Executive Severance Agreements by and between the Company and each of Ward Hamilton, Donald Boucher, Steve Flora and Edward Dunn. (10)*
10.16	Form of Non-Qualified Stock Option Agreement under the ZOLL Medical Corporation 1996 Non-Employee Directors Stock Option Plan (11)*
10.17	Amendment dated September 14, 2005 to Master Agreement and Asset Purchase Agreement dated March 29, 2004 among the Company, LC Acquisition Corporation, and LifeCor, Inc. (12)
10.20	Master Agreement by and Among the Company, LC Acquisition Corporation and LifeCor, Inc. dated March 29, 2004. (12)
10.21	Asset Purchase Agreement by and Among the Company, LC Acquisition Corporation and LifeCor, Inc. dated March 29, 2004. (12)
10.22	Executive Severance Agreement between the Company and Alexander Moghadam dated August 10, 2005. (13)*
10.23	First Amendment to the 1992 Stock Option Plan. (6)*
10.24	Second Amendment to the 1992 Stock Option Plan. (6)*
10.25	Third Amendment to the 1992 Stock Option Plan. (1)*
10.26	Fourth Amendment to the 1992 Stock Option Plan. (1)*
10.27	Form of Non-Qualified Stock Option Agreement under the 2001 Stock Incentive Plan. (14)*
10.28	Summary of Cash Incentive Bonus Plan. (18)*
10.29	Offer Letter, dated June 10, 2008, for Jonathan Rennert. (23)*
10.30	Amended and Restated 2001 Stock Incentive Plan, as amended and restated by the Board of Directors on November 11, 2008. (4)*
10.31	Form of Non-Qualified Stock Option Agreement under Amended and Restated 2001 Stock Incentive Plan, as amended on November 11, 2008. (4)*
10.32	Form of Restricted Stock Award Agreement under Amended and Restated 2001 Stock Incentive Plan, as amended on November 11, 2008. (4)*
10.33	Amended and Restated 2006 Non-Employee Director Stock Option Plan, as amended and restated by the Board of Directors on November 11, 2008. (4)*

10.34	Form of Non-Qualified Stock Option Agreement under Amended and Restated 2006 Non-Employee Director Stock Option Plan, as amended on November 11, 2008. (4)*
10.35	Amendment dated November 17, 2008 to Employment Agreement dated July 19, 1996 between the Company and Richard A. Packer. (4)*
10.36	Amendment dated November 17, 2008 to Senior Executive Severance Agreement dated as of January 21, 2000 between the Company and Richard A. Packer. (4)*
10.37	Amendment dated November 11, 2008 to Amended and Restated Executive Severance Agreement dated April 1, 2002 between the Company and A. Ernest Whiton. (4)*
10.39	Amendment dated November 25, 2008 to Executive Severance Agreement dated May 17, 2002 between the Company and Edward Dunn. (4)*
10.40	Amendment dated November 19, 2008 to Executive Severance Agreement dated April 25, 2002 between the Company and Donald Boucher. (4)*
10.41	Amendment dated November 25, 2008 to Executive Severance Agreement dated May 7, 2002 between the Company and Ward Hamilton. (4)*
10.42	Amendment dated December 1, 2008 to Executive Severance Agreement dated May 6, 2002 between the Company and Steven Flora. (4)*
10.43	Executive Severance Agreement dated as of November 11, 2008 between the Company and Jonathan Rennert. (4)*
10.44	Executive Severance Agreement dated as of November 11, 2008 between the Company and E. Jane Wilson. (4)*
10.45	Amendment dated November 11, 2008 to Executive Severance Agreement dated August 10, 2005 between the Company and Alexander Moghadam. (4)*
14	Code of Conduct. (8)
16	Letter from Ernst & Young LLP to the Securities and Exchange Commission, dated June 24, 2008 (24)
21.1	Subsidiaries of the Company. (4)
23.1	Consent of Ernst & Young LLP. (4)
23.2	Consent of BDO Seidman, LLP. (4)
24	Power of Attorney (4) included in signature page.
31.1	Certification of Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002. (4)
31.2	Certification of Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002. (4)
32.1	Certification of Chief Executive Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002. (5)
32.2	Certification of Chief Financial Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002. (5)

Footnotes:

(1) Incorporated by reference from the Company's Registration Statement on Form S-8, under the Securities Act of 1933 (Registration Statement No. 333-101839 filed with the SEC on December 13, 2002).

(2) Incorporated by reference from the Company's Registration Statement on Form S-1, as amended, under the Securities Act of 1933 (Registration Statement No. 333-47937 filed with the SEC on May 15, 1992).

(3) Incorporated by reference from the Company's Annual Report for 1996 on Form 10-K, as amended, filed with the Securities and Exchange Commission on December 27, 1996. (SEC File # 0-20225)

(4) Filed herewith.

(5) Intentionally omitted.

(6) Incorporated by reference from the Company's Registration Statement on Form S-8, under the Securities Act of 1933 (Registration Statement No. 333-68401 filed with the SEC on December 4, 1998).

(7) Incorporated by reference from the Company's Annual Report for 2000 on Form 10-K, as amended, filed with the Securities and Exchange Commission on December 29, 2000. (SEC File # 0-20225)

(8) Incorporated by reference from the Company's Annual Report for 2003 on Form 10-K, filed with the Securities and Exchange Commission on December 19, 2003.

(9) Incorporated by reference from the Company's Quarterly Report on Form 10-Q, filed with the Securities and Exchange Commission on February 10, 2006.

(10) Incorporated by reference from the Company's Annual Report for 2004 on Form 10-K, filed with the Securities and Exchange Commission on December 17, 2004.

(11) Incorporated by reference from the Company's Current Report on Form 8-K, filed with the Securities and Exchange Commission on November 15, 2004.

(12) Incorporated by reference from the Company's Current Report on Form 8-K, filed with the Securities and Exchange Commission on September 20, 2005.

(13) Incorporated by reference to the Company's Quarterly Report on Form 10-Q for the quarter ended July 3, 2005, filed with the Securities and Exchange Commission on August 12, 2005.

(14) Incorporated by reference to the Company's Registration Statement on Form S-8, under the Securities Act of 1933 (Registration Statement No. 333-120310 filed with the SEC on November 9, 2004).

(15) Incorporated by reference from the Company's Quarterly Report on Form 10-Q, filed with the Securities and Exchange Commission on May 12, 2006.

(16) Incorporated by reference from the Company's Current Report on Form 8-K, filed with the Securities and Exchange Commission on February 13, 2007.

(17) Incorporated by reference from the Company's Current Report on Form 8-K, filed with the Securities and Exchange Commission on January 25, 2007.

(18) Incorporated by reference from Exhibit 10.1 to the Company's Quarterly Report on Form 10-Q, filed with the Securities and Exchange Commission on February 5, 2008.

(19) Incorporated by reference from Exhibit 4.2 of the Company's Current Report on Form 8-K, filed with the Securities and Exchange Commission on April 24, 2008.

(20) Incorporated by reference from Exhibit 3.1 to the Company's Current Report on Form 8-K, filed with the Securities and Exchange Commission on November 12, 2008.

(21) Incorporated by reference from Exhibit 3.1 to the Company's Registration Statement on Form 8-A, filed with the Securities and Exchange Commission on April 24, 2008.

(22) Incorporated by reference from Exhibit 4.1 to the Company's Registration Statement on Form 8-A, filed with the Securities and Exchange Commission on April 24, 2008.

(23) Incorporated by reference from Exhibit 10.1 to the Company's Current Report on Form 8-K, filed with the Securities and Exchange Commission on July 1, 2008.

(24) Incorporated by reference from Exhibit 16.1 to the Company's Current Report on Form 8-K, filed with the Securities and Exchange Commission on June 26, 2008.

* Represents management contract or compensatory plan arrangements.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) 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, on December 8, 2008.

ZOLL Medical Corporation

By: /s/ RICHARD A. PACKER
Richard A. Packer
Chairman and Chief Executive Officer

POWER OF ATTORNEY

KNOW ALL MEN BY THESE PRESENTS that each individual whose signature appears below constitutes and appoints each of Richard A. Packer and A. Ernest Whiton such person's true and lawful attorney-in-fact and agent with full power of substitution and resubstitution, for such person and in such person's name, place and stead, in any and all capacities, to sign any and all amendments (including post-effective amendments) to this Annual Report on Form 10-K, and to file the same, with all exhibits thereto, and all documents in connection therewith, with the Securities and Exchange Commission, granting unto each said attorney-in-fact and agent full power and authority to do and perform each and every act and thing requisite and necessary to be done in and about the premises, as fully to all intents and purposes as such person might or could do in person, hereby ratifying and confirming all that any said attorney-in-fact and agent, or any substitute or substitutes of any of them, may lawfully do or cause to be done by virtue hereof.

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

SIGNATURE	TITLE	DATE
/s/ RICHARD A. PACKER **Richard A. Packer**	Chairman and Chief Executive Officer (Principal Executive Officer)	December 8, 2008
/s/ A. ERNEST WHITON **A. Ernest Whiton**	Chief Financial Officer (Principal Financial and Accounting Officer)	December 8, 2008
/s/ THOMAS M. CLAFLIN, II **Thomas M. Claflin, II**	Director	December 8, 2008
/s/ JAMES W. BIONDI, M.D. **James W. Biondi, M.D.**	Director	December 8, 2008
/s/ DANIEL M. MULVENA **Daniel M. Mulvena**	Director	December 8, 2008
/s/ BENSON F. SMITH **Benson F. Smith**	Director	December 8, 2008
/s/ ROBERT J. HALLIDAY **Robert J. Halliday**	Director	December 8, 2008
/s/ LEWIS H. ROSENBLUM **Lewis H. Rosenblum**	Director	December 8, 2008
/s/ JOHN J. WALLACE **John J. Wallace**	Director	December 8, 2008

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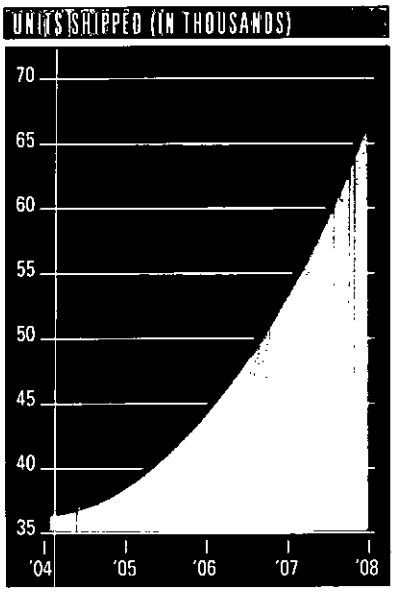

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Providence, Rhode Island 02940-3126
877-282-1169
www.computershare.com

COUNSEL
Goodwin Procter LLP
Boston, Massachusetts

INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM
BDO Seidman, LLP
Boston, Massachusetts

ANNUAL MEETING
The annual meeting of stockholders will be held at 10:00 a.m. on January 20, 2009, at Goodwin Procter LLP, Conference Center, Exchange Place, 53 State Street, Boston, Massachusetts.

INFORMATION REQUESTS

This document, along with our Form 10-K, constitutes ZOLL's 2008 Annual Report. If there is no Form 10-K included, you may request a copy, as filed with the Securities and Exchange Commission. Our 2008 Annual Report, quarterly reports on Form 10-Q as filed with the Securities and Exchange Commission, as well as other investor materials, may be downloaded from the ZOLL website, www.zoll.com, or obtained upon written request. Please write to:

Stockholder Relations
ZOLL Medical Corporation
269 Mill Road
Chelmsford, Massachusetts
01824-4105

Jonathan A. Rennert
President

A. Ernest Whiton
Vice President of Administration
& Chief Financial Officer

Ward M. Hamilton
Senior Vice President
Vice President of Marketing

Steven K. Flora
Senior Vice President
Vice President of North American Sales

Edward T. Dunn
Vice President, Operations

John P. Bergeron
Vice President & Corporate Treasurer

Alexander N. Moghadam
Vice President, International Operations

Stephen Korn
Vice President, General Counsel
& Secretary

E. Jane Wilson, Ph.D.
Vice President, Research &
Development

Board of Directors

Chairman:
Richard A. Packer

Directors:
James W. Biondi, M.D. †
Thomas M. Claflin II ‡
Robert J. Halliday §
Daniel M. Mulvena † ‡
Lewis F. Rosenblum †
Benson F. Smith §
John J. Wallace §

§ *Audit Committee*
† *Compensation Committee*
‡ *Nominating/Corporate Governance Committee*

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END