CALLISTO PHARMACEUTICALS INC
Form 10QSB
November 12, 2004

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, DC 20549

FORM 10-QSB

(Mark One)
(X) QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(D) OF THE SECURITIES EXCHANGE ACT OF 1934
FOR THE QUARTERLY PERIOD ENDED: SEPTEMBER 30, 2004

[ ] 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: 001-32325

CALLISTO PHARMACEUTICALS, INC.
(Exact name of Registrant as specified in its charter)

Delaware	13-3894575
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

420 Lexington Avenue, Suite 1609, New York, New York 10170
(Address of principal executive offices) (Zip Code)

(212) 297-0010
(Registrant's telephone number)

(Former Name, Former Address and Former Fiscal Year, if changed since last report)

Check whether the issuer: (1) filed all reports required to be filed by Section 13 or 15(d) of the Exchange Act 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 past 90 days.

|X| Yes |_| No

APPLICABLE ONLY TO CORPORATE ISSUERS:

State the number of shares outstanding of each of the issuer's classes of common equity, as of the latest practicable date:

Class	Outstanding at November 12, 2004
Common Stock, par value $0.0001	29,219,102 shares

Transitional Small Business Disclosure Format (check one): Yes No |X|

CALLISTO PHARMACEUTICALS, INC.
FORM 10-QSB
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PART I -- FINANCIAL INFORMATION

INTRODUCTORY NOTE

This Report on Form 10-QSB for Callisto Pharmaceuticals, Inc. (the "Company") may contain forward-looking statements. You can identify these statements by forward-looking words such as "may," "will," "expect," "intend," "anticipate,"

believe," "estimate" and "continue" or similar words. Forward-looking statements include information concerning possible or assumed future business success or financial results. You should read statements that contain these words carefully because they discuss future expectations and plans, which contain projections of future results of operations or financial condition or state other forward-looking information. We believe that it is important to communicate future expectations to investors. However, there may be events in the future that we are not able to accurately predict or control. Accordingly, we do not undertake any obligation to update any forward-looking statements for any reason, even if new information becomes available or other events occur in the future.

The forward-looking statements included herein are based on current expectations that involve a number of risks and uncertainties set forth under "Risk Factors" in our Annual Report on Form 10-KSB for the year ended December 31, 2003 and other periodic reports filed with the SEC. Accordingly, to the extent that this Report contains forward-looking statements regarding the acquisitions, financial condition, operating results, business prospects or any other aspect of the Company, please be advised that the Company's actual financial condition, operating results and business performance may differ materially from that projected or estimated by the Company in forward-looking statements.

PART I - FINANCIAL INFORMATION

Item 1. Condensed Consolidated Financial Statements

CALLISTO PHARMACEUTICALS, INC.
(A Development Stage Company)

CONDENSED CONSOLIDATED BALANCE SHEET AS OF SEPTEMBER 30, 2004
(Unaudited)

ASSETS

Current assets:	
Cash and cash equivalents	$ 6,340,066
Prepaid expenses	72,561
	6,412,627
Property and equipment, net of accumulated depreciation of $58,873	25,764
Rent deposits	82,196
	$ 6,520,587

LIABILITIES AND STOCKHOLDERS' EQUITY

Current liabilities:	
Accounts payable	$646,848
Accrued expenses	274,955
	921,803
Stockholders' equity:	
Preferred stock, $.0001 par value, authorized 20,000,000 shares, none outstanding	--
Common stock, $.0001 par value, authorized 75,000,000 shares, 29,175,102 outstanding	2,915
Additional paid-in-capital	40,634,767
Unamortized deferred stock-based compensation	(3,877,772)
Deficit accumulated during the development stage	(31,161,126)
	5,598,784
	$ 6,520,587

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

CALLISTO PHARMACEUTICALS, INC.
(A Development Stage Company)

CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(Unaudited)

	Nine Months Ended September 30,		Three Months Ended September 30,	
	2004	2003	2004	2003
Revenues	$ --	$ --	$ --	$
Costs and expenses:				
Research and development	1,777,062	885,252	851,410	576,2
Government grant	(188,100)	--	(87,880)	
General and administrative	1,646,673	839,775	572,440	342,1
Purchased in process R&D	209,735	6,814,363	--	(19,0

Stock based compensation	1,952,945	2,938,734	287,351	475,7
Loss from operations	(5,398,315)	(11,478,124)	(1,623,321)	(1,375,0
Interest income	54,919	8,301	17,635	1,2
Other income	--	--	--	
Net loss	$ (5,343,396)	$(11,469,823)	$ (1,605,686)	$ (1,373,8
Weighted average shares outstanding: basic and diluted	28,239,940	20,621,950	29,175,102	23,209,1
Net loss per common share: basic and diluted	$ (0.19)	$ (0.56)	$ (0.06)	$ (0.

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

CALLISTO PHARMACEUTICALS, INC.
(A Development Stage Company)

CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY

	Preferred Shares	Preferred Stock Par Value	Common Shares	
Balance at inception, June 5, 1996	--	$ --		$

Net loss for the period	--	--	--	
Issuance of founder shares	--	--	2,642,500	
Common stock issued	--	--	1,356,194	
Common stock issued via private placement	--	--	1,366,667	
Balance, December 31, 1996	--	--	5,365,361	
Net loss for the year	--	--	--	
Common stock issued via private placement	--	--	1,442,666	
Balance, December 31, 1997	--	--	6,808,027	
Net loss for the year	--	--	--	
Amortization of stock based compensation	--	--	--	
Common stock issued via private placement	--	--	1,416,667	
Common stock issued for services	--	--	788,889	
Common stock repurchased and cancelled	--	--	(836,792)	
Balance, December 31, 1998	--	--	8,176,791	
Net loss for the year	--	--	--	
Deferred compensation - stock options	--	--	--	
Amortization of stock based compensation	--	--	--	
Common stock issued for services	--	--	--	
Common stock issued via private placement	--	--	346,667	
Balance, December 31, 1999	--	--	8,523,458	
Net loss for the year	--	--	--	
Amortization of stock based compensation	--	--	--	
Common stock issued	--	--	4,560,237	
Other	--	--	--	
Preferred stock issued	3,485,299	348	--	
Preferred stock issued for services	750,000	75	--	
Balance, December 31, 2000	4,235,299	423	13,083,695	
Net loss for the year	--	--	--	
Deferred compensation - stock options	--	--	--	
Amortization of stock based compensation	--	--	--	
Balance, December 31, 2001	4,235,299	423	13,083,695	
Net loss for the year	--	--	--	
Amortization of stock based compensation	--	--	--	
Balance, December 31, 2002	4,235,299	$ 423	13,083,695	$

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

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CALLISTO PHARMACEUTICALS, INC.
(A Development Stage Company)

CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY (Continued)

	Unamortized Deferred Stock Based Compensation	Deficit Accumulated during the Development Stage	Total Stockholde Equity
Balance at inception, June 5, 1996	$ --	$ --	$
Net loss for the year	--	(404,005)	(404,0
Issuance of founder shares	--	--	7
Common stock issued	--	--	4
Common stock issued via private placement	--	--	1,025,0
Balance, December 31, 1996	--	(404,005)	622,1
Net loss for the year	--	(894,505)	(894,5
Common stock issued via private placement	--	--	1,081,9
Balance, December 31, 1997	--	(1,298,510)	809,6
Net loss for the year	--	(1,484,438)	(1,484,4
Amortization of stock based compensation	--	--	52,7
Common stock issued	--	--	1,062,5
Common stock issued for services	--	--	591,6
Common stock repurchased and cancelled	--	--	(97,0
Balance, December 31, 1998	--	(2,782,948)	935,1
Net loss for the year	--	(4,195,263)	(4,195,2
Deferred compensation - stock options	(9,946)	--	
Amortization of stock based compensation	3,262	--	3,2
Common stock issued for services	--	--	3,168,8
Common stock issued via private placement	--	--	260,0

Balance, December 31, 1999	(6,684)	(6,978,211)	172,0
Net loss for the year	--	(2,616,261)	(2,616,2
Amortization of stock based compensation	4,197	--	4,1
Common stock issued	--	--	251,3
Other	--	--	4
Preferred stock issued	--	--	5,986,6
Preferred stock issued for services	--	--	1,125,0
Balance, December 31, 2000	(2,487)	(9,594,472)	4,923,3
Net loss for the year	--	(1,432,046)	(1,432,0
Deferred compensation - stock options	(20,000)	--	
Amortization of stock based compensation	22,155	--	22,1
Balance, December 31, 2001	(332)	(11,026,518)	3,513,4
Net loss for the year	--	(1,684,965)	(1,684,9
Amortization of stock based compensation	332	--	3
Balance, December 31, 2002	$ --	$(12,711,483)	$ 1,828,8

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

CALLISTO PHARMACEUTICALS, INC.
(A Development Stage Company)

CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY (CONTINUED)

	Preferred Stock	Preferred Stock Par Value	Common Stock	Common Stock Par Value
Balance, December 31, 2002	4,235,299	423	13,083,695	1,307
Net loss for the year	--	--	--	--

Conversion of preferred stock in connection with the Merger	(4,235,2)9	(423)	4,235,299	423
Common stock issued to former Synergy stockholders	--		4,329,927	432
Common stock issued in exchange for Webtronics common stock	--		1,503,173	150
Deferred compensation - stock options	--	--	--	
Amortization of stock based compensation	--	--	--	--
Private placement of common stock, net	--	--	2,776,666	278
Balance, December 31, 2003	--	--	25,928,760	2,590
Net loss for the period (unaudited)	--	--	--	--
Amortization of deferred stock based compensation expense (unaudited)	--	--	--	--
Stock-based compensation expense (unaudited)	--	--	--	--
Common stock issued via private placements (unaudited)	--	--	3,311,342	331
Warrant and stock-based compensation for services in connection with the Merger (unaudited)	--	--	--	--
Common stock issued for patent rights (unaudited)	--	--	25,000	3
Common stock returned from former Synergy stockholders (unaudited)	--	--	(90,000)	(9)
Balance September 30, 2004 (Unaudited)	--	$ --	29,175,102	$ 2,915

	Deficit Accumulated

	during the Development Stage	Total Stockholders' Equity
Balance, December 31, 2002	(12,711,483)	$ 1,828,865
Net loss for the year	(13,106,2)	(13,106,247)
Conversion of preferred stock in connection with the Merger	--	--
Common stock issued to former Synergy stockholders	--	6,494,890
Common stock issued in exchange for Webtronics common stock	--	--
Deferred compensation - stock options	--	--
Amortization of stock based compensation		3,833,946
Private placement of common stock, net	--	3,803,374
Balance, December 31, 2003	(25,817,730)	2,854,828
Net loss for the period (unaudited)	(5,343,396)	(5,343,396)
Amortization of deferred stock based compensation expense (unaudited)	--	1,534,438
Stock-based compensation expense (unaudited)	--	286,918
Common stock issued via private placements (unaudited)	--	6,099,012
Warrant and stock-based compensation for services in connection with the Merger (unaudited)	--	269,826
Common stock issued for patent rights (unaudited)	--	56,250
Common stock returned from former Synergy stockholders (unaudited)	--	(159,092)

Balance September 30, 2004 (Unaudited)	$(31,161,126)	$ 5,598,784

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

CALLISTO PHARMACEUTICALS, INC.
(A Development Stage Company)

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited)

	Nine months ended September 3	
	2004	2003
Cash flows from operating activities:		
Net loss	$ (5,343,396)	$(11,469,
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation and amortization	20,724	14,
Stock-based compensation expense	1,952,945	2,938,
Purchased in-process research and development-non cash	106,235	6,814,
Changes in operating assets and liabilities:		
Prepaid expenses	(19,917)	(84,
Rent deposits	(19,216)	(47,
Accounts payable and accrued expenses	(412,807)	369,
Total adjustments	1,627,964	10,006,
Net cash used in operating activities	(3,715,432)	(1,463,
Cash flows from investing activities:		
Acquisition of property and equipment	--	(55,

Net cash used in investing activities	--	(55,
Cash flows from financing activities:		
Net proceeds from issuance of common and preferred stock, net of repurchases	6,099,012	
Net cash provided by financing activities	6,099,012	
Net increase (decrease) in cash and cash equivalents	2,383,580	(1,519,
Cash and cash equivalents at beginning of the period	3,956,486	2,223,
Cash and cash equivalents at end of the period	$ 6,340,066	$ 703,
Supplementary disclosure of cash flows information:		
Cash paid for taxes	$ 2,921	$ 23,

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

CALLISTO PHAMACEUTICALS, INC.
(A Development Stage Company)

NOTES TO SEPTEMBER 30, 2004 CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED)

1. Basis of presentation:

The accompanying unaudited condensed consolidated financial statements of Callisto Pharmaceuticals, Inc., and its wholly owned subsidiaries Callisto Research Labs, LLC., Synergy Pharmaceuticals Inc. ("Synergy") and Callisto Pharmaceuticals, GmbH ("GmbH"), (collectively, "Callisto" a development stage company), have been prepared in accordance with (i) accounting principles generally accepted in the United States ("GAAP") for interim financial information and (ii) the rules of the Securities and Exchange Commission (the "SEC") for quarterly reports on Form 10-QSB. The results of operations of Synergy are included in the condensed consolidated statement of operations for the nine months ended September 30, 2004 and since May 1, 2003 in the period from June 5, 1996 (inception) to September 30, 2004 and for the nine months ended September 30, 2003. (See note 3.) These condensed consolidated financial statements do not include all of the information and footnote disclosures required by GAAP for complete financial statements. These statements should be read in conjunction with Callisto's audited financial statements and notes thereto for the year ended December 31, 2003, included in Form 10-KSB filed with

the SEC on April 14, 2004.

In the opinion of management, the accompanying unaudited condensed consolidated financial statements include all adjustments, primarily consisting of normal adjustments, necessary for the fair presentation of the balance sheet and results of operations for the interim periods. The results of operations for the nine months ended September 30, 2004 are not necessarily indicative of the results of operations to be expected for the full year ending December 31, 2004.

2. Accounting for stock based compensation:

Callisto has adopted Statement of Financial Accounting Standard No. 123, "Accounting for Stock-Based Compensation" ("SFAS 123"). As provided for by SFAS 123, Callisto has also elected to continue to account for its stock-based compensation programs according to the provisions of Accounting Principles Board Opinion No. 25, "Accounting for Stock Issued to Employees ("APB 25")." Accordingly, compensation expense has been recognized to the extent of employee or director services rendered based on the intrinsic value of options or shares granted under the plans. Callisto has also adopted the disclosure provisions required by SFAS 123, as amended by SFAS 148, "Accounting for Stock-Based Compensation - Transition and Disclosure, an amendment to FASB Statement No. 123."

Had compensation cost for stock options granted been determined based upon the fair value at the grant date for awards, consistent with the methodology prescribed under SFAS 123, Callisto's net loss and net loss per share would have been as follows:

	Nine Months Ended September 30,		Three Mo
	2004	2003	
Net loss, as reported	$ (5,343,396)	$(11,469,823)	$ (1
Add: Stock-based employee compensation expense recorded under APB No. 25	1,666,936	1,525,178	
Deduct: stock-based employee compensation expense determined under fair value method	(2,656,870)	(1,893,512)	
Pro forma net loss	$ (6,333,330)	$(11,838,157)	$ (1
Net loss per share:			
Basic and diluted -as reported	$ (0.19)	$ (0.56)	$
Basic and diluted -pro forma	$ (0.22)	$ (0.57)	$

The fair value of the options granted to employees during 2004 and 2003 ranged from $0.26 to $5.53 on the date of the respective grant using the Black-Scholes option-pricing model. The following weighted average assumptions were used for 2004 and 2003: no dividend yield, expected volatility of 0% to April 30, 2003 and 100% since Callisto's common stock began to trade publicly on June 16, 2003, risk free interest rate ranged from 4.50% to 2.87% and an expected term of 7 to 10 years.

3. Merger and consolidation:

In March 2002, Callisto Pharmaceuticals, Inc. ("Old Callisto") purchased 99.7% of the outstanding common shares of Webtronics, Inc., ("Webtronics") a public company for $400,000. Webtronics was incorporated in Florida on February 2, 2001 and had limited operations during the year ended December 31, 2002. The purchase price of Webtronics was treated as a cost of becoming a public company, however because there was no capital raised at the time, the amount was charged to general and administrative expense during the year ended December 31, 2002.

On April 30, 2003, pursuant to an Agreement and Plan of Merger dated March 10, 2003, as amended April 4, 2003, Synergy Acquisition Corp., a wholly-owned subsidiary of Webtronics merged into Synergy and Callisto Acquisition Corp., a wholly-owned subsidiary of Webtronics merged into Old Callisto (collectively, the "Merger"). As a result of the Merger, Old Callisto and Synergy became wholly-owned subsidiaries of Webtronics. In connection with the Merger, Webtronics issued 17,318,994 shares of its common stock in exchange for outstanding Old Callisto common stock and an additional 4,395,684 shares in exchange for outstanding Synergy common stock. Subsequently, 171,818 shares of common stock issued to former Synergy shareholders were returned to Callisto under the terms of certain indemnification agreements through September 30, 2004. The merged companies are considered to be in the development stage. No revenues have been realized since inception and all activities have been concentrated in research and development of biopharmaceutical products not yet approved by the Food and Drug Administration. The fair value of the net shares issued to former Synergy shareholders in the Merger totaled $6,335,798 through September 30, 2004. The fair value per share of $1.50, used to determine this amount, was the value per share Callisto sold common stock in a private placement consummated in January 2004. The total consideration was allocated in full to the Synergy research and development projects which had not yet reached technological feasibility and having no alternative use was charged to purchased in-process research and development expense.

4. Net loss per share:

The assumed exercise of all of Callisto's outstanding stock options was excluded from the computation of net loss per share due to their anti-dilutive effect because of the net losses reported for the three and nine months ended September 30, 2004 and 2003. As of September 30, 2004 and 2003, Callisto had 6,783,560 and 4,675,227 stock options outstanding, respectively. In addition Callisto had 758,995 common stock warrants outstanding as of September 30, 2004 and none as of September 30, 2003.

5. Government Research Grant:

On October 7, 2003, Callisto was awarded a $265,697 Small Business Technology Transfer Research Grant from the National Institutes of Health for studies on Atiprimod. No funding was received during 2003. During the three and nine months ended September 30, 2004, Callisto received $87,880 and $188,100 of grant funding, respectively, as reimbursement of expenses and recorded the receipt as an offset to research and development expense. As of September 30, 2004 Callisto had unused grant funding available of $77,597.

6. Stockholders' equity:

During the three months ended March 31, 2004:

In January 2004, Callisto completed a private placement begun in late 2003 and issued 1,128,766 shares of common stock at an issue price of $1.50 for aggregate proceeds of $1,693,149, less $139,891 in fees to various selling agents. In addition, Callisto incurred and issued 31,467 shares of common stock and an aggregate 370,543 warrants to purchase common stock to such selling agents. The warrants are immediately exercisable at $1.90 per share and will expire five years after issuance.

a.) Callisto issued to Houston Pharmaceuticals, Inc. ("HPI") 25,000 shares of common stock at a fair value of $56,250 in connection with the acquisition of certain patent rights, which cost was charged to purchased in-process research and development expense (see note 7);

b.) 90,000 shares of common stock issued to former Synergy shareholders were returned to Callisto and purchased in process research and development expense was decreased by $159,092;

c.) Callisto recorded $209,076 of purchased in process research and development as a result of the issuance of 263,741 warrants to two Callisto shareholders, which warrants are immediately exercisable at $1.50 per share and will expire ten years after issuance; and $60,750 of stock-based compensation expense associated with shares of common stock issued to a shareholder for services performed.

During the three months ended June 30, 2004:

On April 19, 2004, Callisto sold and issued 2,151,109 shares of common stock at an issue price of $2.25 per share for aggregate gross proceeds of $4,839,995 and incurred fees and expenses aggregating $294,241 to various selling agents. In addition, Callisto issued an aggregate 124,711 warrants to purchase common stock to such selling agents. The warrants are immediately exercisable at $2.48 per share and will expire five years after issuance.

On April 26, 2004, Callisto's Board of Directors granted 100,000 stock options to Gabriele M. Cerrone, Chairman of the Board, in recognition of his efforts during the past year on behalf of the company. The stock options are immediately exercisable at $3.20 per share and stock-based compensation expense of $286,918 was recorded in connection with the grants, based on a Black-Scholes fair value of $2.87 per share.

On June 29, 2004, Callisto's Compensation Committee recommended and the Board of Directors approved the grant of 275,000 stock options to Gary Jacob, Chief Executive Officer, as additional compensation. The stock options are exercisable at $3.00 per share. 25,000 options vest on each of June 1, 2005 and June 1, 2006 and 50,000 options vest on June 1, 2007. The remaining 175,000 options vest upon the achievement of performance milestones associated with the successful in-licensing, advancement and development of certain drug candidates. If the milestones are achieved Callisto will record stock-based compensation expense based on the intrinsic value of the options at that time.

On June 29, 2004, Callisto's Compensation Committee recommended and the Board of Directors approved the grant of 400,000 stock options to Donald Picker,

Executive Vice President, R&D as additional compensation. The stock options are exercisable at $3.00 per share. 50,000 options vest on each of June 1, 2005 and June 1, 2006 and 75,000 options vest on June 1, 2007. The remaining 225,000 options vest upon the achievement of performance milestones associated with the successful advancement and development of our drug candidates through various stages of clinical trials. If the milestones are achieved Callisto will record stock-based compensation expense based on the intrinsic value of the options at that time.

During the three months ended September 30, 2004:

On August 12, 2004, in connection with the Annamycin license (see Note 7), Callisto entered into a consulting agreement with Roman Perez-Soler, M.D., for a term concurrent with the Annamycin license agreement. In connection therewith Dr. Perez-Soler agreed to be appointed to the Company's Scientific Advisory Board. As consideration for consulting and advisory services Dr. Perez-Soler shall receive a $30,000 per year consulting fee and, 44,000 shares of restricted common stock. These shares had not yet been issued as of September 30, 2004, however we accrued stock based compensation expense totaling $70,840 based on the closing stock price of $1.61 on August 12, 2004, the date on which the Company became obligated to issue the stock. In addition, Callisto will grant Dr. Perez-Soler an option to purchase 468,500 shares of common stock at an exercise price of $3.00 per share. The option shares vest upon achievement of specific milestones related to future development of Annamycin, at which time stock-based compensation expense will be recorded based upon the fair value of the options at that time.

7. Commitments and contingencies:

License agreements:

On August 28, 2002, Synergy entered into a worldwide license agreement with AnorMED, Inc. ("AnorMED") to research, develop, sell and commercially exploit the Atiprimod patent rights. The license agreement provides for aggregate milestone payments by Synergy of up to $14 million based on achieving regulatory submissions and approvals for an initial indication and additional payments of $16 million for each additional indication based on achieving regulatory submissions and approvals. In addition, the license agreement requires Synergy to pay royalties based on net sales to AnorMED. Commencing on January 1, 2004 and on January 1 of each subsequent year Synergy is obligated to pay AnorMED a maintenance fee of $200,000 until the first commercial sale of the product. The first of these annual maintenance fee payments made on January 22, 2004 was reported as research and development expense in the nine months ended September 30, 2004. The agreement will terminate upon expiration of the last to expire of any patents included in the licensed patents as defined in the agreement.

On February 24, 2004, Callisto entered into an agreement with HPI, a privately held company, to acquire the rights to two key patents covering a novel cancer platform technology. Callisto issued to HPI 25,000 shares of common stock at a fair value of $56,250 and reimbursed HPI approximately $103,500 for various costs and expenses. The total consideration of $159,750 was allocated in full to the HPI patent rights, which have not yet reached technological feasibility, and having no alternative use, was accounted for as purchased in-process research and development expense during the quarter ended March 31, 2004. The fair value of the common stock issued to HPI was $2.25, based on the price per share paid in the April 2004 private placement, which closed on April 19, 2004. (See note 6)

In addition, Callisto granted to HPI 1,170,000 performance based stock options, exercisable at $3.50 per share, which vest upon the achievement of certain milestones. If the milestones are achieved, Callisto will record additional

purchased in-process research and development expense based upon the fair value of the options at that time. Callisto also agreed to pay HPI a royalty of 2% of net sales from any products resulting from commercializing the patents.

On August 12, 2004, Callisto entered into a world-wide license agreement with The University of Texas M. D. Anderson Cancer Center ("UTMDACC") to research, develop, sell and commercially exploit the patent rights for Annamycin, an anthacycline cancer drug for leukemia therapy. Consideration paid for this license amounted to $31,497 for reimbursement of out-of-pocket costs for filing, enforcing and maintaining the Annamycin patent rights and a $100,000 initial license fee. Annamycin has not yet reached technological feasibility, and having no alternative use, these costs were recorded as research and development expense in the quarter ended September 30, 2004. Callisto also agreed to pay UTMDACC royalties based on net sales from any licensed products, plus aggregate milestone payments of up to $750,000 based upon achieving certain regulatory submissions and approvals. The term of the agreement is the life of the underlying patent rights.

Employment Agreements:

On June 13, 2003, Callisto entered into an employment agreement with Kunwar Shailubhai, Ph.D. to serve as Executive Vice President and Head of Research and Development for a term of 18 months beginning June 13, 2003 and is automatically renewable for successive one year periods at the end of the term. Dr. Shailubhai's salary is $170,000 per year and he is eligible to receive a cash bonus of up to 15% of his salary per year. In connection with his employment agreement, Dr. Shailubhai received a grant of 25,000 stock options which are fully vested and have an exercise price of $1.50 per share. Dr. Shailubhai also received a grant of 325,000 stock options which vest over a three year period and are exercisable at $1.50 per share.

On April 6, 2004, Dr. Shailubhai's employment agreement was terminated and he entered into an employment agreement with Synergy in which he agreed to serve as Senior Vice President, Drug Discovery. Dr. Shailubhai's employment agreement is for a term of 12 months beginning April 6, 2004 and is automatically renewable for successive one year periods at the end of the term. Dr. Shailubhai's salary is $150,000 per year and he is eligible to receive a cash bonus of up to 15% of his salary per year. His unvested options for 325,000 shares granted June 13, 2003 were cancelled and Dr. Shailubhai received a new grant of 100,000 stock options which are exercisable at $1.50 per share. 50,000 of such stock options vested in June 2004 and the remainder in December 2004.

The unamortized balance of deferred stock based compensation expense associated with the 225,000 cancelled options, amounting to $706,813 as of the date of cancellation, was charged to stock-based compensation expense during the quarter ended June 30, 2004. The deferred balance of stock-based compensation expense associated with the remaining 100,000 options of $314,139, will be expensed over the vesting period of the new grant (e.g. April 7, 2004 through December 31, 2004). During the quarter ended September 30, 2004 this expense amounted to $108,203.

On July 22, 2004 the employment agreement of Donald H. Picker, Callisto's Executive Vice President, R&D was amended. Dr, Picker's salary was increased from $175,000 to $200,000 per year and certain milestones were added upon achievement of which cash bonuses of up to $92,500 over a 12 month period may be

paid. During the quarter ended September 30, 2004 no milestones were achieved and no expense was recorded.

Lease agreements:

On June 7, 2004 Callisto extended its lease for its corporate headquarters in New York City two additional years through August 2010, and increased its space by approximately 60%. This increases average annual rent by approximately $50,000 to $150,000. Laboratory space in New Jersey, principally to support combined Callisto and Synergy research efforts, with an approximate rent of $50,000 annually through November 2005 was unchanged in the nine months ended September 30, 2004.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion should be read in conjunction with our condensed consolidated financial statements and notes to those statements. In addition to historical information, the following discussion and other parts of this quarterly report contain forward-looking information that involves risks and uncertainties.

OVERVIEW

We are a development stage biopharmaceutical company, whose primary focus is on biopharmaceutical product development. Since inception in June 1996, our efforts have been principally devoted to research and development, securing patent protection, obtaining corporate relationships and raising capital. Since inception, through September 30, 2004, we have sustained cumulative net losses of $31,161,126. Our losses have resulted primarily from expenditures incurred in connection with the purchase of in-process research and development, stock-based compensation expense, patent filing and maintenance, outside accounting and legal services and regulatory consulting fees. From inception through September 30, 2004 we have not generated any revenue from operations. We expect to incur additional losses to perform further research and development activities. We do not currently have any commercial biopharmaceutical products, and do not expect to have such for several years, if at all.

HISTORY

In March 2002, Callisto Pharmaceuticals, Inc. ("Old Callisto") purchased 99.7% of the outstanding common shares of Webtronics, Inc., a public company ("Webtronics"), for $400,000. Webtronics was incorporated in Florida on February 2, 2001 and had limited operations during the year ended December 31, 2002. On April 30, 2003, pursuant to an Agreement and Plan of Merger dated March 10, 2003, as amended April 4, 2003, Synergy Acquisition Corp., a wholly-owned subsidiary of Webtronics merged into Synergy Pharmaceuticals Inc. ("Synergy") and Callisto Acquisition Corp., a wholly-owned subsidiary of Webtronics merged into Old Callisto (collectively, the "Merger"). As a result of the Merger, Old Callisto and Synergy became wholly-owned subsidiaries of Webtronics. Old Callisto changed its name to Callisto Research Labs, LLC and Webtronics changed its name to Callisto Pharmaceuticals, Inc. and changed its state of

incorporation from Florida to Delaware.

RESULTS OF OPERATIONS

THREE MONTHS ENDED SEPTEMBER 30, 2004 AND SEPTEMBER 30, 2003.

The results of operations of Synergy are included in the consolidated statement of operations for the full quarter ended September 30, 2004 and September 30, 2003.

We had no revenues during the three months ended September 30, 2004 and 2003 because we do not have any commercial biopharmaceutical products, and we do not expect to have such products for several years, if at all.

Research and development expenses increased approximately $275,144, or 48%, to $851,410 for the three months ended September 30, 2004 from $576,266 for the same period in 2003. Of this increase in research and development expense, approximately $95,000 was associated with the patient cost of our Phase I/IIa clinical trials of Atiprimod currently underway. Also contributing to higher research and development expenses in the quarter ended September 30, 2004 was approximately $75,000 in higher license fees attributable to Annamycin and approximately $95,000 of higher expenses incurred under our NIH research grant. During the three months ended September 30, 2004, a portion of our research and development expenses consisted of costs incurred developing commercial production capacity for future trials of Atiprimod as compared to the three month period ended September 30, 2003 during which a portion of our research and development expenses were pre-clinical costs associated with preparing our Atiprimod IND application.

Government grant funding for the three months ended September 30, 2004 was $87,880 as compared to $0 for the three months ended September 30, 2003. We request grant funding for research and development expenses as incurred.

General and administrative expenses for the three months ended September 30, 2004 increased $230,283, or 67%, to $572,440, from $342,157 for the three months ended September 30, 2003. The increase was due in part to approximately $80,000 in higher salaries and wages as a result of our CEO devoting more of his time to administrative and fund raising activities and the hiring of permanent financial staff. During the three months ended September 30, 2003 our CEO's salary was recorded as research and development expense because of his heavy involvement in the IND application process and other patent and research grant related efforts. Also contributing to this increase in general and administrative expenses were approximately $90,000 of higher travel and registration fees related to investor and technical conferences, approximately $30,000 in higher facilities overhead, $24,000 in higher outside directors fees and $16,000 in higher transfer agent costs during the quarter ended September 30, 2004.

Net loss for the three months ended September 30, 2004 was $1,605,686 compared to a net loss of $1,373,814 incurred for the three months ended September 30, 2003. This increase of $231,872, or 17%, in our net loss is primarily the result of the operating expense increases discussed above, partially offset by a decrease of $188,376 or 40% in stock-based compensation expense. This decrease is the result of substantially fewer options being granted (resulting in lower amortization of deferred stock based compensation) during the three months ended September 30, 2004 as compared to 2003, as well as a decline in the market price of our common stock from $4.05 as of September 30, 2003 to $1.49 per share on September 30, 2004.

NINE MONTHS ENDED SEPTEMBER 30, 2004 AND SEPTEMBER 30, 2003.

The results of operations of Synergy are included in the consolidated statement of operations for the full nine months ended September 30, 2004 but only five months of the nine months ended September 30, 2003.

We had no revenues during the nine months ended September 30, 2004 and 2003 because we do not have any commercial biopharmaceutical products, and we do not expect to have such products for several years, if at all.

Research and development expenses increased approximately $891,810, or 101%, to $1,777,062 for the nine months ended September 30, 2004 from $885,252 for the same period in 2003. Of this increase in research and development expense, $300,000 was attributable to our payments of the first annual $200,000 maintenance fee to AnorMED, Inc. for the Atiprimod license and $100,000 to the University of Texas MD Anderson Cancer Center for the Annamycin license. Also contributing to this increase in research and development expense was approximately $152,000 associated with the patient cost (including insurance) of our Phase I/IIa clinical trials of Atiprimod currently underway. In addition personnel costs increased approximately $106,000 as we retained two Synergy executive staff scientists, Drs. Picker and Shailubhai, subsequent to the Merger. The remainder of the increase was primarily associated with higher expenses incurred under our NIH research grant. During the nine months ended September 30, 2004, a portion of our research and development expenses consisted of costs incurred developing commercial production capacity for future trials of Atiprimod as compared to the nine month period ended September 30, 2003 during which a portion of our research and development expenses were pre-clinical costs associated with preparing our Atiprimod IND application.

Government grant funding for the nine months ended September 30, 2004 was $188,100 as compared to $0 for the nine months ended September 30, 2003. We request grant funding to reimburse research and development expenses as incurred.

General and administrative expenses for the nine months ended September 30, 2004 were $1,646,673, an increase of $806,898, or 96%, from $839,775 for the nine months ended September 30, 2003. The increase was due primarily to approximately (i) $200,000 of increased personnel costs as a result of the Merger and the hiring of a senior financial officer in January 2004, (ii) $118,000 in higher facilities and office overhead related to the move into our new corporate headquarters in New York City late in the quarter ended September 30, 2003, (iii) $110,000 in higher legal and accounting fees related to certain regulatory filings and corporate business development activities, (iv) $199,000 in higher outside services associated with being a public company including outside directors, transfer agent fees and investor relations and (v) $155,000 in higher business travel principally attending investor, professional and medical conferences in the United States, England, Italy and Germany.

Purchased in-process research and development was $209,735 for the nine months ended September 30, 2004, primarily in connection with the acquisition of rights to two key patents covering a novel cancer platform technology from Houston Pharmaceuticals, Inc.. During the nine months ended September 30, 2003 we recorded $6,814,363 of purchased in-process research and development expense in connection with the Merger.

Net loss for the nine months ended September 30, 2004 was $5,343,396 compared to a net loss of $11,469,823 incurred for the nine months ended September 30, 2003.

The decreased net loss is primarily the result of the lower purchased in-process research and development expenses, partially offset by higher research, development, general and administrative expenses discussed above. In addition we recorded lower stock based compensation expense of $1,952,945 during the nine months ended September 30, 2004, as compared to $2,938,734 recorded during the same period ended September 30, 2003, due to (i) substantially fewer options being granted (resulting in lower amortization of deferred stock based compensation) during the nine months ended September 30, 2004 as compared to 2003 (ii) more immediately vested options granted during the nine months ended September 30, 2003, with exercise prices below market value and (iii) a decline in the market price of our common stock from $4.05 as of September 30, 2003 to $1.49 per share on September 30, 2004.

LIQUIDITY AND CAPITAL RESOURCES:

As of September 30, 2004 we had $6,340,066 in cash and cash equivalents, compared to $3,956,486 as of December 31, 2003. This increase in cash of $2,383,580 during the nine months ended September 30, 2004 was principally the result of completing two private placements of common stock yielding net proceeds of $6,099,012. This was partially offset by cash used in operating activities of $3,715,432 during the nine months ended September 30, 2004. Cash used in operating activities was primarily for research & development and general & administrative expenses discussed above totaling $3,423,735, plus $341,625 used to reduce December 31, 2003 accrued finders fees payable on that portion of our private placement closed during 2003.

In January 2004, we completed a private placement begun in late 2003 and issued 1,128,766 shares of common stock at an issue price of $1.50 for aggregate proceeds of $1,693,149, less $139,891 in fees to various selling agents. In addition, we incurred and issued 31,467 shares of common stock and an aggregate 370,543 warrants to purchase common stock to such selling agents. The warrants are immediately exercisable at $1.90 per share and will expire five years after issuance.

On April 19, 2004, we sold and issued in a private placement to accredited investors an aggregate 2,151,109 shares of common stock at an issue price of $2.25 per share for aggregate gross proceeds of $4,839,995. We incurred fees and expenses aggregating $294,241 to various selling agents. In addition, we issued an aggregate 124,711 warrants to purchase common stock to such selling agents. The warrants are immediately exercisable at $2.48 per share and will expire five years after issuance.

CONTRACTUAL OBLIGATIONS:

On July 22, 2004 the employment agreement of Donald H. Picker, Callisto's Executive Vice President, R&D was amended. Dr, Picker's salary was increased from $175,000 to $200,000 per year and certain milestones were added upon which cash bonuses of up to $92,500 may be paid over a 12 month period.

On August 12, 2004, We entered into a world-wide license agreement with The University of Texas M. D. Anderson Cancer Center ("UTMDACC") to research, develop, sell and commercially exploit the patent rights for Annamycin, an anthacycline cancer drug for leukemia therapy. Consideration paid for this license amounted to $31,497 for reimbursement of out-of-pocket costs for filing, enforcing and maintaining the Annamycin patent rights and a $100,000 initial license fee. We also agreed to pay UTMDACC royalties based on net sales from any licensed products, plus aggregate milestone payments of up to $750,000 based

upon achieving certain regulatory submissions and approvals. The term of the agreement is the life of the underlying patent rights.

Our working capital requirements will depend upon numerous factors including but not limited to the nature, cost and timing of: pharmaceutical research and development programs; pre-clinical and clinical testing; obtaining regulatory approvals; technological advances and our ability to establish collaborative arrangements with research organizations and individuals needed to commercialize our products. Our capital resources will be focused primarily on the clinical development and regulatory approval of our current product candidates, and the acquisition of licenses and rights to certain other cancer related drug technologies. We expect that our existing capital resources will be sufficient to fund our operations for at least the next 12 months. We will be required to raise additional capital to complete the development and commercialization of our current product candidates.

ITEM 3. Controls and Procedures

Our Chief Executive Officer and Principal Financial Officer, based on the evaluation 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) required by paragraph (b) of Rule 13a-15 or Rule 15d-15, as of the end of the period covered by this report, have concluded that our disclosure controls and procedures were effective to ensure the timely collection, evaluation and disclosure of information relating to our company that would potentially be subject to disclosure under the Securities Exchange Act of 1934, as amended, and the rules and regulations promulgated there under.

During the three months ended September 30, 2004, there were no changes in our internal control over financial reporting identified in connection with the

evaluation required by paragraph (d) of Rule 13a-15 or Rule 15d-15 that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

PART II. OTHER INFORMATION

ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K

(a) Exhibits

31.1 Certification of Chief Executive Officer required under Rule 13a-14(a)/15d-14(a) under the Exchange Act.

31.2 Certification of Principal Financial Officer required under Rule 13a-14(a)/15d-14(a) under the Exchange Act.

32.1 Certification of Chief Executive Officer pursuant to 18 U.S.C Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

32.2 Certification of Principal Financial Officer pursuant to 18 U.S.C Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

(b) Reports on Form 8-K.

On September 7, 2004 we filed a Form 8-K announcing we had entered into a license agreement with the University of Texas M.D. Anderson Cancer Center.

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SIGNATURES

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

CALLISTO PHARMACEUTICALS, INC.
(Registrant)

Date: November 12, 2004

By: /s/ Gary S. Jacob

Gary S. Jacob
Chief Executive Officer

Date: November 12, 2004

By: /s/ Bernard F. Denoyer

Bernard F. Denoyer
Vice President, Finance

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Our stock included in U.S. plan assets consisted of 149,022 shares of Class A common stock and 1,001,034 shares of Class B common stock. Our funding policy is to contribute at least the amount required by law in the respective countries.

The total accumulated benefit obligation as of the measurement date for all defined benefit pension plans was $692,601 in 2011 and $620,036 in 2010. At the measurement date in 2011, our plans had fair values of plan assets totaling $458,278. At the measurement date in 2011, two of our plans had fair values of plan assets totaling $17,856, which exceeded their accumulated benefit obligations of $13,746. The following table provides aggregate information for the other pension plans, which have projected benefit obligations or accumulated benefit obligations in excess of plan assets:

	0000000000000	0000000000000
	October 1,	October 2,
	2011	2010
Projected benefit obligation	**$ 748,495**	$ 661,120
Accumulated benefit obligation	**678,855**	592,993
Fair value of plan assets	**440,422**	408,732

Weighted-average assumptions used to determine benefit obligations as of the measurement dates and weighted-average assumptions used to determine net periodic benefit cost are as follows:

	0000000	0000000	0000000	0000000	0000000	0000000
		U.S. Plans			Non-U.S. Plans	
	2011	2010	2009	**2011**	2010	2009
Assumptions for net periodic benefit cost:						
Discount rate	**5.2%**	6.0%	7.3%	**4.6%**	5.8%	6.0%
Return on assets	**8.9%**	8.9%	8.9%	**5.1%**	6.0%	6.5%
Rate of compensation increase	**3.8%**	4.1%	5.3%	**3.1%**	3.3%	3.5%
Assumptions for benefit obligations:						
Discount rate	**4.7%**	5.2%	6.0%	**4.7%**	4.6%	5.8%
Rate of compensation increase	**3.8%**	3.8%	4.1%	**3.0%**	2.6%	3.3%

Pension plan investment policies and strategies are developed on a plan specific basis, which varies by country. At October 1, 2011, the U.S. plans represented 85% of consolidated pension assets, while the non-U.S. plans represented 15% of consolidated pension assets, the largest concentration being in the U.K. (6%). The overall objective for the long-term expected return on both domestic and international plan assets is to earn a rate of return over time to meet anticipated benefit payments in accordance with plan provisions. The long-term investment objective of both the domestic and international retirement plans is to maintain the economic value of plan assets and future contributions by producing positive rates of investment return after subtracting inflation, benefit payments and expenses. Each of the plan s strategic asset allocations is based on this long-term perspective and short-term fluctuations are viewed with appropriate perspective.

The U.S. qualified defined benefit plan s assets are invested for long-term investment results. To accommodate the long-term investment horizon while providing appropriate liquidity, the plan maintains a liquid cash reserve of one-month to three-months of benefit distributions. Its assets are broadly diversified to help alleviate the risk of adverse returns in any one security or investment class. The international plans assets are invested in both low-risk and high-risk investments in order to achieve the long-term investment strategy objective. Investment risks for both domestic and international plans are considered within the context of the entire plan, rather than on a security-by-security basis.

The U.S. qualified defined benefit plan and certain international plans have investment committees that are responsible for formulating investment policies, developing manager guidelines and objectives and approving and managing qualified advisors and investment managers. The guidelines established for each of the plans define permitted investments within each asset class and apply certain restrictions such as limits on concentrated holdings in order to meet overall investment objectives.

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Pension obligations and the related costs are determined using actuarial valuations that involve several assumptions. The return on assets assumption reflects the average rate of return expected on funds invested or to be invested to provide for the benefits included in the projected benefit obligation. In determining the return on assets assumption, we consider the relative weighting of plan assets, the historical performance of total plan assets and individual asset classes and economic and other indicators of future performance. Asset management objectives include maintaining an adequate level of diversification to reduce interest rate and market risk and to provide adequate liquidity to meet immediate and future benefit payment requirements.

In determining our U.S. pension expense for 2011, we assumed an average rate of return on U.S. pension assets of approximately 8.9% measured over a planning horizon with reasonable and acceptable levels of risk. The rate of return assumed an average of 80% in equity securities and 20% in fixed income securities. In determining our non-U.S. pension expense for 2011, we assumed an average rate of return on non-U.S. pension assets of approximately 5.1% measured over a planning horizon with reasonable and acceptable levels of risk. The rate of return assumed an average asset allocation of 40% in equity securities and 60% in fixed income securities.

The weighted average asset allocations by asset category for the pension plans as of October 1, 2011 and October 2, 2010 are as follows:

	U.S. Plans			Non-U.S. Plans		
	Target	**2011 Actual**	2010 Actual	Target	**2011 Actual**	2010 Actual
Asset category:						
Equity	50%-85%	**74%**	76%	40%-60%	**43%**	43%
Debt	15%-30%	**14%**	16%	40%-60%	**55%**	54%
Real estate and other	0%-20%	**12%**	8%	0%-10%	**2%**	3%

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The following tables present the consolidated plan assets using the fair value hierarchy, which is described in Note 9 Fair Value, as of October 1, 2011 and October 2, 2010.

	00000000000000	00000000000000	00000000000000	00000000000000
U.S. Plans, October 1, 2011	Level 1	Level 2	Level 3	Total
Shares of registered investment companies:				
Large growth stocks	$ 60,550	$ -	$ -	$ 60,550
International equity	44,827	-	-	44,827
Emerging markets	16,195	-	-	16,195
Common stock:				
International equity	29,886	-	-	29,886
Large value stocks	18,202	-	-	18,202
Large core stocks	15,897	-	-	15,897
Large growth stocks	15,835	-	-	15,835
Other	9,947	-	-	9,947
Fixed income funds:				
Intermediate-term core fixed income	56,345	-	-	56,345
Employer securities	37,995	-	-	37,995
Interest in common collective trust	-	27,446	-	27,446
Money market funds	-	45,971	-	45,971
Cash and cash equivalents	1,557	-	-	1,557
Limited partnerships	-	-	8,633	8,633
Fair value	$ 307,236	$ 73,417	$ 8,633	$ 389,286

	00000000000000	00000000000000	00000000000000	00000000000000
Non-U.S. Plans, October 1, 2011	Level 1	Level 2	Level 3	Total
Shares of registered investment companies	$ -	$ 27,929	$ -	$ 27,929
Domestic equity	2,728	222	-	2,950
International equity	7,705	-	-	7,705
Fixed income funds	1,567	12,210	-	13,777
Cash and cash equivalents	4,762	-	-	4,762
Insurance contracts and other	-	490	11,378	11,868
Fair value	$ 16,762	$ 40,851	$ 11,378	$ 68,991

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	000000000000000	000000000000000	000000000000000	000000000000000
U.S. Plans, October 2, 2010	Level 1	Level 2	Level 3	Total
Shares of registered investment companies:				
International equity	$ 48,483	$ -	$ -	$ 48,483
Large growth stocks	39,170	-	-	39,170
Emerging markets	20,599	-	-	20,599
Common stock:				
International equity	33,166	-	-	33,166
Large value stocks	19,572	-	-	19,572
Large core stocks	19,752	-	-	19,752
Large growth stocks	7,198	-	-	7,198
Other	11,568	-	-	11,568
Fixed income funds:				
Intermediate-term core fixed income	58,384	-	-	58,384
Employer securities	41,329	-	-	41,329
Interest in common collective trust	-	25,884	-	25,884
Money market funds	35,843	-	-	35,843
Cash and cash equivalents	1,964	278	-	2,242
Limited partnerships	-	-	5,900	5,900
Fair value	$ 337,028	$ 26,162	$ 5,900	$ 369,090

Non-U.S. Plans, October 2, 2010	Level 1	Level 2	Level 3	Total
Shares of registered investment companies	$ -	$ 21,420	$ -	$ 21,420
Domestic equity	2,573	305	-	2,878
International equity	7,740	-	-	7,740
Fixed income funds	-	19,836	-	19,836
Cash and cash equivalents	3,900	-	-	3,900
Insurance contracts and other	-	435	16,210	16,645
Fair value	$ 14,213	$ 41,996	$ 16,210	$ 72,419

The following is a roll forward of the consolidated plan assets classified as Level 3 within the fair value hierarchy:

	U.S. Plans	Non-U.S. Plans	Total
Balance at October 3, 2009	$ 2,076	$ 11,408	$ 13,484
Return on assets	367	3,323	3,690

Purchases, sales, issuances and settlements, net	3,457	1,479	4,936
Balance at October 2, 2010	5,900	16,210	22,110
Return on assets	(507)	(6,197)	(6,704)
Purchases, sales, issuances and settlements, net	3,240	1,365	4,605
Balance at October 1, 2011	**$ 8,633**	**$ 11,378**	**$ 20,011**

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The valuation methodologies used for pension plan assets measured at fair value have not changed between October 1, 2011 and October 2, 2010. Cash and cash equivalents consist of direct cash holdings and institutional short-term investment vehicles. Direct cash holdings are valued at cost, which approximates fair value. Institutional short-term investment vehicles are valued daily. Investments in U.S. treasury obligations are valued by a pricing service based upon closing market prices at year end. Shares of registered investment companies are valued at net asset value of shares held by the plan at year end. Common stocks traded on national exchanges are valued at the last reported sales price. Investments denominated in foreign currencies are translated into U.S. dollars using the last reported exchange rate. Fixed income funds, which primarily consist of corporate and government bonds, are valued using methods, such as dealer quotes, available trade information, spreads, bids and offers provided by a pricing vendor. Investments in limited partnerships are valued based on the net asset value of our share in the fair value of the investments at year end. Common collective trust funds consist of pools of investments used by institutional investors to obtain exposure to equity and fixed income markets. Common collective trust funds held by us invest primarily in investment grade, U.S. denominated fixed income securities. The common collective trusts have no unfunded commitments at October 1, 2011, and there are no significant restrictions on redemptions. Shares held in common collective trust funds are reported at the net unit value of units held by the trust at year end. The unit value is determined by the total value of fund assets divided by the total number of units of the fund owned. Investments in insurance contracts are valued at contract value, which is the fair value of the underlying investment of the insurance company. Securities or other assets for which market quotations are not readily available or for which market quotations do not represent the value at the time of pricing (including certain illiquid securities) are fair valued in accordance with procedures established under the supervision and responsibility of the Custodian of that investment.

Such procedures may include the use of independent pricing services or affiliated advisor pricing, which use prices based upon yields or prices of securities of comparable quality, coupon, maturity and type, indications as to values from dealers, operating data and general market conditions.

The preceding methods may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although we believe the valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

Pension expense for all plans, including costs for various defined contribution plans, was as follows:

	U.S. Plans			Non-U.S. Plans		
	2011	2010	2009	**2011**	2010	2009
Service cost	**$ 22,566**	$ 18,718	$ 13,977	**$ 4,804**	$ 3,139	$ 3,485
Interest cost	**28,683**	27,067	25,529	**6,260**	5,868	5,747
Expected return on plan assets	**(39,089)**	(35,344)	(31,924)	**(3,900)**	(3,605)	(3,480)
Amortization of prior service cost (credit)	**9**	203	295	**(60)**	(54)	(44)
Amortization of actuarial loss	**11,292**	4,949	844	**1,546**	521	466
Settlement loss	**16**	-	-	**275**	91	283
Curtailment loss	**-**	-	-	**-**	-	53
Pension expense for defined benefit plans	**23,477**	15,593	8,721	**8,925**	5,960	6,510
Pension expense for defined contribution plans	**7,674**	6,571	6,417	**4,765**	6,053	1,915
Total pension expense	**$ 31,151**	$ 22,164	$ 15,138	**$ 13,690**	$ 12,013	$ 8,425

The estimated net prior service (credit) and net actuarial loss that will be amortized from accumulated other comprehensive loss into net periodic benefit cost for pension plans in 2012 are ($54) and $16,470, respectively.

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Benefits expected to be paid to the participants of the plans are:

	U.S. Plans	Non-U.S. Plans
2012	$ 19,403	$ 3,995
2013	22,899	4,338
2014	24,889	4,655
2015	26,679	6,089
2016	28,587	6,126
Five years thereafter	184,023	36,372

We presently anticipate contributing approximately $950 to the U.S. plans and $7,500 to the non-U.S. plans in 2012.

We provide postretirement health care benefits to certain domestic retirees, who were hired prior to October 1, 1989. There are no plan assets. The transition obligation is being expensed over 20 years through 2013. The changes in the accumulated benefit obligation of this unfunded plan for 2011 and 2010 are shown in the following table:

	October 1, 2011	October 2, 2010
Change in Accumulated Postretirement Benefit Obligation (APBO):		
APBO at prior year measurement date	**$ 23,860**	$ 25,077
Service cost	**491**	571
Interest cost	**1,103**	1,345
Contributions by plan participants	**1,453**	1,360
Benefits paid	**(2,460)**	(2,680)
Actuarial gains	**(6,521)**	(1,953)
Retiree drug subsidy receipts	**99**	140
APBO at measurement date	**$ 18,025**	$ 23,860
Funded status	**$ (18,025)**	$ (23,860)
Accrued postretirement benefit liability	**$ 18,025**	$ 23,860
Amount recognized in accumulated other comprehensive loss, before taxes:		
Transition obligation	**$ 756**	$ 1,150
Actuarial losses	**52**	7,151
Amount recognized in accumulated other comprehensive loss, before taxes	**$ 808**	$ 8,301

The cost of the postretirement benefit plan is as follows:

	00000000000	00000000000	00000000000
	2011	2010	2009
Service cost	**$ 491**	$ 571	$ 417
Interest cost	**1,103**	1,345	1,366
Amortization of transition obligation	**394**	394	394
Amortization of prior service cost	**-**	215	267
Amortization of actuarial loss	**579**	842	385
Net periodic postretirement benefit cost	**$ 2,567**	$ 3,367	$ 2,829

The estimated transition obligation and actuarial loss that will be amortized from accumulated other comprehensive loss into net periodic postretirement benefit cost in 2012 are $394 and $0, respectively.

As of the measurement date, the assumed discount rate used in the accounting for the postretirement benefit obligation was 4.5% in 2011, 4.8% in 2010, 5.5% in 2009. As of the measurement date, the assumed discount rate used in the accounting for the net periodic postretirement benefit cost was 4.8% in 2011, 5.5% in 2010, 7.0% in 2009.

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For measurement purposes, an 7.8%, 6.9% and 8.4% annual per capita rate of increase of medical and drug costs before age 65, medical costs after age 65 and drug costs after age 65, respectively, were assumed for 2012, all gradually decreasing to 4.5% for 2028 and years thereafter. A one percentage point increase in this rate would increase our accumulated postretirement benefit obligation as of the measurement date in 2011 by $814, while a one percentage point decrease in this rate would decrease our accumulated postretirement benefit obligation by $748. A one percentage point increase or decrease in this rate would not have a material effect on the total service cost and interest cost components of the net periodic postretirement benefit cost.

Employee and management profit sharing reflects a discretionary payment based on our financial performance. Profit share expense was $32,025, $21,100, and $8,500 in 2011, 2010, and 2009, respectively.

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Note 12 - Income Taxes

The reconciliation of the provision for income taxes to the amount computed by applying the U.S. federal statutory tax rate to earnings before income taxes is as follows:

	000000000000 **2011**	000000000000 2010	000000000000 2009
Earnings before income taxes:			
Domestic	**$ 89,409**	$ 82,654	$ 57,320
Foreign	**96,801**	66,955	51,640
Eliminations	**(2,425)**	(173)	1,601
Total	**$ 183,785**	$ 149,436	$ 110,561
Computed expected tax expense	**$ 64,325**	$ 52,303	$ 38,696
Increase (decrease) in income taxes resulting from:			
Foreign and R&D tax credits	**(7,578)**	(3,185)	(9,510)
Foreign tax rates	**(6,704)**	(9,711)	(6,301)
Export and manufacturing incentives	**(1,680)**	(840)	(1,190)
State taxes, net of federal benefit	**2,396**	2,274	1,989
Change in valuation allowance for deferred taxes	**(3,100)**	634	1,630
Change in enacted tax rates	**(277)**	-	-
Other	**382**	(133)	202
Income taxes	**$ 47,764**	$ 41,342	$ 25,516
Effective income tax rate	**26.0%**	27.7%	23.1%

At October 1, 2011, various subsidiaries had tax benefit carryforwards totaling $35,681. These tax benefit carryforwards generally do not expire and can be used to reduce current taxes otherwise due on future earnings of those subsidiaries. The change in the valuation allowance relates to tax benefit carryforwards reflecting recent and projected financial performance, tax planning strategies and statutory tax carryforward periods.

No provision has been made for U.S. federal or foreign taxes on that portion of certain foreign subsidiaries undistributed earnings ($518,486 at October 1, 2011) considered to be permanently reinvested. It is not practicable to determine the amount of tax that would be payable if these amounts were repatriated to the U.S.

The components of income taxes are as follows:

	000000000000 **2011**	000000000000 2010	000000000000 2009
Current:			
Federal	**$ 14,307**	$ 10,642	$ (3,496)
Foreign	**27,746**	17,362	13,464

State	**2,788**	2,024	2,218
Total current	**44,841**	30,028	12,186
Deferred:			
Federal	**7,449**	12,744	14,487
Foreign	**(5,424)**	(2,905)	(1,999)
State	**898**	1,475	842
Total deferred	**2,923**	11,314	13,330
Income taxes	**$ 47,764**	$ 41,342	$ 25,516

Realization of deferred tax assets is dependent, in part, upon the generation of future taxable income during the periods in which those temporary differences become deductible. Management considers projected future taxable income and tax planning strategies in making its assessment of the recoverability of deferred tax assets.

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The tax effects of temporary differences that generated deferred tax assets and liabilities are detailed in the following table.

	000000000000 October 1, 2011	000000000000 October 2, 2010
Deferred tax assets:		
Benefit accruals	**$ 188,473**	$ 150,346
Inventory reserves	**29,449**	26,552
Contract loss reserves not currently deductible	**14,231**	11,914
Tax benefit carryforwards	**11,789**	13,796
Other accrued expenses	**13,303**	10,204
Total gross deferred tax assets	**257,245**	212,812
Less valuation allowance	**(4,106)**	(7,352)
Total net deferred tax assets	**253,139**	205,460
Deferred tax liabilities:		
Differences in bases and depreciation of property, plant and equipment	**166,039**	147,363
Pension	**50,061**	42,986
Foreign currency	**1,492**	1,697
Other	**-**	49
Total gross deferred tax liabilities	**217,592**	192,095
Net deferred tax assets	**$ 35,547**	$ 13,365

Net deferred tax assets and liabilities are included in the balance sheet as follows:

	000000000000 October 1, 2011	000000000000 October 2, 2010
Current assets	**$ 82,513**	$ 75,367
Other assets	**10,826**	9,739
Other accrued liabilities	**(1,063)**	(2,200)
Long-term liabilities	**(56,729)**	(69,541)
Net deferred tax assets	**$ 35,547**	$ 13,365

We have unrecognized tax benefits which, if ultimately recognized, will reduce our annual effective tax rate. A reconciliation of the total amounts of unrecognized tax benefits, excluding interest and penalties, is as follows:

	000000000000	000000000000
	October 1, 2011	October 2, 2010
Balance at beginning of year	**$ 9,836**	$ 10,161
Increases (decreases) as a result of tax positions for prior years	**(41)**	732
Increases as a result of tax positions for current year	**160**	78
Reductions as a result of lapse of statue of limitations	**(1,527)**	(1,135)
Settlement of tax positions	**(1,732)**	-
Balance at end of year	**$ 6,696**	$ 9,836

We are subject to income taxes in the U.S. and in various states and foreign jurisdictions. Tax regulations within each jurisdiction are subject to the interpretation of the related tax laws and regulations and require the application of significant judgment. With few exceptions, we are no longer subject to U.S. federal, state and local, or non-U.S. income tax examinations by tax authorities for years before 2008. The statute of limitations in several jurisdictions will expire in the next twelve months and we have unrecognized tax benefits of $2,622, which would be recognized if the statute of limitations expires without the relevant taxing authority examining the applicable returns.

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We accrue interest and penalties related to unrecognized tax benefits to income tax expense for all periods presented. At October 2, 2010, we had accrued interest and penalties of $1,507. We expensed an additional $585 of interest for 2011 and had $1,634 of accrued interest and penalties at October 1, 2011.

Note 13 - Shareholders Equity

Class A and Class B common stock share equally in our earnings and are identical with certain exceptions. Other than on matters relating to the election of directors or as required by law where the holders of Class A and Class B shares vote as separate classes, Class A shares have limited voting rights, with each share of Class A being entitled to one-tenth of a vote on most matters, and each share of Class B being entitled to one vote. Class A shareholders are entitled, subject to certain limitations, to elect at least 25% of the Board of Directors (rounded up to the nearest whole number) with Class B shareholders entitled to elect the balance of the directors. No cash dividend may be paid on Class B shares unless at least an equal cash dividend is paid on Class A shares. Class B shares are convertible at any time into Class A shares on a one-for-one basis at the option of the shareholder. The number of common shares issued reflects conversion of Class B to Class A of 49,158 in 2011, 14,044 in 2010, and 2,850 in 2009.

Class A shares reserved for issuance at October 1, 2011 are as follows:

	Shares
Conversion of Class B to Class A shares	7,745,138
2008 Stock Appreciation Rights Plan	1,985,499
2003 Stock Option Plan	1,151,704
1998 Stock Option Plan	306,161
Class A shares reserved for issuance	11,188,502

On October 2, 2009, we completed the offering and sale of 2,675,000 shares of Class A common stock at a price of $29.50 per share. We used the net proceeds of $74,717 to repay a portion of the indebtedness incurred under our revolving bank credit facility to acquire the Wolverhampton flight control business.

We are authorized to issue up to 10,000,000 shares of preferred stock. The Board of Directors may authorize, without further shareholder action, the issuance of additional preferred stock which ranks senior to both classes of our common stock with respect to the payment of dividends and the distribution of assets on liquidation. The preferred stock, when issued, would have such designations relative to voting and conversion rights, preferences, privileges and limitations as determined by the Board of Directors.

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Note 14 Equity-Based Compensation

We have equity-based compensation plans that authorize the issuance of equity-based awards for shares of Class A common stock to directors, officers and key employees. Equity-based compensation grants are designed to reward long-term contributions to Moog and provide incentives for recipients to remain with Moog.

Equity-based compensation expense is based on share-based payment awards that are ultimately expected to vest. Vesting requirements vary for directors, officers and key employees. In general, options and stock appreciation rights (SARs) granted to outside directors vest one year from the date of grant, options granted to officers vest on various schedules, options granted to key employees vest in equal annual increments over a five-year period from the date of grant and SARs granted to officers and key employees vest in equal annual installments over a three-year period from the date of grant.

The fair value of equity-based awards granted was estimated on the date of grant using the Black-Scholes option-pricing model. The following table provides the range of assumptions used to value equity-based awards and the weighted-average fair value of the awards granted.

	2011	2010	2009
Expected volatility	**39% - 49%**	37% - 46%	34% - 35%
Risk-free rate	**.8% - 2.0%**	1.1% - 2.8%	1.8% - 3.6%
Expected dividends	**0%**	0%	0%
Expected term	**3-7 years**	3-7 years	3-7 years
Weighted-average fair value of SARs granted	**$ 15.25**	$ 10.92	$ 13.78

To determine expected volatility, we generally use historical volatility based on weekly closing prices of our Class A common stock over periods that correlate with the expected terms of the awards granted. The risk-free rate is based on the United States Treasury yield curve at the time of grant for the appropriate term of the awards granted. Expected dividends are based on our history and expectation of dividend payouts. The expected term of equity-based awards is based on vesting schedules, expected exercise patterns and contractual terms.

The 2008 Stock Appreciation Rights Plan (2008 Plan) authorizes the issuance of 2,000,000 SARs, which represent the right to receive shares of Class A common stock. The exercise price of the SARs, determined by a committee of the Board of Directors, may not be less than the fair market value of the Class A common stock on the grant date. The number of shares received upon exercise of a SAR is equal in value to the difference between the fair market value of the Class A common stock on the exercise date and the exercise price of the SAR. The term of a SAR may not exceed ten years from the grant date.

The 2003 Stock Option Plan (2003 Plan) authorizes the issuance of options for 1,350,000 shares of Class A common stock. The 1998 Stock Option Plan (1998 Plan) authorizes the issuance of options for 2,025,000 shares of Class A common stock. Under the terms of the plans, options may be either incentive or non-qualified. Options issued as of October 1, 2011 consisted of both incentive options and non-qualified options. The exercise price, determined by a committee of the Board of Directors, may not be less than the fair market value of the Class A common stock on the grant date. Options become exercisable over periods not exceeding ten years.

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Options and SARs are as follows:

1998 Stock Option Plan	Stock Options	Weighted-Average Exercise Price	Weighted-Average Remaining Contractual Life	Aggregate Intrinsic Value
Outstanding at September 27, 2008	588,181	$ 11.97		
Exercised in 2009	(48,937)	8.67		
Outstanding at October 3, 2009	539,244	12.27		
Exercised in 2010	(89,760)	7.69		
Outstanding at October 2, 2010	449,484	13.19		
Exercised in 2011	(143,323)	11.84		
Outstanding at October 1, 2011	**306,161**	**$ 13.81**	**1.2 years**	**$ 5,758**
Exercisable at October 1, 2011	**290,597**	**$ 13.49**	**1.1 years**	**$ 5,558**

2003 Stock Option Plan	Stock Options	Weighted-Average Exercise Price	Weighted-Average Remaining Contractual Life	Aggregate Intrinsic Value
Outstanding at September 27, 2008	1,171,892	$ 32.73		
Forfeited in 2009	(22,500)	28.01		
Outstanding at October 3, 2009	1,149,392	32.82		
Exercised in 2010	(12,065)	23.75		
Forfeited in 2010	(1,538)	42.45		
Outstanding at October 2, 2010	1,135,789	32.90		
Exercised in 2011	(10,065)	24.31		
Outstanding at October 1, 2011	**1,125,724**	**$ 32.98**	**4.8 years**	**$ 3,166**
Exercisable at October 1, 2011	**847,121**	**$ 33.99**	**4.6 years**	**$ 2,101**

Total Stock Option Plans

Outstanding at October 1, 2011	**1,431,885**	**$**	**28.88**
Exercisable at October 1, 2011	**1,137,718**	**$**	**28.75**

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2008 Stock Appreciation Rights Plan	**SARs**	**Weighted-Average Exercise Price**	**Weighted-Average Remaining Contractual Life**	**Aggregate Intrinsic Value**
Outstanding at September 27, 2008	108,000	$ 43.42		
Granted in 20009	384,500	35.12		
Forfeited in 2009	(4,000)	43.42		
Outstanding at October 3, 2009	488,500	36.89		
Granted in 2010	288,375	26.66		
Forfeited in 2010	(13,666)	38.12		
Outstanding at October 2, 2010	763,209	33.00		
Granted in 2011	385,000	36.86		
Exercised in 2011	(14,501)	32.79		
Forfeited in 2011	(17,000)	37.74		
Outstanding at October 1, 2011	**1,116,708**	**$ 34.26**	**7.8 years**	**$ 1,659**
Exercisable at October 1, 2011	**451,720**	**$ 34.71**	**6.6 years**	**$ 646**

The aggregate intrinsic value in the preceding tables represent the total pre-tax intrinsic value, based on our closing price of Class A common stock of $32.62 as of October 1, 2011. That value would have been effectively received by the option and SAR holders had all option and SAR holders exercised their options and SARs as of that date.

The intrinsic value of awards exercised and fair value of awards vested are as follows:

	2011	2010	2009
1998 Stock Option Plan			
Intrinsic value of options exercised	**$ 4,186**	$ 1,821	$ 1,140
Total fair value of options vested	**$ 791**	$ 186	$ 208
2003 Stock Option Plan			
Intrinsic value of options exercised	**$ 156**	$ 88	$ -
Total fair value of options vested	**$ 4,758**	$ 2,975	$ 783
2008 Stock Appreciation Rights Plan			
Intrinsic value of SARs exercised	**$ 108**	$ -	$ -

Total fair value of SARs vested	**$ 3,438**	$ 2,473	$ 648

As of October 1, 2011, total unvested compensation expense associated with stock options amounted to $1,336 and will be recognized over a weighted-average period of four years, and total unvested compensation expense associated with SARs amounted to $2,404 and will be recognized over a weighted-average period of two years.

Note 15 Stock Employee Compensation Trust

We have a Stock Employee Compensation Trust (SECT) to assist in administering and to provide funding for employee stock plans and benefit programs, including the RSP. The shares in the SECT are not considered outstanding for purposes of calculating earnings per share. However, in accordance with the trust agreement governing the SECT, the SECT trustee votes all shares held by the SECT on all matters submitted to shareholders.

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Note 16 Other Comprehensive Income (Loss)

Other comprehensive income (loss), net of tax, consists of:

	000000000000 **2011**	000000000000 2010	000000000000 2009
Accumulated (loss) income on derivatives adjustment:			
Net (decrease) increase in fair value of derivatives, net of taxes of $(34) in 2011, $82 in 2010 and $(279) in 2009	**$ (88)**	$ 111	$ (547)
Net reclassification from accumulated other comprehensive income into earnings, net of taxes of $(125) in 2011, $70 in 2010 and $515 in 2009	**(221)**	222	867
Accumulated (loss) income on derivatives adjustment	**(309)**	333	320
Foreign currency translation adjustment	**(9,515)**	(858)	(1,073)
Retirement liability adjustment, net of taxes of $(32,232) in 2011, $(30,208) in 2010, and $(55,204) in 2009	**(51,792)**	(57,977)	(89,062)
Other comprehensive loss	**$ (61,616)**	$ (58,502)	$ (89,815)

Accumulated other comprehensive income (loss), net of tax, consists of:

	000000000000 **October 1, 2011**	000000000000 October 2, 2010
Accumulated (loss) gain on derivatives	**$ (165)**	$ 144
Accumulated foreign currency translation	**33,349**	42,864
Accumulated retirement liability	**(234,128)**	(182,336)
Accumulated other comprehensive loss	**$ (200,944)**	$ (139,328)

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Note 17 - Segments

Aircraft Controls. We design, manufacture and integrate primary and secondary flight controls for military and commercial aircraft and provide aftermarket support. Our systems are used in large commercial transports, supersonic fighters, multi-role military aircraft, business jets and rotorcraft. We also supply ground-based navigation aids. We are well positioned on both development and production programs. Typically, development programs require concentrated periods of research and development by our engineering teams and involve design, development, testing and integration. We are currently working on several large development programs including the F-35 Joint Strike Fighter, Boeing 787 Dreamliner, Boeing s extended range 747-8, Airbus A350XWB and several business jet programs. The F-35 is in the flight test phase and recently entered low rate initial production. The 787 program began design and development in 2004 and is transitioning to production, with Boeing s initial aircraft delivery occurring in September 2011. The Airbus A350XWB is in development with entry into service planned for 2013. Production programs are generally long-term manufacturing efforts that extend for as long as the aircraft builder receives new orders. Our large military production programs include the F/A-18E/F Super Hornet, the V-22 Osprey tiltrotor, the Black Hawk/Seahawk helicopter and the F-35. Our large commercial production programs include the full line of Boeing 7-series aircraft, Airbus A330/340 and a variety of business jets. Aftermarket sales, which represented 36% of 2011 sales for this segment, consist of the maintenance, repair, overhaul and parts supply for both military and commercial aircraft. Further, both our military and commercial customers throughout the world carry spares inventory in order to minimize down time.

Space and Defense Controls. Space and Defense Controls provides controls for satellites and space vehicles, armored combat vehicles, launch vehicles, tactical and strategic missiles, security and surveillance and other defense applications. For commercial and military satellites, we design, manufacture and integrate steering and propulsion controls and controls for positioning antennae and deploying solar panels. The Atlas, Delta and Ariane launch vehicle programs use our steering and propulsion controls. We are also developing products for NASA s replacement for the Space Shuttle. We supplied couplings, valves and actuators for the International Space Station. We design and build steering and propulsion controls for tactical and strategic missile programs, including Hellfire, TOW and Trident. We supply valves and steering controls on the U.S. National Missile Defense development initiative. We design and manufacture systems for gun aiming, stabilization, automatic ammunition loading and driver vision enhancement on armored combat vehicles for a variety of international and U.S. customers.

Industrial Systems. Industrial Systems serves a global customer base across a variety of markets. For wind energy, we design and manufacture electric rotor blade pitch controls and blade monitoring systems for wind turbines. We supply electromechanical motion simulation bases for the flight simulation and training markets. For the plastics making machinery market, we design, manufacture and integrate systems for all axes of injection and blow molding machines using leading edge technology, both hydraulic and electric. In the power generation market, we design, manufacture and integrate complete control assemblies for fuel, steam and variable geometry control applications. For the test markets, we supply controls for automotive, structural and fatigue testing. Metal forming markets use our systems to provide precise control of position, velocity, force, pressure, acceleration and other critical parameters. Heavy industry uses our high precision electrical and hydraulic servovalves for steel and aluminum mill equipment. Other markets include oil exploration, material handling, auto racing, carpet tufting, paper and lumber mills.

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Components. The Components segment serves many of the same markets as our other segments. The Components segment s three largest product categories are slip rings, fiber optic rotary joints and motors. Slip rings and fiber optic rotary joints use sliding contacts and optical technology to allow unimpeded rotation while delivering power and data through a rotating interface. They come in a range of sizes that allow them to be used in many applications, including diagnostic imaging CT scan medical equipment featuring high-speed data communications, de-icing and data transfer for rotorcraft, forward-looking infrared camera installations, radar pedestals, surveillance cameras and remotely operated vehicles and floating platforms for offshore oil exploration. Our motors are used in an equally broad range of markets, many of which are the same as for slip rings. Components designs and manufactures a series of fractional horsepower brushless motors that provide extremely low acoustic noise and reliable long life operation, with the largest market being sleep apnea equipment. Industrial markets use our motors for material handling and electric pumps. Military applications use our motors for gimbals, missiles and radar pedestals. Components other product lines include electromechanical actuators for military, aerospace and commercial applications, fiber optic modems that provide electrical-to-optical conversion of communication and data signals, avionic instrumentation, optical switches and resolvers.

Medical Devices. This segment operates within four medical devices market areas: infusion therapy, enteral clinical nutrition, sensors and surgical hand pieces. For infusion therapy, our primary products are electronic ambulatory infusion pumps along with the necessary administration sets. Applications of these products include hydration, nutrition, patient-controlled analgesia, local anesthesia, chemotherapy and antibiotics. We manufacture and distribute a complete line of portable pumps, stationary pumps and disposable sets that are used in the delivery of enteral nutrition for patients in their own homes, hospitals and long-term care facilities. We manufacture and distribute ultrasonic and optical sensors used to detect air bubbles in infusion pump lines and ensure accurate fluid delivery. Our surgical hand pieces are used to safely fragment and aspirate tissue in common medical procedures such as cataract removal.

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Segment information and reconciliations to consolidated amounts are as follows:

	000000000000 **2011**	000000000000 **2010**	000000000000 **2009**
Net sales:			
Aircraft Controls	**$ 850,490**	$ 756,550	$ 663,463
Space and Defense Controls	**355,762**	325,474	274,501
Industrial Systems	**629,312**	545,672	454,629
Components	**353,142**	359,992	345,509
Medical Devices	**141,974**	126,564	110,816
Net sales	**$ 2,330,680**	$ 2,114,252	$ 1,848,918
Operating profit (loss) and margins:			
Aircraft Controls	**$ 83,776**	$ 76,374	$ 52,349
	9.9%	*10.1%*	*7.9%*
Space and Defense Controls	**49,245**	35,844	40,018
	13.8%	*11.0%*	*14.6%*
Industrial Systems	**62,805**	48,109	30,797
	10.0%	*8.8%*	*6.8%*
Components	**50,353**	60,159	55,671
	14.3%	*16.7%*	*16.1%*
Medical Devices	**241**	(4,044)	(7,425)
	0.2%	*(3.2%)*	*(6.7%)*
Total operating profit	**246,420**	216,442	171,410
	10.6%	*10.2%*	*9.3%*
Deductions from operating profit:			
Interest expense	**(35,666)**	(38,742)	(39,321)
Equity-based compensation expense	**(6,952)**	(5,445)	(5,682)
Corporate and other expenses, net	**(20,017)**	(22,819)	(15,846)
Earnings before income taxes	**$ 183,785**	$ 149,436	$ 110,561
Depreciation and amortization:			
Aircraft Controls	**$ 40,945**	$ 37,211	$ 28,979
Space and Defense Controls	**11,349**	10,690	9,072
Industrial Systems	**23,194**	24,461	19,644
Components	**7,409**	6,605	7,706
Medical Devices	**11,472**	10,655	9,333
	94,369	89,622	74,734

Corporate	**1,958**	1,594	1,650
Total depreciation and amortization	**$ 96,327**	$ 91,216	$ 76,384
Identifiable assets:			
Aircraft Controls	**$ 1,110,771**	$ 1,028,213	$ 998,048
Space and Defense Controls	**342,093**	349,987	309,958
Industrial Systems	**731,193**	684,021	692,348
Components	**384,409**	362,417	362,022
Medical Devices	**243,283**	246,606	238,378
	2,811,749	2,671,244	2,600,754
Corporate	**31,218**	40,890	33,563
Total assets	**$ 2,842,967**	$ 2,712,134	$ 2,634,317
Capital expenditures:			
Aircraft Controls	**$ 51,727**	$ 30,449	$ 28,035
Space and Defense Controls	**11,589**	7,315	14,103
Industrial Systems	**11,702**	12,478	20,643
Components	**4,620**	3,961	10,653
Medical Devices	**2,737**	11,746	8,392
	82,375	65,949	81,826
Corporate	**1,320**	-	-
Total capital expenditures	**$ 83,695**	$ 65,949	$ 81,826

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Operating profit is net sales less cost of sales and other operating expenses, excluding interest expense, equity-based compensation expense and other corporate expenses. Cost of sales and other operating expenses are directly identifiable to the respective segment or allocated on the basis of sales, manpower or profit.

Sales, based on the customer s location, and property, plant and equipment by geographic area are as follows:

	00000000000 2011	00000000000 2010	00000000000 2009
Net sales:			
United States	**$ 1,293,058**	$ 1,185,743	$ 1,118,178
Germany	**185,840**	150,427	98,718
China	**144,586**	157,501	85,230
United Kingdom	**113,253**	115,944	62,658
Japan	**81,999**	96,431	93,025
Other	**511,944**	408,206	391,109
Net sales	**$ 2,330,680**	$ 2,114,252	$ 1,848,918
Property, plant and equipment, net:			
United States	**$ 288,647**	$ 274,591	$ 264,243
Philippines	**70,159**	74,720	82,465
United Kingdom	**35,468**	27,866	29,776
Germany	**24,177**	25,899	30,256
Other	**85,421**	83,868	74,986
Property, plant and equipment, net	**$ 503,872**	$ 486,944	$ 481,726

Sales to Boeing were $229,825 and $206,775, or 10% of sales, in 2011 and 2010, respectively, including sales to Boeing Commercial Airplanes of $110,802 and $91,112 in 2011 and 2010, respectively. Sales arising from U.S. Government prime or sub-contracts, including military sales to Boeing, were $738,429, $740,701, and $705,145 in 2011, 2010, and 2009, respectively. Sales to Boeing and the U.S. Government and its prime- or sub-contractors are made primarily from the Aircraft Controls and Space and Defense Controls segments.

Note 18 - Commitments and Contingencies

From time to time, we are named as a defendant in legal actions. We are not a party to any pending legal proceedings which management believes will result in a material adverse effect on our financial condition or results of operations.

We are engaged in administrative proceedings with governmental agencies and legal proceedings with governmental agencies and other third parties in the normal course of our business, including litigation under Superfund laws, regarding environmental matters. We believe that adequate reserves have been established for our share of the estimated cost for all currently pending environmental administrative or legal proceedings and do not expect that these environmental matters will have a material adverse effect on our financial condition or results of operations.

We lease certain facilities and equipment under operating lease arrangements. These arrangements may include fair market renewal or purchase options. Rent expense under operating leases amounted to $26,544 in 2011, $25,061 in 2010, and $24,044 in 2009. Future minimum rental payments required under non-cancelable operating leases are $20,379 in 2012, $16,410 in 2013, $12,590 in 2014, $9,073 in 2015, $8,101 in

2016, and $30,926 thereafter.

We are contingently liable for $12,593 of standby letters of credit issued by a bank to third parties on our behalf at October 1, 2011. Purchase commitments outstanding at October 1, 2011 are $652,747, including $39,107 for property, plant and equipment.

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Note 19 - Quarterly Data - Unaudited

Net Sales and Earnings

	000000000000	000000000000	000000000000	000000000000	000000000000
2011	1st Qtr.	2nd Qtr.	3rd Qtr.	4th Qtr.	Total
Net sales	**$ 554,434**	**$ 574,226**	**$ 582,959**	**$ 619,061**	**$ 2,330,680**
Gross profit	**164,553**	**167,248**	**168,884**	**178,792**	**679,477**
Net earnings	**33,407**	**30,615**	**33,838**	**38,161**	**136,021**
Net earnings per share:					
Basic	**$ .74**	**$ .67**	**$ .74**	**$ .84**	**$ 2.99**
Diluted	**$ .73**	**$ .66**	**$ .73**	**$ .83**	**$ 2.95**

2010	1st Qtr.	2nd Qtr.	3rd Qtr.	4th Qtr.	Total
Net sales	$ 495,178	$ 510,488	$ 536,775	$ 571,811	$ 2,114,252
Gross profit	144,402	147,901	155,947	164,361	612,611
Net earnings	21,561	25,001	29,232	32,300	108,094
Net earnings per share:					
Basic	$ .48	$ .55	$ .64	$ .71	$ 2.38
Diluted	$ .47	$ .55	$ .64	$ .71	$ 2.36

Note: Quarterly amounts may not add to the total due to rounding.

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

Shareholders and Board of Directors of Moog Inc.

We have audited the accompanying consolidated balance sheets of Moog Inc. as of October 1, 2011 and October 2, 2010, and the related consolidated statements of earnings, shareholders equity, and cash flows for each of the three years in the period ended October 1, 2011. Our audits also included the financial statement schedule listed in the Index at Item 15(a). 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 Moog Inc. at October 1, 2011 and October 2, 2010, and the consolidated results of its operations and its cash flows for each of the three years in the period ended October 1, 2011, in conformity with U.S. generally accepted accounting principles. Also, in our opinion, the related financial statement schedule, when considered in relation to the basic financial statements taken as a whole, presents fairly in all material respects the information set forth therein.

As discussed in Note 1 to the consolidated financial statements, the Company changed its method of accounting for defined benefit pension and other postretirement plans with the adoption of the measurement provisions effective September 28, 2008 of the guidance originally issued in Statement of Financial Accounting Standards No. 158, Employers Accounting for Defined Benefit Pension and Other Postretirement Plans, an amendment of FASB Statements No. 87, 88, 106 and 132(R) (codified in FASB ASC Topic 715, Compensation Retirement Benefits).

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), Moog Inc. s internal control over financial reporting as of October 1, 2011, based on criteria established in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission and our report dated November 30, 2011 expressed an unqualified opinion thereon.

Buffalo, New York

November 30, 2011

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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 Rule 13a-15(f) and 15d-15(f) of the Exchange Act. Under the supervision and with the participation of our management, including the Chief Executive Officer and Chief Financial Officer, we conducted an evaluation of the effectiveness of our internal control over financial reporting as of October 1, 2011 based upon the framework in Internal Control - Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). Based on that evaluation, our management concluded that our internal control over financial reporting is effective as of October 1, 2011.

We completed three acquisitions in 2011, which were excluded from our management s report on internal control over financial reporting as of October 1, 2011. On December 22, 2010, we acquired certain assets and the business of Triumph. On May 24, 2011, we acquired Animatics Corporation. On June 5, 2011, we acquired Crossbow Technology, Inc. All of these acquisitions are included in our 2011 consolidated financial statements and collectively constituted $73.2 million and $62.4 million of total and net assets, respectively, as of October 1, 2011 and $17.9 million and $1.3 million of net sales and net income, respectively, for the year then ended.

Ernst & Young LLP, independent registered public accounting firm, has audited our consolidated financial statements included in this Annual Report on Form 10-K and, as part of their audit, has issued their report, included herein, on the effectiveness of our internal control over financial reporting.

By **ROBERT T. BRADY**
Robert T. Brady
Chairman of the Board,
Chief Executive Officer
(Principal Executive Officer)

By **DONALD R. FISHBACK**
Donald R. Fishback
Vice President,
Chief Financial Officer
(Principal Financial Officer)

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM ON INTERNAL CONTROL

OVER FINANCIAL REPORTING

Shareholders and Board of Directors of Moog Inc.

We have audited Moog Inc. s internal control over financial reporting as of October 1, 2011, based on criteria established in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (the COSO criteria). Moog Inc. 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 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, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and 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.

As indicated in the accompanying Management s Report on Internal Control over Financial Reporting, management s assessment of and conclusion on the effectiveness of internal control over financial reporting did not include the internal controls, certain assets and the business of Triumph acquired on December 22, 2010, Animatics Corporation acquired on May 24, 2011 and Crossbow Technology on June 5, 2011 which are included in the 2011 consolidated financial statements of Moog Inc. and collectively constituted $73.2 million and $62.4 million of total and net assets, respectively, as of October 1, 2011 and $17.9 million and $1.3 million of net sales and net income, respectively, for the year then ended. Our audit of internal control over financial reporting of Moog Inc. also did not include an evaluation of the internal control over financial reporting of Animatics Corporation and Crossbow Technology.

In our opinion, Moog Inc. maintained, in all material respects, effective internal control over financial reporting as of October 1, 2011, based on the COSO criteria.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheets of Moog Inc. as of October 1, 2011 and October 2, 2010, and the related consolidated statements of earnings, shareholders equity, and cash flows for each of the three years in the period ended October 1, 2011 of Moog Inc. and our report dated November 30, 2011 expressed an unqualified opinion thereon.

Buffalo, New York

November 30, 2011

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

Not applicable.

Item 9A. Controls and Procedures.

Disclosure Controls and Procedures.

We carried out an evaluation, under the supervision and with the participation of our management, including the Chief Executive Officer and Chief Financial Officer, of the effectiveness of the design and operation of our disclosure controls and procedures as defined in Exchange Act Rules 13a-15(e) and 15d-15(e). Based on that evaluation, the Chief Executive Officer and Chief Financial Officer concluded that these disclosure controls and procedures are effective as of the end of the period covered by this report, to ensure that information required to be disclosed in reports filed or submitted under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the Securities and Exchange Commission s rules and forms, and that such information is accumulated and communicated to management, including our Chief Executive Officer and Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosures.

Management s Report on Internal Control over Financial Reporting.

See the report appearing under Item 8, Financial Statements and Supplemental Data of this report.

Changes in Internal Control over Financial Reporting.

There have been no changes in our internal control over financial reporting during the most recent fiscal quarter that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

Item 9B. Other Information.

On November 30, 2011, the Board of Directors (the Board) of Moog Inc. (the Company) adopted amendments to the Company s Restated By-laws (the By-laws). The amendments to the By-laws are summarized below.

The amendment to Article IV, Section 4.01 clarifies that the President need not be elected from the members of the Board.

The amendments to Article IV, Section 4.03 replace the description of the duties of the Company s officers (included in new Article IV, Section 4.04 described below) and add the office of Senior Management Official. The Senior Management Official will be designated by and solely responsible to the Board for purpose of the United States National Industrial Security Program Operating Manual and will have the authority to limit access by the Company s officers and employees to classified materials.

The amendments to Article IV include new Section 4.04 that: (i) adds the description of the duties of the Company s officers as previously included in Article IV, Section 4.03 (except as modified below); (ii) clarifies that the duties and powers of the Company s officers are subject to specific directions and limitations established by the Board; (iii) clarifies that the President need not be the Chief Executive Officer; (iv) confirms that the President, together with the Chief Executive Officer, will be responsible for executing, carrying out and fulfilling all acts of the Board and will generally assist the Chief Executive Officer; and (v) clarifies that the President will have such other powers and duties as may be assigned by the Board or the Chief Executive Officer.

A copy of the By-laws is attached as Exhibit 3.2 to this Annual Report on Form 10-K and is incorporated by reference to this Item 9B. The foregoing description of the By-laws is qualified in its entirety by reference to the full text thereof.

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PART III

Item 10. Directors, Executive Officers and Corporate Governance.

The information required herein with respect to our directors and certain information required herein with respect to our executive officers is incorporated by reference to the 2011 Proxy. Other information required herein is included in Item 1, Business, under Executive Officers of the Registrant of this report.

We have adopted a code of ethics that applies to our Chief Executive Officer, President, Chief Financial Officer, and Controller. The code of ethics is available upon request without charge by contacting our Chief Financial Officer at 716-652-2000.

Item 11. Executive Compensation.

The information required herein is incorporated by reference to the 2011 Proxy.

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

The information required herein is incorporated by reference to the 2011 Proxy.

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

The information required herein is incorporated by reference to the 2011 Proxy.

Item 14. Principal Accountant Fees and Services.

The information required herein is incorporated by reference to the 2011 Proxy.

PART IV

Item 15. Exhibits and Financial Statement Schedules.

(a) Documents filed as part of this report:

1. Index to Financial Statements.
The following financial statements are included:

(i) Consolidated Statements of Earnings for the years ended October 1, 2011, October 2, 2010 and October 3, 2009.

(ii) Consolidated Balance Sheets as of October 1, 2011 and October 2, 2010.

(iii) Consolidated Statements of Shareholders Equity for the years ended October 1, 2011, October 2, 2010, and October 3, 2009.

(iv) Consolidated Statements of Cash Flows for the years ended October 1, 2011, October 2, 2010, and October 3, 2009.

(v) Notes to Consolidated Financial Statements.

(vi) Reports of Independent Registered Public Accounting Firm.

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2. Index to Financial Statement Schedules.

The following Financial Statement Schedule as of and for the years ended October 1, 2011, October 2, 2010, and October 3, 2009, is included in this Annual Report on Form 10-K:

II. Valuation and Qualifying Accounts.

Schedules other than that listed above are omitted because the conditions requiring their filing do not exist or because the required information is provided in the Consolidated Financial Statements, including the Notes thereto.

3. Exhibits

The exhibits required to be filed as part of this Annual Report on Form 10-K have been included as follows:

(3) (i) Restated Certificate of Incorporation of Moog Inc., as amended, incorporated by reference to exhibit 3.1 of our report on Form 10-Q for the quarter ended December 30, 2006.

(ii) Restated By-laws of Moog Inc., dated November 30, 2011. (Filed herewith)

(4) (i) Form of Indenture between Moog Inc. and JPMorgan Chase Bank, N.A., as Trustee, dated January 10, 2005, relating to the 6 1/4% Senior Subordinated Notes due 2015, incorporated by reference to exhibit 4.1 of our report on Form 8-K dated January 5, 2005.

(ii) First Supplemental Indenture between Moog Inc. and Banc of America Securities, LLC, dated as of September 12, 2005, incorporated by reference to exhibit 4.2 of our report on Form 10-K for the year ended September 24, 2005.

(iii) Form of Indenture between Moog Inc. and Wells Fargo Bank, N.A., as Trustee, dated June 2, 2008, relating to the 7 1/4% Senior Subordinated Notes due 2018, incorporated by reference to exhibit 4.1 of our report on Form 10-Q for the quarter ended June 28, 2008.

(9) (i) Agreement as to Voting, effective November 30, 1983, incorporated by reference to exhibit (i) of our report on Form 8-K dated December 9, 1983.

(ii) Agreement as to Voting, effective October 15, 1988, incorporated by reference to exhibit (i) of our report on Form 8-K dated November 30, 1988.

(10) (i) Deferred Compensation Plan for Directors and Officers, amended and restated May 16, 2002, incorporated by reference to exhibit 10(ii) of our Annual Report on Form 10-K for the year ended September 28, 2002.*

(ii) Form of Employment Termination Benefits Agreement between Moog Inc. and Employee-Officers, incorporated by reference to exhibit 10(vii) of our Annual Report on Form 10-K for the year ended September 25, 1999.*

(iii) Supplemental Retirement Plan, as amended and restated, effective October 1, 1978, as amended August 30, 1983, May 19, 1987, August 30, 1988, December 12, 1996, November 11, 1999 and November 29, 2001, incorporated by reference to exhibit 10.1 of our report on Form 10-Q for the quarter ended December 31, 2002.*

(iv) 1998 Stock Option Plan, incorporated by reference to exhibit A of definitive proxy statement filed under Schedule 14A on January 5, 1998.*

(v) 2003 Stock Option Plan, incorporated by reference to exhibit A of definitive proxy statement filed under Schedule 14A on January 9, 2003.*

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(vi) Forms of Stock Option Agreements under the 1998 Stock Option Plan and 2003 Stock Option Plan, incorporated by reference to exhibit 10.12 of our Annual Report on Form 10-K for the year ended September 25, 2004.*

(vii) Moog Inc. Stock Employee Compensation Trust Agreement effective December 2, 2003, incorporated by reference to exhibit 10.1 of our report on Form 10-Q for the quarter ended December 31, 2003.

(viii) Form of Indemnification Agreement for officers, directors and key employees, incorporated by reference to exhibit 10.1 of our report on Form 8-K dated November 30, 2004.*

(ix) Third Amended and Restated Loan Agreement between Moog Inc., HSBC Bank USA, National Association, Manufacturers and Traders Trust Company, Bank of America, N.A. and JPMorgan Chase Bank, N.A. dated as of March 18, 2011, incorporated by reference to exhibit 10.1 of our report on Form 8-K dated March 18, 2011.

(x) 2008 Stock Appreciation Rights Plan, incorporated by reference to exhibit A of definitive proxy statement filed under Schedule 14A on December 10, 2007.*

(xi) Form of Stock Appreciation Rights Award Agreement under 2008 Stock Appreciation Rights Plan, incorporated by reference to exhibit 10.14 of our report on Form 10-K for the year ended September 27, 2008.

(xii) Description of Management Profit Sharing Program, incorporated by reference to exhibit 10.1 of our report on Form 10-Q for the quarter ended July 2, 2011.*

*Identifies a management contract or compensatory plan or arrangement.

(21) Our subsidiaries.

(i) Advanced Integrated Systems, Ltd., Incorporated in Nevada, wholly-owned subsidiary

(ii) Animatics Corporation, Incorporated in California, wholly-owned subsidiary

(a) Animatics GmbH, Incorporated in Germany, wholly-owned subsidiary of Animatics Corporation

(b) Euromotion Ltd., Incorporated in England, wholly-owned subsidiary of Animatics Corporation

(c) Harmonic Linear Drives Ltd., Incoporated in England, wholly-owned subsidiary of Animatics Corporation

(iii) Crossbow Technology, Incorporated in California, wholly-owned subsidiary

(iv) CSA Engineering, Inc., Incorporated in California, wholly-owned subsidiary

(v) Curlin Medical Inc., Incorporated in Delaware, wholly-owned subsidiary

(a) Moog MDG SRL, Incorporated in Costa Rica, wholly-owned subsidiary of Curlin Medical, Inc.

(b) Viltechmeda UAB, Incorporated in Lithuania, wholly-owned subsidiary of Curlin Medical, Inc.

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(c) X.O. Tec Corporation, Incorporated in Delaware, wholly-owned subsidiary of Curlin Medical, Inc.

(1) Ethox (Beijing) Medical Devices Trading Inc., Incorporated in People s Republic of China, wholly-owned subsidiary of X.O. Tec Corporation

(2) Ethox International, Inc., Incorporated in New York, wholly-owned subsidiary of X.O. Tec Corporation

(2.a) MMC Sterilization Services Group Inc., Incorporated in Pennsylvania, wholly-owned subsidiary of Ethox International, Inc.

(d) ZEVEX Inc., Incorporated in Delaware, wholly-owned subsidiary of Curlin Medical, Inc.

(vi) Flo-Tork Inc., Incorporated in Delaware, wholly-owned subsidiary

(vii) Ingenieurburo Pieper GmbH, Incorporated in Germany, wholly-owned subsidiary

(viii) Mid-America Aviation, Inc., Incorporated in North Dakota, wholly-owned subsidiary

(ix) Moog AG, Incorporated in Switzerland, wholly-owned subsidiary with branch operation in Ireland

(x) Moog Australia Pty. Ltd., Incorporated in Australia, wholly-owned subsidiary

(xi) Moog do Brasil Controles Ltda., Incorporated in Brazil, wholly-owned subsidiary

(a) Moog de Argentina SRL, Incorporated in Argentina, wholly-owned subsidiary of Moog do Brasil Controles Ltda.

(xii) Moog Controls Corporation, Incorporated in Ohio, wholly-owned subsidiary with branch operation in the Republic of the Philippines

(xiii) Moog Controls Hong Kong Ltd., Incorporated in People s Republic of China, wholly-owned subsidiary

(a) Moog Control Systems (Shanghai) Co., Ltd., Incorporated in People s Republic of China, wholly-owned subsidiary of Moog Controls Hong Kong Ltd.

(b) Moog Industrial Controls (Shanghai) Co., Ltd., Incorporated in People s Republic of China, wholly-owned subsidiary of Moog Controls Hong Kong Ltd.

(xiv) Moog Controls (India) Private Ltd., Incorporated in India, wholly-owned subsidiary

(xv) Moog Controls Ltd., Incorporated in the United Kingdom, wholly-owned subsidiary

(a) Fernau Limited, Incorporated in the United Kingdom, wholly-owned subsidiary of Moog Controls Ltd.

(1) Fernau Avionics Ltd., Incorporated in the United Kingdom, wholly-owned subsidiary of Fernau Limited

(b) Moog Components Group Limited, Incorporated in the United Kingdom, wholly-owned subsidiary of Moog Controls Ltd.

(c) Moog Norden A.B., Incorporated in Sweden, wholly-owned subsidiary of Moog Controls Ltd.

(d) Moog OY, Incorporated in Finland, wholly-owned subsidiary of Moog Controls Ltd.

(e) Moog Wolverhampton Limited, Incorporated in the United Kingdom, wholly-owned subsidiary of Moog Controls Ltd.

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(xvi) Moog Europe Holdings Luxembourg SCS, Incorporated in Luxembourg, wholly-owned subsidiary

(a) Moog Holdings & Co. GmbH KG, a partnership organized in Germany, wholly-owned subsidiary of Moog Europe Holdings Luxembourg SCS

(1) Insensys Holding Ltd., Incorporated in the United Kingdom, wholly-owned subsidiary of Moog Holdings & Co. GmbH KG

(1.a) Moog Insensys Limited, Incorporated in the United Kingdom, wholly-owned subsidiary of Insensys Holding Ltd.

(1.b) Aston Photonic Technologies Limited, Incorporated in the United Kingdom, wholly-owned subsidiary of Moog Insensys Limited

(1.c) Indigo Photonics Limited, Incorporated in the United Kingdom, wholly-owned subsidiary of Aston Photonic Technologies Limited

(2) Moog Unna GmbH, Incorporated in Germany, wholly-owned subsidiary of Moog Holdings & Co. GmbH KG

(2.a) Moog Control Equipment (Shanghai) Co. Ltd., Incorporated in People s Republic of China, wholly-owned subsidiary of Moog Unna GmbH

(3) Moog B.V., Incorporated in The Netherlands, wholly-owned subsidiary of Moog Holdings & Co. GmbH KG

(4) Moog FCS Limited, Incorporated in the United Kingdom, wholly-owned subsidiary of Moog B.V.

(5) Moog GmbH, Incorporated in Germany, wholly-owned subsidiary of Moog Holdings & Co. GmbH KG

(5.a) Moog Italiana S.r.l., Incorporated in Italy, wholly-owned subsidiary of Moog GmbH

(6) Moog Luxembourg, S.a.r.l., Incorporated in Luxembourg, wholly-owned subsidiary of Moog Holdings & Co. GmbH KG

(7) ProControl AG, Incorporated in Switzerland, wholly-owned subsidiary of Moog Holdings & Co. GmbH KG

(b) Moog Luxembourg Finance S.a.r.l., Incorporated in Luxembourg, wholly-owned subsidiary of Moog Europe Holdings Luxembourg SCS, with branch operations in Switzerland

(1) Moog Ireland International Financial Services Centre Limited, Incorporated in Ireland, wholly-owned subsidiary of Moog Luxembourg Finance S.a.r.l.

(c) Focal Technologies Corporation, Incorporated in Canada, wholly-owned subsidiary of Moog Europe Holdings Luxembourg SCS

(d) Moog Verwaltungs GmbH, Incorporated in Germany, wholly-owned subsidiary of Moog Europe Holdings Luxembourg SCS

(xvii) Moog Holland Aircraft Services B.V., Incorporated in The Netherlands, wholly-owned subsidiary

(xviii) Moog Ireland Limited, Incorporated in Ireland, wholly-owned subsidiary

(xix) Moog Japan Ltd., Incorporated in Japan, wholly-owned subsidiary

(xx) Moog Korea Ltd., Incorporated in South Korea, wholly-owned subsidiary

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(xxi) Moog Receivables LLC, Incorporated in Delaware, wholly-owned subsidiary

(xxii) Moog S.A.R.L., Incorporated in France, wholly-owned subsidiary, 95% owned by Moog Inc.; 5% owned by Moog GmbH

(xxiii) Moog Singapore Pte. Ltd., Incorporated in Singapore, wholly-owned subsidiary

(a) Moog Motion Controls Private Limited, Incorporated in India, wholly-owned subsidiary of Moog Singapore Pte. Ltd.

(b) Moog India Technology Center Pvt. Ltd., Incorporated in India, wholly-owned subsidiary of Moog Singapore Pte. Ltd.

(xxiv) Moog Techtron Corp. Incorporated in Florida, wholly-owned subsidiary

(xxv) Obshestwo s Ogranizennoi Otwetstwennostju Moog, Incorporated in Russia, wholly-owned subsidiary

(xxvi) QuickSet International, Inc., Incorporated in Illinois, wholly-owned subsidiary

(xxvii) Videolarm Inc., Incorporated in Georgia, wholly-owned subsidiary

(23)	Consent of Ernst & Young LLP. (Filed herewith)
(31.1)	Certification of Chief Executive Officer pursuant to Exchange Act Rule 13a-14(a) as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002. (Filed herewith)
(31.2)	Certification of Chief Financial Officer pursuant to Exchange Act Rule 13a-14(a) as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002. (Filed herewith)
(32.1)	Certification pursuant to 18 U.S.C. Section 1350 as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002. (Furnished herewith)
(101.INS)	XBRL Instance Document*
(101.SCH)	XBRL Taxonomy Extension Schema Document*
(101.CAL)	XBRL Taxonomy Extension Calculation Linkbase Document*
(101.DEF)	XBRL Taxonomy Extension Definition Linkbase Document*
(101.LAB)	XBRL Taxonomy Extension Label Linkbase Document*
(101.PRE)	XBRL Taxonomy Extension Presentation Linkbase Document*

* Submitted electronically herewith.

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Attached as Exhibit 101 to this report are the following formatted in XBRL (Extensible Business Reporting Language):

(i) Consolidated Statements of Earnings for the fiscal years ended October 1, 2011, October 2, 2010, and October 3, 2009, (ii) Consolidated Balance Sheets at October 1, 2011 and October 2, 2010, (iii) Consolidated Statements of Cash Flows for the fiscal years ended October 1, 2011, October 2, 2010 and October 3, 2009 and (iv) Notes to Consolidated Financial Statements.

In accordance with Rule 406T of Regulation S-T, the XBRL related information in Exhibit 101 to this Annual Report on Form 10-K shall not be deemed to be filed for purposes of Section 18 of the Exchange Act, or otherwise subject to the liability of that section and shall not be part of any registration or other document filed under the Securities Act or the Exchange Act, except as shall be expressly set forth by specific reference in such filing.

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MOOG Inc.

Valuation and Qualifying Accounts - Fiscal Years 2009, 2010 and 2011

(dollars in thousands) **Schedule II**

Description	Balance at beginning of year	Additions charged to costs and expenses	Deductions	Acquisitions	Foreign exchange impact and other	Balance at end of year
Fiscal year ended October 3, 2009						
Contract loss reserves	$ 20,536	$ 23,529	$ 24,766	$ 30,927	$ (36)	$ 50,190
Allowance for doubtful accounts	3,349	1,297	655	-	23	4,014
Reserve for inventory valuation	62,529	18,340	6,944	-	(643)	73,282
Deferred tax valuation allowance	7,957	2,545	915	-	(111)	9,476
Fiscal year ended October 2, 2010						
Contract loss reserves	$ 50,190	$ 32,298	$ 39,799	$ (1,895)	$ 16	$ 40,810
Allowance for doubtful accounts	4,014	1,511	599	-	(113)	4,813
Reserve for inventory valuation	73,282	20,395	7,900	-	(169)	85,608
Deferred tax valuation allowance	9,476	946	2,664	-	(406)	7,352
Fiscal year ended October 1, 2011						
Contract loss reserves	**$ 40,810**	**$ 53,197**	**$ 48,666**	**$ -**	**$ (168)**	**$ 45,173**
Allowance for doubtful accounts	**4,813**	**1,230**	**1,260**	**-**	**(65)**	**4,718**
Reserve for inventory valuation	**85,608**	**17,566**	**8,804**	**-**	**100**	**94,470**
Deferred tax valuation allowance	**7,352**	**257**	**3,151**	**-**	**(352)**	**4,106**

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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.

Moog Inc.

(Registrant)

By **ROBERT T. BRADY**
Robert T. Brady
Chairman of the Board,

Chief Executive Officer

Date: November 30, 2011

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 and on the dates indicated.

By **ROBERT T. BRADY**
Robert T. Brady

Chairman of the Board,

Chief Executive Officer

and Director

(Principal Executive Officer)

Date: November 30, 2011

By **JOE C. GREEN**
Joe C. Green

Director

Date: November 30, 2011

By **JOHN R. SCANNELL**
John R. Scannell

President

and Chief Operating Officer

Date: November 30, 2011

By **PETER J. GUNDERMANN**
Peter J. Gundermann

Director

Date: November 30, 2011

By **DONALD R. FISHBACK**
Donald R. Fishback

By **JOHN D. HENDRICK**
John D. Hendrick

Vice President

and Chief Financial Officer,

(Principal Financial Officer)

Date: November 30, 2011

Director

Date: November 30, 2011

By **JENNIFER WALTER**
Jennifer Walter

Controller

(Principal Accounting Officer)

Date: November 30, 2011

By **KRAIG H. KAYSER**
Kraig H. Kayser

Director

Date: November 30, 2011

By **RICHARD A. AUBRECHT**
Richard A. Aubrecht

Director

Date: November 30, 2011

By **BRIAN J. LIPKE**
Brian J. Lipke

Director

Date: November 30, 2011

By **RAYMOND W. BOUSHIE**
Raymond W. Boushie

Director

Date: November 30, 2011

By **ROBERT H. MASKREY**
Robert H. Maskrey

Director

Date: November 30, 2011

By **ALBERT F. MYERS**
Albert F. Myers

Director

Date: November 30, 2011

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