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

FORM 8-K/A
(Amendment No. 1)

CURRENT REPORT

**Pursuant to Section 13 or 15(d) of the
Securities Exchange Act of 1934**

Date of report (Date of earliest event reported): December 21, 2011

PolyOne Corporation
(Exact Name of Registrant as Specified in Its Charter)

Ohio	1-16091	34-1730488
(State or Other Jurisdiction of Incorporation)	(Commission File Number)	(IRS Employer Identification No.)

**PolyOne Center
33587 Walker Road
Avon Lake, Ohio 44012**
(Address of Principal Executive Offices) (Zip Code)

Registrant's telephone number, including area code: (440) 930-1000

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

☐ Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)

☐ Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)

☐ Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))

☐ Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Explanatory Note

This Amendment No. 1 to the Current Report on Form 8-K, which was originally filed with the Securities and Exchange Commission on December 23, 2011 (the "Original 8-K"), amends and restates in its entirety Item 9.01 of the Original 8-K to include the financial statements and pro forma financial information required by Item 9.01 with respect to the acquisition of ColorMatrix Group, Inc. ("CMG") by PolyOne Corporation through a wholly-owned subsidiary on December 21, 2011. The remainder of the information contained in the Original 8-K is not hereby amended.

Item 9.01 Financial Statements and Exhibits.

(a) Financial Statement of Business Acquired

The following financial statements of CMG are filed as Exhibit 99.1 to this Current Report and are incorporated herein by reference:

Audited Financial Statements

- Report of Independent Auditors
- Consolidated Balance Sheets as of December 31, 2010 and 2009;
- Consolidated Statements of Operations for the years ended December 31, 2010 and 2009;
- Consolidated Statements of Stockholders' Equity for the years ended December 31, 2010 and 2009;
- Consolidated Statements of Cash Flows for the years ended December 31, 2010 and 2009; and

Unaudited Financial Statements

- Unaudited Consolidated Balance Sheet as of September 30, 2011;
- Unaudited Consolidated Statements of Operations for the nine months ended September 30, 2011 and 2010;
- Unaudited Consolidated Statements of Stockholders' Equity for the nine months ended September 30 2011; and
- Unaudited Consolidated Statements of Cash Flows for the nine months ended September 30, 2011 and 2010.

(b) Pro Forma Financial Information.

The following unaudited pro forma financial information is filed as Exhibit 99.2 to this Current Report and is incorporated herein by reference:

- Unaudited Pro Forma Condensed Combined Balance Sheet as of September 30, 2011; and
- Unaudited Pro Forma Condensed Combined Statements of Operations for the nine months ended September 30, 2011 and the year ended December 31, 2010.

(d) Exhibits.

23.1	Consent of McGladrey & Pullen, LLP
99.1	Financial Statements of ColorMatrix Group, Inc. as of and for the years ended December 31, 2010 and 2009 and as of September 30, 2011 and for the nine months ended September 30, 2011 and 2010
99.2	Unaudited Pro Forma Condensed Combined Financial Information for the year ended December 31, 2010 and as of and for the nine months ended September 30, 2011

SIGNATURES

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

PolyOne Corporation

By: /s/ Robert M. Patterson
Robert M. Patterson
Executive Vice President and Chief Financial Officer

Date: March 2, 2012

EXHIBIT INDEX

Exhibit Number	Description
23.1	Consent of McGladrey & Pullen, LLP
99.1	Financial Statements of ColorMatrix Group, Inc. as of and for the years ended December 31, 2010 and 2009 and as of September 30, 2011 and for the nine months ended September 30, 2011 and 2010
99.2	Unaudited Pro Forma Condensed Combined Financial Information for the year ended December 31, 2010 and as of and for the nine months ended September 30, 2011

Exhibit 23.1

Consent of Independent Auditor

We consent to the incorporation by reference in the following Registration Statements:

- Registration Statement (Form S-8 No. 333-166775) pertaining to the PolyOne Corporation 2010 Equity and Performance Incentive Plan;
- Registration Statement (Form S-3 No. 333-162856) filed on November 4, 2009;
- Registration Statement (Form S-8 No. 333-157486) pertaining to the PolyOne Retirement Savings Plan;
- Registration Statement (Form S-8 No. 333-151057) pertaining to the PolyOne Corporation 2008 Equity and Performance Incentive Plan,
- Registration Statement (Form S-8 No. 333-47796) pertaining to Post Effective Amendment No. 3 on Form S-8 to Form S-4 pertaining to the Geon Company 1993 Incentive Stock Plan, the Geon Company 1995 Incentive Stock Plan, the Geon Company 1998 Interim Stock Award Plan, the Geon Company 1999 Incentive Stock Plan, the PolyOne Corporation Deferred Compensation Plan for Non-Employee Directors and the M.A. Hanna Company Long-Term Incentive Plan,
- Registration Statement (Form S-8 No. 333-141029) pertaining to the PolyOne Retirement Savings Plan and the DH Compounding Company Savings and Retirement Plan and Trust,
- Registration Statement (Form S-8 No. 333-141028) pertaining to the M.A. Hanna Company Long-Term Incentive Plan,
- Registration Statement (Form S-8 No. 333-128283) pertaining to the 2005 Equity and Performance Incentive Plan, and
- Registration Statement (Form S-8 No. 333-48002) pertaining to the PolyOne Corporation 2000 Stock Incentive Plan

of our report dated April 28, 2011, relating to our audit of the consolidated financial statements of ColorMatrix Group, Inc. and Subsidiaries as of and for the year ended December 31, 2010, included in this Current Report on Form 8-K/A.

/s/ McGladrey & Pullen, LLP

Cedar Rapids, Iowa
March 2, 2012

Exhibit 99.1

Independent Auditor's Report

To the Board of Directors
ColorMatrix Group, Inc. and Subsidiaries
Berea, Ohio

We have audited the accompanying consolidated balance sheets of ColorMatrix Group, Inc. and Subsidiaries as of December 31, 2010 and 2009, and the related consolidated statements of operations, stockholders' equity and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. 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 consolidated financial statements referred to above present fairly, in all material respects, the financial position of ColorMatrix Group, Inc. and Subsidiaries as of December 31, 2010 and 2009, and the results of their operations and their cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

/s/ McGladrey & Pullen, LLP

Cedar Rapids, Iowa
April 28, 2011

ColorMatrix Group, Inc. and Subsidiaries

Consolidated Balance Sheets
(In Thousands, Except Shares)

	December 31, 2009	December 31, 2010	September 30, 2011 (Unaudited)
Assets			
Current Assets:			
Cash and cash equivalents	$ 10,423	$ 8,978	$ 8,486
Accounts receivable, less allowance for doubtful accounts 2009 $435; 2010 $349; 2011 $364	22,695	24,204	31,975
Inventories, net	16,810	21,056	29,176
Prepaid expenses and other assets	2,688	3,755	5,334
Deferred income taxes	1,424	1,527	1,527
Total current assets	54,040	59,520	76,498
Property, Plant and Equipment:			
Land, buildings and improvements	2,120	2,825	3,773
Machinery and equipment	26,180	33,420	37,515
Furniture and fixtures	4,862	5,562	5,934
	33,162	41,807	47,222
Less accumulated depreciation	16,253	20,644	24,505
	16,909	21,163	22,717
Other Assets:			
Other intangibles	91,289	77,742	76,649
Goodwill	99,537	96,533	105,799
Other assets	472	348	239
	191,298	174,623	182,687
	$262,247	$255,306	$ 281,902
Liabilities and Stockholders’ Equity			
Current Liabilities:			
Current portion of long-term debt	$ 1,013	$ 884	$ 998
Accounts payable	10,397	9,091	11,458
Accrued expenses	9,775	12,929	11,249
Interest rate swap agreement	—	401	—
Total current liabilities	21,185	23,305	23,705
Long-Term Liabilities:			
Long-term debt, net of current portion	177,355	169,479	193,147
Interest rate swap agreements	2,072	—	—
Other	101	127	99
Deferred income taxes	17,680	14,164	16,283
	197,208	183,770	209,529
Stockholders’ Equity:			
Common stock, $.01 par value, 1,000,000 shares authorized; shares issued and outstanding, December 31, 2009 and 2010 808,852.11; September 30, 2011 810,457.22	8	8	8
Additional paid-in capital	83,198	84,059	85,496
Accumulated other comprehensive income	4,009	1,709	2,638
Retained deficit	(43,361)	(37,545)	(39,474)
	43,854	48,231	48,668
	$262,247	$255,306	$ 281,902

See Notes to Consolidated Financial Statements.

ColorMatrix Group, Inc. and Subsidiaries

Consolidated Statements of Operations
(In Thousands)

	Year Ended December 31, 2009	Year Ended December 31, 2010	Nine Months Ended September 30, 2010 (Unaudited)	Nine Months Ended September 30, 2011 (Unaudited)
Net sales	$148,836	$182,115	$ 141,553	$ 152,488
Cost of goods sold	89,472	110,322	75,409	84,219
Gross profit	59,364	71,793	66,144	68,269
Selling, general and administrative expenses	38,464	48,115	44,066	53,195
Income from operations	20,900	23,678	22,078	15,074
Interest expense	17,365	16,427	13,474	13,682
Income before benefit for income taxes	3,535	7,251	8,604	1,392
Income taxes (benefit)	(307)	1,435	838	3,321
Net income (loss)	3,842	5,816	7,766	(1,929)
Foreign currency translation	602	(2,300)	(1,470)	929
Comprehensive income (loss)	$ 4,444	$ 3,516	$ 6,296	$ (1,000)

See Notes to Consolidated Financial Statements.

ColorMatrix Group, Inc. and Subsidiaries

Consolidated Statements of Stockholders' Equity
(In Thousands)

	Common Stock	Additional Paid-In Capital	Accumulated Other Comprehensive Income	Retained Deficit	Total
Balance, December 31, 2008	$ 8	$82,727	$ 3,407	$(47,203)	$38,939
Net income	—	—	—	3,842	3,842
Foreign currency translation	—	—	602	—	602
Stock compensation related to stock options	—	471	—	—	471
Balance, December 31, 2009	8	83,198	4,009	(43,361)	43,854
Net income	—	—	—	5,816	5,816
Foreign currency translation	—	—	(2,300)	—	(2,300)
Stock compensation related to stock options	—	861	—	—	861
Balance, December 31, 2010	8	84,059	1,709	(37,545)	48,231
(Unaudited)					
Net (loss)	—	—	—	(1,929)	(1,929)
Foreign currency translation	—	—	929	—	929
Stock options exercised	—	161	—	—	161
Stock compensation related to stock options	—	1,276	—	—	1,276
Balance, September 30, 2011	$ 8	$85,496	$ 2,638	$(39,474)	$48,668

See Notes to Consolidated Financial Statements.

ColorMatrix Group, Inc. and Subsidiaries

Consolidated Statements of Cash Flows
(In Thousands)

	Year Ended December 31, 2009	Year Ended December 31, 2010	Nine Months Ended September 30, 2010 (Unaudited)	Nine Months Ended September 30, 2011 (Unaudited)
Cash Flows from Operating Activities:				
Net income (loss)	$ 3,842	$ 5,816	$ 7,766	$ (1,929)
Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities:				
Depreciation	4,396	4,966	3,859	4,158
Amortization	11,796	11,386	7,893	8,497
(Gain) loss on sale of property, plant and equipment	32	(287)	(406)	(2)
Stock compensation	471	861	503	1,276
Fair value change of interest rate swap agreements	(1,187)	(1,671)	(1,420)	(401)
Interest expense accrued directly into long-term debt	1,235	1,217	1,221	864
Non-cash interest expense on deferred financing costs	914	906	677	764
Foreign currency exchange related to long-term debt	(6,997)	(4,007)	(3,598)	1,188
Deferred income taxes	(2,922)	(2,501)	(2,403)	(495)
Change in assets and liabilities:				
(Increase) decrease in:				
Accounts receivables	33	(2,031)	(8,347)	(6,471)
Inventories	2,510	(5,240)	(7,194)	(7,366)
Prepaid expenses and other assets	(1,201)	(1,009)	(752)	(1,740)
Increase (decrease) in:				
Accounts payable and accrued expenses	3,806	1,918	4,515	36
Other	101	26	(101)	(30)
Net cash provided by (used in) operating activities	16,829	10,350	2,213	(1,651)
Cash Flows from Investing Activities:				
Purchase of property, plant and equipment	(4,775)	(8,735)	(5,416)	(4,836)
Proceeds from sale of property, plant and equipment	—	519	336	12
Purchase of stock of Gayson Silicone Dispersions, Inc.	—	—	—	(14,404)
Patent cost capitalized	(272)	(619)	—	(323)
Net cash (used in) investing activities	(5,047)	(8,835)	(5,080)	(19,551)
Cash Flows from Financing Activities:				
Borrowings on long-term debt	79	6,588	11,309	28,190
Payments on long-term debt	(9,598)	(9,333)	(10,734)	(7,165)
Payment of deferred financing costs	—	—	—	(599)
Proceeds from stock option exercise	—	—	—	161
Net cash provided by (used in) financing activities	(9,519)	(2,745)	575	20,587
Effect of foreign currency exchange rate changes on cash	1,381	(215)	320	123
Net change in cash and cash equivalents	3,644	(1,445)	(1,972)	(492)
Cash and cash equivalents at beginning of period	6,779	10,423	10,423	8,978
Cash and cash equivalents at end of period	$ 10,423	$ 8,978	$ 8,451	$ 8,486

(Continued)

ColorMatrix Group, Inc. and Subsidiaries

Consolidated Statements of Cash Flows (Continued)
(In Thousands)

	Year Ended December 31, 2009	Year Ended December 31, 2010	Nine Months Ended September 30, 2010 (Unaudited)	Nine Months Ended September 30, 2011 (Unaudited)
Supplemental Disclosures of Cash Flow Information:				
Cash paid for interest	$ 15,842	$ 15,780	$11,776	$11,749
Cash paid for taxes (net of refund)	1,955	3,128	2,615	2,813
Supplemental Disclosure of Operating Activity, recognition of tax-deductible goodwill in excess of goodwill for financial statement purposes	$ —	$ 1,056	$ —	$ —
Supplemental Disclosures of Investing and Financing Activities:				
Reclassification of equipment from inventory to property, plant and equipment	$ 835	$ 702	$ 485	$ 183
Accounts payable for purchase of property, plant and equipment	—	318	—	—
Purchase of stock of Gayson Silicone Dispersions, Inc.				
Accounts receivable				$ 782
Inventories				946
Property and equipment				601
Intangible assets				6,598
Goodwill				8,627
Total assets acquired				17,554
Accounts payable				346
Accrued expenses				190
Deferred taxes				2,614
Total liabilities assumed				3,150
Total cash consideration paid, net of $277 cash received				$14,404

See Notes to Consolidated Financial Statements.

Note 1. Nature of Business and Significant Accounting Policies

Nature of business: ColorMatrix Group, Inc. and Subsidiaries (the "Company") is engaged in the design and manufacture of liquid and dry colorants and additives for the thermoplastic extrusion and injection molding industry. The Company and its subsidiaries sell their products worldwide. During the years ended December 31, 2009 and 2010, approximately 70% and 54%, respectively, of sales were from the Company's foreign subsidiaries.

A summary of the Company's significant accounting policies:

Unaudited interim financial information: The accompanying interim consolidated balance sheet as of September 30, 2011, the consolidated statements of operations and cash flows for the nine months ended September 30, 2010 and 2011, and the consolidated statement of stockholders' equity for the nine months ended September 30, 2011 are unaudited. The unaudited interim consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States. In the opinion of management, these financial statements contain all normal and recurring adjustments considered necessary to present fairly the financial position at September 30, 2011, and its results of operations and cash flows for the nine months ended September 30, 2010 and 2011. The results for the nine month period ended September 30, 2011 is not necessarily indicative of the results to be expected for the full year. The information contained in these notes to the consolidated financial statements relating to the interim periods ended September 30, 2010 and 2011 are unaudited.

Principles of consolidation: The consolidated financial statements include the accounts of the Company and its wholly-owned subsidiaries. All material intercompany transactions and balances have been eliminated.

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

Significant estimates: The allowance for doubtful accounts, deferred taxes, recoverability of long-term assets and valuation of goodwill, tradenames, patents, unpatented technology, customer relationships, non-compete agreements and navigator software development involve certain estimates made by management. These estimates are reviewed by management routinely and it is reasonably possible that circumstances that exist at December 31, 2010, may change in the near-term future and that effect could be material to the consolidated financial statements.

Foreign currency translation: For operations outside the U.S. with their local currency as the functional currency, results of operations and cash flows are translated at average exchange rates during the year, and assets and liabilities are translated at end-of-year exchange rates. Translation adjustments are included as a separate component of stockholders' equity. Assets and liabilities that will be settled in a foreign currency are adjusted to U.S. dollars with the resulting gain or loss being included in the statement of operations. The financial statements of ColorMatrix Group, Inc., ColorMatrix Holdings, Inc., ColorMatrix Corporation, ColorMatrix Asia, ColorMatrix Plastics Colorant Co., Ltd., Chromatics, Inc., ColorMatrix Brazil, LLC, ColorMatrix Mexico S.A. de C.V., ColorMatrix Argentina S.A., ColorMatrix South America, Ltd., and ColorMatrix America do Sul, Ltda., are measured using the U.S. dollar as the functional currency. The financial statements of Seola ApS Holding, Colorant Chromatics AG, Colorant Chromatics Ab, Colorant GmbH, SCC Inc., CCTS, ColorMatrix BV, and ColorMatrix Russia are measured using the Euro as the functional currency. The financial statements of ColorMatrix UK Holdings Ltd. and ColorMatrix Europe Ltd. are measured using the British Pound Sterling as the functional currency.

Note 1. Nature of Business and Significant Accounting Policies (Continued)

Foreign currency exchange gains and (losses) that arise from exchange rate changes on transactions denominated in a foreign currency are included in the accompanying consolidated statements of operations as incurred.

The Company has intercompany loans between the parent and its subsidiaries that do not represent permanent advances to those entities. Foreign currency exchange gains and (losses) arising on these loans are included in the accompanying consolidated statements of operations as incurred.

For the years ended December 31, 2009 and 2010 (in thousands), $5,426 and $3,352, respectively, was included in selling, general and administrative expenses.

Revenue recognition: Revenue is recognized when title passes to the customer upon shipment.

Cash and cash equivalents: The Company considers investments in all highly liquid debt instruments with original maturities of three months or less at date of purchase to be cash equivalents. As of December 31, 2009 and 2010 and (unaudited) nine months ended September 30, 2011, the Company had approximately (in thousands) $4,769, $8,279 and $4,942, respectively, of cash and cash equivalents held at foreign banks.

Accounts receivable: Accounts receivable are carried at original invoice amount less an estimate made for doubtful receivables based on a review of all outstanding amounts on a monthly basis. Management determines the allowance for doubtful accounts by identifying troubled accounts and by using historical experience applied to an aging of accounts. Accounts receivables are written off when deemed uncollectible. Recoveries of accounts receivables previously written off are recorded when received. Accounts receivable is considered to be past due if any portion of the receivable balance is outstanding past the established customer terms. The provision for doubtful accounts charged to expense totaled approximately (in thousands) $112 and $359 for the years ended December 31, 2009 and 2010, respectively.

Inventories: Inventories are stated at the lower of cost (determined on a first-in, first-out basis) or market.

Property, plant and equipment: Property, plant and equipment is stated at cost. Depreciation is charged to operations using the straight-line method over the estimated useful lives of the assets.

Concentrations of credit risk: The Company has a concentration of funds over insured limits on deposits at banks at December 31, 2010, in cash and cash equivalents. The nature of the Company’s business requires that it maintain amounts which, at times, may exceed insured limits. In the opinion of management, no material risk of loss exists due to the Company’s condition.

Asset impairment assessments: The Company periodically evaluates the carrying value of long-lived assets to be held and used, including, but not limited to, capital assets and intangible assets, when events and circumstances warrant such a review. The carrying value of a long-lived asset or asset group is considered impaired when the anticipated undiscounted cash flow from such asset or assets is less than its or their carrying value. In that event, a loss would be recognized based on the amount by which the carrying value exceeds the fair value of the long-lived asset. Fair value would be determined primarily using the anticipated cash flows discounted at a rate commensurate with the risk involved. Losses on long-lived assets to be disposed of are determined in a similar manner, except that fair values are reduced for the cost to dispose.

Note 1. Nature of Business and Significant Accounting Policies (Continued)

Goodwill: The Company records as goodwill the excess of purchase price over the fair value of the identifiable net assets acquired. Provisions of *Intangibles-Goodwill and Other*, prescribes a two-step process for impairment testing of goodwill, which is performed annually, as well as when an event triggering impairment may have occurred. The first step tests for impairment, while the second step, if necessary, measures the impairment. The Company has elected to perform its annual analysis on the two separate reporting units (liquid and dry colorants) as of December 31 each year. No indicators of impairment were identified during the 2009 and 2010 year-ends.

Other intangibles: The Company classifies intangible assets as definite-lived and indefinite-lived intangible assets. Definite-lived intangibles include customer relationships, a portion of tradenames, license fees, patents, non-compete agreements, navigator software development, unpatented technology, and deferred financing costs.

Intangibles with definite-lives are amortized over the estimated useful life using a method which reflects an appropriate allocation of the costs of the intangible assets to earnings in proportion to the amount of economic benefits obtained by the Company in each reporting period. The determination of the expected life depends upon the use and underlying characteristics of the intangible asset. The Company's evaluation of the expected life of the intangible assets considers the nature and terms of the underlying agreements; the intent and ability to use the specific asset; the age and market position of the products within the territories in which there are entitled to sell; the historical and projected growth of these products; and costs, if any, to renew the related agreement.

The Company periodically reviews the appropriateness of the amortization periods related to the definite-lived assets. Indefinite-lived intangibles include a portion of tradenames.

The following intangibles are being amortized over the periods indicated below:

	Years
Tradenames	16 - Indefinite
License fee	2.3
Patents	5 - 10
Unpatented technology	11.75 - 16
Customer relationships	10 - 13
Non-compete agreements	2 - 5
Navigator software development	5
Deferred financing costs	5 - 7

Estimated aggregate amortization expense (in thousands), based on the current carrying value of intangible is as follows:

Year:	
2011	$ 11,562
2012	10,904
2013	10,182
2014	9,614
2015	9,332
Thereafter	16,723
	$ 68,317

Note 1. Nature of Business and Significant Accounting Policies (Continued)

The future amortization expense is an estimate. Actual amounts may change from such estimated amounts due to additional intangible assets acquisitions, potential impairments, accelerated amortization or other events.

Income taxes: Deferred income taxes are provided under the liability method whereby deferred tax assets are recognized for deductible temporary differences and net operating loss and tax credit carryforwards and deferred tax liabilities are recognized for taxable temporary differences. Temporary differences are the differences between the reported amounts of assets and liabilities and their tax bases. Deferred tax assets are reduced by a valuation allowance when, in the opinion of management, it is more likely than not that some or all of the deferred tax assets will not be realized. Deferred tax assets and liabilities are adjusted for the effects of changes in tax laws and rates on the date of enactment.

When tax returns are filed, it is highly certain that some positions taken would be sustained upon examination by the taxing authorities, while others are subject to uncertainty about the merits of the position taken or the amount of the position that would be ultimately sustained. The benefit of a tax position is recognized in the financial statements in the period during which, based on all available evidence, management believes it is more likely than not that the position will be sustained upon examination, including the resolution of appeals or litigation processes, if any. Tax positions taken are not offset or aggregated with other positions. Tax positions that meet the more-likely-than-not recognition threshold are measured as the largest amount of tax benefit that is more than 50% likely of being realized upon settlement with the applicable taxing authority. The portion of the benefits associated with tax positions taken that exceeds the amount measured as described above is reflected as a liability for unrecognized tax benefits in the accompanying balance sheet along with any associated interest and penalties that would be payable to the taxing authorities upon examination. There were no material uncertain tax positions at December 31, 2009 or 2010.

The Company currently files income tax returns in the U.S. federal jurisdiction, various states and foreign jurisdictions. The U.S. Internal Revenue Service has completed its exam on the consolidated income tax return for 2007. In August 2010, the IRS issued a “no change,” meaning there were no changes to the Company’s U.S. taxable income. The Company is no longer subject to income tax examinations prior to 2007 for U.S. federal income tax purposes, and with few exceptions, for state income tax purposes. The 2006 and 2007 U.K. federal income tax return is under examination by the U.K. HM Revenue & Customs. The Company does not believe any adjustments that may result from this examination will be significant. The Company is no longer subject to income tax examinations prior to 2006 for U.K. corporate income taxes.

Advertising: The Company follows the policy of charging the costs of advertising to expense as incurred. Advertising expense (in thousands) for the years ended December 31, 2009 and 2010 was $247 and $608, respectively.

Research and development: Research and development costs are expensed as incurred. Research and development expense was approximately (in thousands) $3,105 and $4,172 for the years ended December 31, 2009 and 2010, respectively.

Stock-based compensation: The Company has a stock-based employee compensation plan, which is more fully described in Note 7. The Company accounts for its stock-based compensation in accordance with *Compensation-Stock Compensation*. The Company measures the cost of employee services received in exchange for equity instruments based on the grant-date fair value of those instruments and records compensation expense over the related vesting period.

Note 1. Nature of Business and Significant Accounting Policies (Continued)

Comprehensive income (loss): Other comprehensive income (loss) refers to revenues, expenses, gain and losses that under accounting principles generally accepted in the United States are included in other comprehensive income (loss), but are excluded from net income as these amounts are recorded directly as an adjustment to stockholders' equity.

Derivative financial instruments: The Company has six interest rate swap agreements that are recognized on the consolidated balance sheets at their fair value. The Company has included the fair value of the interest rate swaps in current liabilities and the change in the fair value of the agreements are included with interest expense.

Fair value of financial instruments: The carrying amount of cash and cash equivalents, accounts receivables, and accounts payable approximates fair value because of the short maturity of these instruments. The carrying amount of long-term debt approximates fair value because the interest rates on the instruments are similar to the rates available to the Company on similar instruments. The fair value of the interest rate swap agreements is based on the market price provided by the commercial bank that is the counterparty to the swap agreements and represents the amount the Company would pay or receive to terminate the swap agreements.

The Company applies the provisions of *Fair Value Measurements and Disclosures* for assets and liabilities recognized at fair value on a recurring basis. *Fair Value Measurements and Disclosures* establishes a framework for measuring fair value and requires enhanced disclosures about assets and liabilities carried at fair value.

As defined in *Fair Value Measurements and Disclosures*, fair value is the price that would be received to sell an asset or paid to transfer a liability in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants at the measurement date. *Fair Value Measurements and Disclosures* establishes a fair value hierarchy, which prioritizes the inputs used in measuring fair value into three broad levels as follows:

Level 1 – Quoted prices are available in active markets for identical assets or liabilities as of the reported date. The types of assets and liabilities included in Level 1 are highly liquid and actively traded instruments with quoted prices.

Level 2 – Pricing inputs are other than quoted prices in active markets, but are either directly or indirectly observable as of the reported date. The types of assets and liabilities included in Level 2 are typically either comparable to actively traded securities or contracts or priced with models using highly observable inputs.

Level 3 – Significant inputs to pricing have little or no observability as of the reporting date. The types of assets and liabilities included in Level 3 are those with inputs requiring significant management judgment or estimation, such as the complex and subjective models and forecasts used to determine fair value of financial transmission rights.

Note 1. Nature of Business and Significant Accounting Policies (Continued)

The following table presents the fair value hierarchy for those liabilities (in thousands) measured at fair value on a recurring basis as of December 31, 2009 and 2010 and (unaudited) September 30, 2011. As required by *Fair Value Measurements and Disclosures*, financial assets and liabilities are classified in their entirety based on the lowest level of input that is significant to the fair value measurement. The Company's assessment of the significance of a particular input to the fair value measurement requires judgment and may affect the valuation of fair value assets and liabilities and their placement within the fair value hierarchy levels.

	Total Carrying Value	Quoted Prices in Active Markets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
	2009			
Liabilities				
Interest rate swap agreements	$2,072	$ —	$ 2,072	$ —
	2010			
Liabilities				
Interest rate swap agreements	$ 401	$ —	$ 401	$ —
	2011 (Unaudited)			
Liabilities				
Interest rate swap agreements	$ —	$ —	$ —	$ —

Interest rate swap agreements – Currently, the Company uses interest rate swaps to manage interest rate risk. The fair values are estimated by the counterparty using inputs that are observable or that can be corroborated by observable market data, and therefore, is classified within Level 2 of the valuation hierarchy.

<ins>Subsequent events</ins>: The Company has evaluated subsequent events through April 28, 2011, the date on which the financial statements were available to be issued. Other than the subsequent event that is disclosed in Note 11 of the consolidated financial statements, management has determined that no events or transactions have occurred through that date that required additional recognition of disclosure in the financial statements.

Note 2. Other Intangibles and Goodwill

Other intangibles as of December 31, 2009 and 2010 and (unaudited) September 30, 2011 were as follows:

	(In Thousands)			
	Cost	Accumulated Amortization	Currency Translation Adjustments	Net
December 31, 2009:				
Tradenames, indefinite lives	$ 10,344	$ —	$ (669)	$ 9,675
Tradenames, amortizable	455	(83)	—	372
License fee	52	(52)	—	—
Patents	12,824	(2,043)	(39)	10,742
Unpatented technology	45,567	(15,414)	(1,533)	28,620
Customer relationships	58,538	(19,275)	(1,475)	37,788
Non-compete agreements	2,061	(1,248)	79	892
Navigator software development	630	(438)	29	221
Deferred financing costs	6,107	(2,715)	(413)	2,979
Total	$136,578	$ (41,268)	$ (4,021)	$91,289
December 31, 2010:				
Tradenames, indefinite lives	$ 10,344	$ —	$ (913)	$ 9,431
Tradenames, amortizable	455	(111)	—	344
License fee	52	(52)	—	—
Patents	13,443	(3,728)	(49)	9,666
Unpatented technology	45,567	(19,110)	(2,194)	24,263
Customer relationships	58,538	(24,494)	(2,306)	31,738
Non-compete agreements	2,061	(1,888)	29	202
Navigator software development	630	(539)	14	105
Deferred financing costs	6,107	(3,649)	(465)	1,993
Total	$137,197	$ (53,571)	$ (5,884)	$77,742
(Unaudited)				
September 30, 2011:				
Tradenames, indefinite lives	$ 10,344	$ —	$ (833)	$ 9,511
Tradenames, amortizable	1,202	(198)	—	1,004
License fee	52	(52)	—	—
Patents	13,766	(5,016)	(46)	8,704
Unpatented technology	45,567	(22,701)	(983)	21,883
Customer relationships	64,388	(28,748)	(2,012)	33,628
Non-compete agreements	1,455	(1,468)	36	23
Navigator software development	630	(606)	19	43
Deferred financing costs	6,706	(4,412)	(441)	1,853
Total	$144,110	$ (63,201)	$ (4,260)	$76,649

Note 2. Other Intangibles and Goodwill (Continued)

Changes in the carrying amount of goodwill for the years ended December 31, 2009 and 2010 and (unaudited) September 30, 2011 are as follows:

	December 31, 2009	December 31, 2010	September 30, 2011 (Unaudited)
		(In Thousands)	
Balance, beginning	$96,154	$99,537	$ 96,533
Currency translation adjustments	3,383	(1,948)	639
Acquired during the year	—	—	8,627
Recognition of tax-deductible goodwill in excess of goodwill for financial statement purposes	—	(1,056)	—
Balance, ending	$99,537	$96,533	$ 105,799

Note 3. Inventories

Inventories at December 31, 2009 and 2010 and (unaudited) September 30, 2011 consisted of the following:

	December 31, 2009	December 31, 2010	September 30, 2011 (Unaudited)
		(In Thousands)	
Raw materials	$ 8,504	$11,781	$ 20,098
Work-in-process	28	75	155
Finished goods, including pumps	8,278	9,200	8,923
	$16,810	$21,056	$ 29,176

Note 4. Pledged Assets and Long-Term Debt

Long-term debt at December 31, 2009 and 2010 and (unaudited) September 30, 2011 and the terms and collateral as of December 31, 2010, are as follows (in thousands):

	December 31, 2009	December 31, 2010	September 30, 2011 (Unaudited)
The Company has a U.S. revolving credit agreement with a bank under which it can borrow up to (in thousands) $11,000, limited to 85% of eligible accounts receivable and 60% of eligible inventory, due in full in April 2013. The borrowing base at December 31, 2010, was (in thousands) $10,600. The Company may choose to borrow at the bank's Base Rate plus 1.75% or the applicable LIBOR interest rate plus 3.0%. (A)	$ —	$ 3,500	$ 8,800
The Company has a European revolving credit agreement with a bank under which it can borrow up to (in thousands) €7,000 ($9,277), limited to a borrowing base calculation that includes ratios of EBITDA, leverage and cash balances, due in full in April 2013. The borrowing base at December 31, 2010, was (in thousands) €7,000 ($9,277). Borrowings bear interest at EURIBOR rate plus 3.0% (current effective rate of 3.82%). (A)	—	3,114	4,419
U.S. Term Loan B, bank, due in quarterly principal payments of (in thousands) $135 to April 2013 when remaining principal balance is due. Interest is payable monthly at the bank's Base Rate plus 1.75% or the applicable LIBOR interest rate plus 3.0% to April 2013. At December 31, 2010, (in thousands) $7 were borrowed under the bank's Base Rate plus 1.75% (current effective rate is 5.0%) and $46,950 were borrowed under LIBOR interest rate plus 3.0% (current effective rate of 3.29%). (A)	52,515	46,957	46,591
U.S Term Loan C, due in quarterly principal payments of (in thousands) $34 to April 2013 when remaining principal balance is due. Interest is payable monthly at the bank's Base Rate plus the greater of 2.75% or the applicable LIBOR interest rate plus 4.00% depending on borrowings outstanding under each portion. (A)	—	—	14,932
U.S. Subordinated Term Loan C, private investment company, due in full in November 2013, with interest payable at 14%, of which 12% is payable quarterly and the remaining 2% is accrued on the notes. (B)	39,826	40,436	40,850
European Term Loan B, bank, due in quarterly principal payments of (in thousands) €76 ($101) to April 2013 when remaining principal balance is due. Interest payable monthly at EURIBOR rate, plus 3.0% (current effective rate is 3.80%). (A)	42,500	35,539	36,178
European Subordinated Term Loan C, private investment company, due in full in November 2013, with interest payable at 14%, of which 12% is payable quarterly and the remaining 2% is accrued on the notes. (B)	43,461	40,786	42,275
Other	66	31	100
	178,368	170,363	194,145
Less current portion	1,013	884	998
Long-term debt	$177,355	$169,479	$ 193,147

(A) These agreements contain various restrictive covenants including, among others, ones related to the maintenance of a certain leverage ratio, fixed charge coverage ratio, and interest coverage ratio. In addition, these notes are collateralized by substantially all of the Company's assets.

Note 4. Pledged Assets and Long-Term Debt (Continued)

(B) These agreements contain various restrictive covenants including, among others, ones related to the maintenance of a certain leverage ratio, fixed charge coverage ratio, and interest coverage ratio. In addition, these notes are subordinated to the bank financing.

Maturities of long-term debt at December 31, 2010, are as follows (in thousands):

Year ending December 31:	
2011	$ 884
2012	857
2013	168,622
	$170,363

Interest Rate Swaps: For the year ended December 31, 2009 the Company had six interest rate swaps to lock in the interest cash outflows on its notes payable. The interest rate swaps have a total notional amount (in thousands) of $64,322 at December 31, 2009. One of the interest rate swaps, with a notional amount of (in thousands) $7,059 increases to a notional amount of (in thousands) $20,747 in March 2010 and matures in June 2010. One of the interest rate swaps, with a notional amount of (in thousands) $15,674, matures in June 2011. The remaining four interest rate swaps with a notional amount of $41,589 mature in June 2010. These cash flow hedges change the variable-rate interest on a portion of the notes payable to a fixed-rate interest. The estimated fair value of these agreements at December 31, 2009 and 2008, was a liability of approximately (in thousands) $2,072 and $3,259, respectively, which is included on the Company's balance sheet. The amount is subsequently reclassified into interest expense as a yield adjustment in the same year in which the related interest on the floating-rate debt obligation affects earnings.

For the year ended December 31, 2010 the Company has an interest rate swap to lock in the interest cash outflows on its notes payable. The interest rate swap has a total notional amount (in thousands) of $15,512 at December 31, 2010 and matures in June 2011. The cash flow hedge changes the variable-rate interest on a portion of the notes payable to a fixed-rate interest. The estimated fair value of this agreement at December 31, 2010, was a liability of approximately (in thousands) $401 which is included on the Company's balance sheet. The amount is subsequently reclassified into interest expense as a yield adjustment in the same year in which the related interest on the floating-rate debt obligation affects earnings.

The Company has letters of credit available for issuance up to a maximum (in thousands) $3,000 and €2,000 $(2,651). The letters of credit expire one year from the date of issuance or the tenth day prior to the due date of the revolving credit agreement, May 2011. As of December 31, 2009 and 2010 there were (in thousands) no issuances and $111 under the letters of credit.

Note 5. Commitment and Contingencies

The Company leases certain facilities and equipment under long-term operating lease agreements, some from related parties. Total lease expense was approximately (in thousands) $2,868 and $2,927 for the years ended December 31, 2009 and 2010, respectively.

Approximate future minimum lease commitments (in thousands) under non-cancelable operating leases are as follows at December 31, 2010:

Year ending December 31:	
2011	$1,700
2012	1,500
2013	900
2014	700
2015	200
Thereafter	1,600
	$6,600

In the ordinary course of business, the Company is involved in various legal proceedings and disputes. Management is of the opinion that the ultimate resolution of these matters will not have a material adverse effect on the financial position or operating results of the Company.

Note 6. Income Taxes

The Company's total deferred income tax assets and deferred income tax liabilities at December 31, 2009 and 2010 are as follows:

	2009	2010
	(In Thousands)	
Deferred tax assets		
Allowance for doubtful accounts receivable	$ 58	$ 49
Inventory	204	225
Compensation related	750	600
Interest expense	732	142
Accrued expenses	157	166
Net operating loss carryforwards	9,552	10,678
Foreign tax credits	1,085	1,242
Depreciation of property and equipment	263	390
Other	310	573
	13,111	14,065
Less valuation allowance	10,755	12,035
Net deferred tax assets	2,356	2,030
Deferred income tax liabilities, intangible assets	(18,612)	(14,667)
Net deferred tax (liabilities)	$(16,256)	$(12,637)

Note 6. Income Taxes (Continued)

Deferred tax assets are reduced by a valuation allowance when in the opinion of the Company it is more likely than not that some portion or all of the deferred tax assets will not be realized. The valuation allowance for deferred tax assets increased by (in thousands) $1,280 in 2010. The increase in the allowance is primarily due to the current year U.S. foreign tax credits and net operating losses generated by the holding company in the UK that the Company, due to uncertainties related to its ability to utilize these credits and losses, believes that it is more likely than not the tax benefits from these losses will not be realized. Furthermore, the Company believes it is more likely than not that other certain deferred tax assets will not be realized and has recorded a valuation allowance against these deferred tax assets. Moreover, deferred taxes have not been provided on excess book basis in shares of foreign subsidiaries because these basis differences are not expected to reverse in the foreseeable future. These basis differences arose primarily through undistributed book earnings of the foreign subsidiaries. The basis differences could reverse through the sale of subsidiaries, the receipt of dividends from the foreign subsidiaries, as well as various other events. It is not practical to calculate the residual income tax which would result if these basis differences reversed due to the complexities of the tax law and the hypothetical nature of the calculations.

At December 31, 2010, the Company had approximately (in thousands) $45,020 related to goodwill that will be tax deductible in future years.

(Unaudited) as discussed further in Note 11, the Company acquired all outstanding shares of capital stock of Gayson Silicone Dispersions, Inc. on April 21, 2011. The Company recorded a deferred tax liability of (in thousands) $2,614 for the difference between the fair value of net assets and the carryover tax basis of net assets at the date of acquisition.

The deferred tax amounts have been classified on the accompanying balance sheets as of December 31, 2009 and 2010 as follows:

	2009	2010
	(In Thousands)	
Current assets	$ 1,424	$ 1,527
Long-term (liabilities)	(17,680)	(14,164)
Income tax benefit	$(16,256)	$(12,637)

The component of the income tax benefit for the years ended December 31, 2010 and 2009 is as follows:

	2009	2010
	(In Thousands)	
Current federal and state taxes	$ (86)	$ 39
Current foreign taxes	2,687	3,955
Deferred	(2,908)	(2,559)
Total tax expense (benefit)	$ (307)	$ 1,435

Note 6. Income Taxes (Continued)

The net deferred tax asset for net operating losses does not include the tax benefit of the amortization on the amount that tax deductible goodwill exceeds goodwill recorded for financial reporting purposes. During the current year the Company had sufficient taxable income to recognize the benefit of this second component of goodwill in addition to a portion of NOL's from prior years relating to this amortization deduction. The Company has recognized the benefit of (in thousands) $512 in NOL carryforwards related to excess tax deductible goodwill. This tax benefit has been allocated to reduce goodwill. As of December 31, 2010 approximately (in thousands) $1,577 in tax benefits remains unrecognized in the financials.

The provision for income taxes differs from the amount computed by applying the statutory federal income tax rate to income before provision for income taxes.

The sources and tax effects of the differences are as follows:

	2009	2010
	(In Thousands)	
Expected tax benefit	$ 1,202	$ 2,465
State income taxes (current), net of federal tax benefit	(28)	6
Benefits and taxes related to foreign operations	(505)	(986)
Adjustment to deferred tax assets and liabilities for enacted changes in tax laws and rates	(1,003)	(2,403)
Compensation related	—	405
Tax-deductible goodwill	—	509
Other	(209)	159
Increase in valuation allowance	236	1,280
	$ (307)	$ 1,435

For the nine months ending September 30, 2010 and 2011 (Unaudited), an estimated annual effective tax rate was computed in accordance ASC 740-270. Accordingly, an estimated annual effective tax rate has been computed based upon expected ordinary income for the year. In computing the estimated annual effective tax rate, jurisdictions, including, but not limited to the U.S. and UK, with expected ordinary losses for the year where it is more likely than not the tax benefits of those losses would not be recognizable as a deferred tax asset were excluded from the overall estimated annual effective tax rate computation. A separate annual effective tax rate of zero percent due to a full valuation allowance was applied to the ordinary losses in these jurisdictions. The overall estimated annual effective tax rate of 21 percent and 17 percent for 2010 and 2011, respectively, was applied to all other jurisdictions with expected ordinary income for the year. Applicable tax rates for these jurisdictions range from 10 to 30 percent, tax rates less than the expected tax rate. Furthermore, income before benefit for income taxes through September 30, 2010 and 2011, unaudited, includes approximately $7,092 and $22,611 in ordinary losses, respectively, in jurisdictions where a separate annual effective tax rate of zero percent has been computed due to a full valuation. Significant unusual or infrequent items were excluded from ordinary income and the respective calculation of estimated annual effective tax rates. These items were recognized as discrete events and the associated income tax expense or benefit were determined separately at each interim period. The provision for income taxes for both periods ending September 30, 2010 and September 30, 2011, include an income tax benefit of $2,403 and $495, respectively, due to a change in tax rates.

Note 6. Income Taxes (Continued)

As of December 31, 2010, the Company has U.S. federal net operating loss carryforwards of approximately (in thousands) $12,057 for federal tax purposes, which will be available to offset future U.S. taxable income. If not used, approximately (in thousands) $1,545, $8,300, $1,570 and $642 of these carryforwards will expire in 2029, 2028, 2027 and 2026, respectively. The Company has U.S. foreign tax credits in the amount of approximately (in thousands) $1,242 which will be available to offset future U.S. income taxes. If not used, approximately (in thousands) $251, $233, $436 and $322 of these credits will expire in 2020, 2019, 2018 and 2017, respectively.

As of December 31, 2010, the Company also has foreign loss carryforwards of approximately (in thousands) $25,691 for UK tax purposes. The loss carryforwards relate to the holding company in the UK and can be used for an unlimited period of time.

Effective April 1, 2011, the UK tax rate will be 27%. Accordingly, the UK deferred tax assets and liabilities have been calculated at 27%. All other foreign deferred taxes are recorded at a blended rate of 35%. The impact on the current year statement of income is an expense of (in thousands) $2,403. (Unaudited) for the nine months ending September 30, 2010 this tax benefit has been included as a separate discrete item. Income tax rates in the UK were further reduced to 26% and again to 25% beginning in the 2012 fiscal year. Accordingly, the impact to income tax benefit of (in thousands) $495 is recognized in the nine months ending September 30, 2011 as a discrete item.

During the year ended December 31, 2010 certain UK employees exercised stock options. Under U.S. federal and state tax law, a tax deduction would not be permitted at the time of exercise since these participants would not be subject to U.S. federal and state income taxes. Under UK tax law a deduction on the UK tax return is permitted if the participant exercising the option is subject to UK income tax and the options are exercised as a reward for working in a business carried out in the UK and the underlying stock is classed as an ordinary share of capital in a company that is either listed on a recognized stock exchange, or, if not listed, in a company that is not under the control of another company. Since the UK subsidiary is controlled by ColorMatrix Group, Inc. the deferred tax asset attributable to these participants has been reduced as it is unlikely a tax deduction will be permitted. The impact to the current year statement of income is a tax benefit of (in thousands) $405.

Note 7. Stock Options

In 2006, the Company adopted the ColorMatrix Group, Inc. 2006 Equity Incentive Plan (the “Plan”) a stock option plan reserving an aggregate of 106,000 shares of the Company’s common stock for issuance under the Plan. The price for each option shall be the fair market value of the Company’s stock at the date the option is granted as determined by the Board of Directors.

The following tables set forth the information about the fair value of stock option grants in the years ended December 31, 2009 and 2010, using the Black-Scholes option pricing model and the weighted-average assumptions used for such grants:

	2009	2010
	(In Thousands)	
Fair value of options granted	$ 32.54	$ 53.56
Expected dividends	0.00%	0.00%
Risk free interest rate	1.11%	0.32%
Expected volatility factor	34.47%	20.40%
Expected option life	2.3 years	1.3 years

Note 7. Stock Options (Continued)

The risk-free interest rate is based on the U.S. Treasury for the option life at date of grant. The volatility factor was determined based on the Dow Jones Index for similar companies in the same industry. No dividends are expected to be paid. Forfeitures and option life have been estimated by the Company based upon historical experience under the Plan.

The Company recorded stock compensation expense (in thousands) of $471 and $861 for the years ended December 31, 2009 and 2010, respectively. As of December 31, 2009 and 2010 there is approximately (in thousands) $989 and $1,637, respectively, of unrecognized option compensation expense related to nonvested stock options. This amount will be recorded as expense over the next year.

(Unaudited) in May 2011 option holders exercised 1,605.11 options at a $100 exercise price. The total intrinsic value of the options exercised was (in thousands) $110.

A summary of the option activity for the year ended December 31, 2010 and (unaudited) nine months ended September 30, 2011, is presented below:

	Number of Shares	Weighted Average Exercise Price
Balance, December 31, 2008	66,542.96	$ 113
Options granted	10,650.00	154
Balance, December 31, 2009	77,192.96	121
Options granted	28,182.00	154
Balance, December 31, 2010	105,374.96	$ 131
(Unaudited)		
Options exercised	(1,605.11)	100
Options forfeited/canceled	(4,365.91)	104
Vested and expected to vest at September 30, 2011	99,403.94	$ 132
Vested and exercisable at September 30, 2011 (unaudited)	80,536.01	$ 126

Note 8. Retirement Plans

The Company has a 401(k) defined contribution retirement plan and a discretionary profit-sharing plan which cover substantially all eligible employees in the United States. Company contributions are based on a percentage of employee contributions. Total expenses for this plan was approximately (in thousands) $244 and $250 for the years ended December 31, 2009 and 2010, respectively.

The Company's UK subsidiary sponsors a defined contribution plan for certain of its employees. The Company contributes annually a percentage of the employees' eligible compensation as defined. Total contribution expense for this plan was approximately (in thousands) $351 and $438 for the years ended December 31, 2009 and 2010, respectively.

The Company's Colorant Chromatics Group ("Group") subsidiaries (Europe and China) sponsor a statutory social security plan. Furthermore, there are independent pension plans or pension insurance policies covering substantially all employees. Total contribution expense for these plans was approximately (in thousands) $286 and $254 for the years ended December 31, 2009 and 2010, respectively.

The Company's Chromatics, Inc. subsidiary has a 401(k) defined contribution retirement plan which covers substantially all eligible employees. Company contributions are based on a percentage of employee contributions. Total expenses for this plan was approximately (in thousands) $33 and $38 for the years ended December 31, 2009 and 2010, respectively.

Note 9. Related Party Transactions

On April 4, 2007, the Company entered into a management agreement with a Private Partnership that is a majority owner of the Company. The agreement provides that management of the Partnership will render consulting, advisory and other special services and expertise to the Company. The agreement called for management fees (in thousands) of $1,000 annually, payable in equal monthly installments. The Company expensed (in thousands) $1,000 in management fees for the years ended December 31, 2009 and 2010, which is included in selling, general and administrative expenses in the consolidated statements of operations.

Note 10. Notes Receivable for the Purchase of Common Stock

During 2010 stock option holders exercised stock options resulting in notes receivable totaling (in thousands) $3,546. These notes bear interest at 0.46% per annum and are collateralized by 29,807.75 shares of the Company's common stock. Interest is paid semi-annually in March and September. The notes and any unpaid interest are due in September 2013. Interest on the notes receivable is credited to additional paid-in capital as it is earned.

During the (unaudited) nine months ended September 30, 2011 stock option holders exercised stock options resulting in notes receivable totaling (in thousands) $1,572. These notes bear interest at rates ranging from 0.23% to 0.26% per annum and are collateralized by 12,264.99 shares of the Company's common stock. Interest is paid semi-annually in March and September. The notes and any unpaid interest are due in September 2014. Interest on the notes receivable is credited to additional paid-in capital as it is earned.

Since these notes are collateralized by the common stock received through the exercise of the stock options, the common stock received through the exercise of the stock options is accounted for as outstanding stock options and the notes receivable are not recognized for accounting purposes.

Note 11. Business Acquisition

Pursuant to a share purchase agreement dated April 21, 2011, all outstanding shares of capital stock of Gayson Silicone Dispersions, Inc. (Gayson) was acquired by the Company for (in thousands) $14,404. Gayson is a worldwide leader for providing the highest quality pigment, chemical additive and catalyst dispersions for silicone rubber. This purchase allows the Company to expand their business into the silicone industry. The total purchase price was funded with debt. This transaction will be accounted for as a purchase. Under the acquisition method of accounting, the fair value of the Company is allocated to the assets acquired and liabilities assumed based upon fair values.

(Unaudited) the following table (in thousands) summarizes the consideration paid for the amounts of the assets acquired and liabilities assumed as of the acquisition date:

	(Unaudited)
Cash consideration	$ 14,404
Acquisition-related costs, included in selling, general and administrative expenses in the Company's statement of operations for the nine-months ended September 30, 2011	$ 640
Recognized amounts of identifiable assets acquired and liabilities assumed:	
Accounts receivable	$ 782
Inventories	946
Property and equipment	601
Tradename (5-year weighted average useful life)	748
Customer relationships (10-year weighted average useful life)	5,850
Accounts payable	(346)
Accrued expenses	(190)
Deferred taxes	(2,614)
Total identifiable net assets	5,777
Goodwill	8,627
	$ 14,404

The operating results of the acquired business have been included in the consolidated statements of operations since the acquisition date.

None of the goodwill recognized is expected to be deductible for income tax purposes.

The estimated fair values of property and equipment, tradenames, customer relationships and deferred taxes are provisional, because the final valuation reports have not been completed, and are based on the information that was available at the acquisition date to estimate the fair value. The Company believes that information provides a reasonable basis for estimating the fair values but the Company is waiting for additional information necessary to finalize those fair values. Thus the provisional measurements of fair value set forth above are subject to change. Such changes could be significant. The Company expects to finalize the valuation and complete the purchase price allocation as soon as practicable but no later than one-year from the acquisition date.

Note 12. Sale of the Company (Unaudited)

On December 21, 2011, pursuant to the terms of an Agreement and Plan of Merger, dated as of September 30, 2011, PolyOne Corporation acquired 100% of the outstanding common stock and stock options to purchase common stock for a purchase price of $486.1 million in cash, subject to a working capital adjustment and a closing cash adjustment. The Company debt was repaid at the date of sale.

Exhibit 99.2

Unaudited Pro Forma Condensed Combined Financial Information

The following unaudited pro forma condensed combined financial information is based on the historical financial statements of PolyOne Corporation (PolyOne or the Company) and ColorMatrix Group, Inc. (ColorMatrix), after giving effect to the business combination transaction between PolyOne and ColorMatrix on December 21, 2011 and PolyOne entering into a new term loan agreement and a new revolving credit agreement on December 21, 2011, in each case reflecting the assumptions, reclassifications and adjustments described in the accompanying notes to the unaudited pro forma condensed combined financial information.

The following unaudited pro forma condensed combined financial information has been derived by the application of pro forma adjustments to the historical consolidated financial statements of PolyOne and ColorMatrix. The unaudited pro forma condensed combined financial information gives effect to the acquisition of ColorMatrix by PolyOne, the effects of PolyOne entering into the term loan agreement and revolving credit agreement as if they had occurred on January 1, 2010 with respect to the unaudited pro forma condensed statements of operations for the nine months ended September 30, 2011 and for the year ended December 31, 2010 and as of September 30, 2011 with respect to the unaudited pro forma combined balance sheet.

Assumptions underlying the pro forma adjustments necessary to reasonably present this unaudited pro forma condensed combined financial information are described in the accompanying notes, which should be read in conjunction with this unaudited pro forma condensed combined financial information. The pro forma adjustments described in the accompanying notes have been made based on available information and, in the opinion of management, are reasonable. The preliminary purchase price has been allocated on a preliminary basis to assets acquired and liabilities assumed in connection with the acquisition based on their estimated fair values as of the completion of the acquisition. The unaudited pro forma condensed combined statements of operations reflect the effects of applying certain purchase accounting adjustments to the historical consolidated results of operations, including items expected to have a continuing impact on the consolidated results, such as depreciation and amortization on acquired tangible and intangible assets. The unaudited pro forma condensed combined statements of operations do not include non-recurring items such as the impact on cost of sales resulting from the fair value adjustment to inventory and transaction costs related to the acquisition. A full and detailed valuation of ColorMatrix's assets and liabilities is being completed and certain information and analyses remains pending at this time. The final purchase price allocation is subject to the final determination of the fair values of assets acquired and liabilities assumed, therefore, that allocation and the resulting effect on income from operations may differ from the unaudited pro forma amounts included herein.

The historical consolidated financial information has been adjusted to give effect to estimated pro forma events that are directly attributable to the acquisition, factually supportable and, with respect to the unaudited pro forma condensed combined statements of operations, expected to have a continuing impact on the consolidated results of operations. Additionally, the unaudited pro forma condensed combined financial information does not reflect the cost of any integration activities or benefits that may result from synergies that may be derived from any integration activities. This includes the Company's evaluation of its global tax structure necessary to support its current and future business requirements. Therefore, the unaudited pro forma condensed combined financial information should not be considered indicative of actual results that would have been achieved had the acquisition occurred on the date indicated and do not purport to indicate results of operations for any future period.

In preparing the unaudited pro forma condensed combined financial information in accordance with U.S. GAAP, the following historical information was used:

- the audited consolidated financial statements of PolyOne Corporation as of and for the year ended December 31, 2010 prepared in accordance with U.S. GAAP;
- the unaudited condensed consolidated financial statements of PolyOne Corporation as of and for the nine months ended September 30, 2011 prepared in accordance with U.S. GAAP;
- the audited consolidated financial statements of ColorMatrix Group, Inc. for the year ended December 31, 2010 prepared in accordance with U.S. GAAP; and
- the unaudited condensed consolidated financial statements of ColorMatrix Group, Inc. as of September 30, 2011 and for the nine months ended September 30, 2011 prepared in accordance with U.S. GAAP.

PolyOne Corporation
Unaudited Pro Forma Condensed Combined Balance Sheet
September 30, 2011

(in millions)	PolyOne	ColorMatrix	Pro Forma Adjustments (Note 4)		Combined
Assets					
Cash and cash equivalents	$ 409.8	$ 8.5	$ (8.5)	(a)	$ 204.9
			(189.1)	(b)	
			(12.5)	(c)	
			(3.3)	(d)	
Accounts receivable, net	368.1	32.0	—		400.1
Inventories	240.2	29.2	7.4	(f)	276.8
Other current assets	32.9	6.8	1.3	(d)	41.6
			2.1	(c)	
			(1.5)	(f)	
Total current assets	1,051.0	76.5	(204.1)		923.4
Property, net	365.0	22.7	7.3	(f)	395.0
Investment in equity affiliates and nonconsolidated subsidiary	—	—	—		—
Goodwill	170.4	105.8	(105.8)	(f)	390.1
			219.7	(f)	
Other intangible assets, net	67.6	76.7	(76.7)	(f)	343.6
			276.0	(f)	
Deferred income tax assets	56.4	—	1.0	(f)	57.4
Other non-current assets	84.7	0.2	10.4	(c)	95.3
Total assets	$1,795.1	$ 281.9	$ 127.8		$2,204.8
Liabilities and Shareholders' Equity					
Current portion of long-term debt	$ 22.9	$ 1.0	$ (1.0)	(a)	$ 25.9
			3.0	(b)	
Accounts payable	332.1	11.5	(1.1)	(e)	342.5
Accrued expenses	155.9	11.2	1.9	(f)	169.0
Total current liabilities	510.9	23.7	2.8		537.4
Long-term debt	410.0	193.1	(193.1)	(a)	704.0
			294.0	(b)	
Post-retirement benefits other than pensions	18.5	—	—		18.5
Pension benefits	137.6	—	—		137.6
Other non-current liabilities	109.6	16.4	74.8	(f)	200.8
Shareholders' equity	608.5	48.7	(48.7)	(g)	606.5
			(2.0)	(d)	
Total liabilities and shareholders' equity	$1,795.1	$ 281.9	$ 127.8		$2,204.8

See accompanying notes to unaudited pro forma condensed combined financial statements.

PolyOne Corporation
Unaudited Pro Forma Condensed Combined Statement of Operations
Nine Months Ended September 30, 2011

(in millions, except per share data)	PolyOne	ColorMatrix	Pro Forma Adjustments (Note 4)		Combined
Sales	$2,223.1	$ 152.5	$ 2.7	(h)	$2,378.3
Cost of sales	1,857.2	84.2	(1.0)	(i)	1,941.8
			1.4	(h)	
Gross margin	365.9	68.3	2.3		436.5
Selling and administrative	227.0	53.2	(0.5)	(j)	279.2
			(1.1)	(k)	
			0.6	(h)	
Income related to equity affiliates	133.9	—	—		133.9
Operating income	272.8	15.1	3.3		291.2
Interest expense, net	25.2	13.7	(13.7)	(l)	38.5
			13.3	(m)	
Other income, net	0.5	—	—		0.5
Income before income taxes	248.1	1.4	3.7		253.2
Income tax expense	87.8	3.3	1.4	(n)	92.5
Net income (loss)	$ 160.3	$ (1.9)	$ 2.3		$ 160.7
Earnings per common share:					
Basic	$ 1.72				$ 1.73
Diluted	$ 1.69				$ 1.69
Weighted-average shares used to compute earnings per share:					
Basic	93.0				93.0
Diluted	95.1				95.1

See accompanying notes to unaudited pro forma condensed combined financial statements.

PolyOne Corporation
Unaudited Pro Forma Condensed Combined Statement of Operations
Year Ended December 31, 2010

(in millions, except per share data)	PolyOne	ColorMatrix	Pro Forma Adjustments (Note 4)		Combined
Sales	$2,621.9	$ 182.1	$ 7.3	(o)	$2,811.3
Cost of sales	2,193.1	110.3	(0.8)	(p)	2,306.2
			3.6	(o)	
Gross margin	428.8	71.8	4.5		505.1
Selling and administrative	296.2	48.2	(1.2)	(q)	348.5
			4.0	(r)	
			1.3	(o)	
Income related to equity affiliates	42.0	—	—		42.0
Operating income	174.6	23.6	0.4		198.6
Interest expense, net	31.5	16.4	(16.4)	(s)	49.3
			17.8	(t)	
Other expense, net	2.3	—	—		2.3
Debt extinguishment costs	29.5	—	—		29.5
Income before income taxes	111.3	7.2	(1.0)		117.5
Income tax benefit (expense)	51.3	(1.4)	0.4	(u)	50.3
Net income (loss)	$ 162.6	$ 5.8	$ (0.6)		$ 167.8
Earnings per common share:					
Basic	$ 1.75				$ 1.80
Diluted	$ 1.69				$ 1.75
Weighted-average shares used to compute earnings per share:					
Basic	93.1				93.1
Diluted	96.0				96.0

See accompanying notes to unaudited pro forma condensed combined financial statements.

PolyOne Corporation
Notes to Unaudited Pro Forma Condensed Combined Financial Information

Note 1: Basis of Presentation

The unaudited pro forma condensed combined financial information has been prepared in connection with the acquisition of all of the outstanding equity of ColorMatrix Group, Inc. (ColorMatrix) by PolyOne Corporation (the Company or PolyOne) and to give effect to PolyOne entering into the new term loan and revolving credit agreements on December 21, 2011. The preliminary purchase price for ColorMatrix totaled $486.1 million, net of cash acquired, on a debt-free basis. The Company financed the acquisition with borrowings under the term loan agreement and cash on hand.

The acquisition of ColorMatrix by PolyOne has been accounted for using the purchase method of accounting. The preliminary purchase price has been allocated on a preliminary basis to the assets acquired and liabilities assumed in connection with the acquisition based on their estimated fair values as of the closing date of the acquisition. The unaudited pro forma condensed combined statement of operations reflect the effects of applying certain preliminary purchase accounting adjustments to the historical consolidated results of operations, including items expected to have a continuing impact on the consolidated results, such as depreciation and amortization on acquired tangible and intangible assets. The unaudited pro forma condensed combined statement of operations does not include non-recurring items such as the impact on cost of sales resulting from the fair value adjustment to inventory and transaction costs related to the acquisition. The final purchase price allocation is subject to the final determination of the fair values of assets acquired and liabilities assumed and, therefore, that allocation and the resulting effect on income from operations may differ from the unaudited pro forma amounts included herein.

The unaudited pro forma condensed combined financial information for the year ended December 31, 2010 and the nine months ended September 30, 2011 should be read in conjunction with the historical financial statements, including the notes thereto, of PolyOne (included in PolyOne's annual reports on Form 10-K and quarterly reports on Form 10-Q) and of ColorMatrix (see Exhibit 99.1 included with this Current Report on Form 8-K/A).

Note 2: Acquisition of ColorMatrix

On December 21, 2011, PolyOne, pursuant to the terms of an Agreement and Plan of Merger (Merger Agreement) with ColorMatrix and Audax ColorMatrix Holdings, LLC, acquired all of the equity of ColorMatrix. ColorMatrix is a developer and manufacturer of performance enhancing, additives for plastic products, liquid colorants, and fluoropolymer and silicone colorants and operates globally with research and development and production facilities in North America, South America, Europe and Asia. The Acquisition reflects PolyOne’s strategy to expand its specialty business and its international presence.

The following table summarizes the preliminary purchase price allocation based on estimated fair values as if the acquisition occurred on September 30, 2011 (in millions):

Accounts receivable, net	$ 32.0
Inventories	36.6
Other current assets	5.3
Property, net	30.0
Identified intangible assets	276.0
Deferred income tax assets	1.0
Other non-current assets	0.2
Total assets acquired	381.1
Accounts payable	10.4
Accrued expenses	13.1
Deferred tax liabilities	91.2
Liabilities assumed	114.7
Net assets acquired	$266.4
Purchase price	$486.1
Preliminary goodwill	$219.7

Note 3: Debt Financing

On December 21, 2011, the Company entered into a senior secured term loan facility having an aggregate principal amount of $300.0 million. The Company used the net proceeds from the term loan to partially fund the acquisition of ColorMatrix. The term loan was recorded at par value less an unamortized discount of $3.0 million, which will be amortized over the life of the debt.

The interest rate per annum under the term loan is, at PolyOne's option, either LIBOR (subject to a 1.25% floor) or a Prime rate, plus an applicable margin percentage. The applicable margin is variable based upon our leverage ratio being greater than 2.25x. The current LIBOR and Prime rate margin is 3.75% and 2.75%, respectively, per annum.

The obligations of PolyOne under the term loan are secured by a first lien on certain existing and future property and assets of PolyOne and certain of its U.S. subsidiaries, a 100% pledge of the voting capital stock of PolyOne's U.S. subsidiaries, a 65% pledge of the voting capital stock of PolyOne's direct foreign subsidiaries (subject to certain exceptions), and a second lien on U.S. accounts receivable and inventory. The term loan agreement contains customary covenants, including various financial covenants. The financial covenants include an interest coverage ratio, a maximum leverage ratio, and maximum capital expenditures.

The term loan includes annual principal payments of $3.0 million, and the remaining balance matures on December 20, 2017. In addition, subject to certain thresholds and exceptions, PolyOne will be required to prepay the loans outstanding under the term loan with (i) net cash proceeds from non-ordinary course sales of property and assets of PolyOne or any of its subsidiaries, (ii) net cash proceeds from the issuance or incurrence of additional debt of PolyOne or any of its subsidiaries, and (iii) a portion of the amount of its excess cash flow (as defined in the term loan agreement) in any fiscal year.

On December 21, 2011, PolyOne retired its accounts receivable facility that was set to mature in June 2012 and replaced it with a five-year senior secured revolving credit facility, which includes up to $300.0 million in revolving loans, subject to a borrowing base with advances against U.S. and Canadian accounts receivable and inventory. A portion of the revolving credit facility is available for letters of credit and swing line loans of up to $50.0 million. PolyOne has the option to increase the availability under the revolving credit facility to $350.0 million, subject to its meeting certain requirements and obtaining commitments for such increase.

The obligations of PolyOne and certain of its U.S. subsidiaries under the senior secured revolving credit facility are secured on a first priority basis by U.S. accounts receivable and inventory, and a second priority lien on the assets that secure the term loan facility. The obligations of PolyOne's Canadian subsidiaries, which may be borrowers under the revolving credit facility, are secured by Canadian accounts receivable and inventory as well as the assets that secure the obligations of PolyOne and its U.S. subsidiaries. The interest rates per annum applicable to loans under the revolving credit facility will be, at PolyOne's option, equal to either (i) a base rate or (ii) a LIBOR rate, for one-, two- or three-month interest periods, in each case plus an applicable margin percentage. The margin is variable based upon our quarterly excess availability. The current margin percentage is (i) 1.00% per annum in the case of base rate advances, and (ii) 2.00% per annum in the case of LIBOR rate advances.

The agreement governing the revolving credit facility contains customary covenants including maximum capital expenditures and a financial covenant to maintain a springing minimum fixed charge coverage ratio of 1.1x, tested when excess availability falls below 10% of the maximum credit. The revolving credit facility also requires the payment of an unused commitment fee of 0.5% per annum prior to April 1, 2012, and 0.5% subsequent to April 1, 2012 if the average daily balance is less than 50% of the maximum facility and 0.375% per annum if the average daily balance is equal to or greater than 50% of the maximum facility.

Note 4: Description of Pro Forma Adjustments

The unaudited pro forma condensed combined information includes the following pro forma adjustments to reflect (1) the effects of additional financing necessary to complete the ColorMatrix acquisition, (2) the allocation of the purchase price, including adjusting assets and liabilities to fair value, with related changes in costs and expenses, (3) the effects on the statements of operations for ColorMatrix's purchase of Gayson Silicone Dispersions, Inc. (Gayson), which occurred in April 21, 2011, as if it had occurred on January 1, 2010, and (4) PolyOne's change in accounting principle, whereby PolyOne has elected to immediately recognize actuarial gains and losses for pension and other post-retirement benefits for all of its defined benefit plans in its operating results in the year such gains and losses occur, as if the change occurred on January 1, 2010. Refer to PolyOne's Form 8-K filed on April 28, 2011 for further discussion on the Company's change in accounting principle.

Adjustments to the unaudited pro forma condensed combined balance sheet

(a) Reflects the elimination of ColorMatrix's historical cash and debt as the $486.1 purchase price is on a cash free and debt free basis.

(b) Reflects the estimated $189.1 net payment of cash for ColorMatrix:

Proceeds from the term loan, net of discounts of $3.0 million	$ 297.0
Purchase price for ColorMatrix	(486.1)
	$ 189.1

The term loan includes annual principal payments of $3.0 million, therefore $3.0 million is classified as current portion of long-term debt.

(c) Reflects debt issuance costs incurred in connection with the new term loan and revolving credit facilities.

(d) Reflects transaction costs, net of tax, in connection with the acquisition of ColorMatrix.

(e) Reflects the elimination of ColorMatrix's historical interest and other debt related payables.

(f) Pro forma adjustments to reflect the fair value of ColorMatrix and other purchase accounting adjustments as of September 30, 2011, are estimated as follows:

ColorMatrix net assets at book value on September 30, 2011	$ 48.7
Adjustment to eliminate ColorMatrix historical cash (a)	(8.5)
Adjustment to eliminate ColorMatrix historical debt (a)	194.1
Adjustment to eliminate ColorMatrix historical interest and other debt related payables (e)	1.1
Write-off of ColorMatrix historical goodwill and intangible assets	(182.5)
Adjustment to fair value identified intangible assets	276.0
Adjustment to other current assets	(1.5)
Adjustment to non-current deferred tax assets	1.0
Adjustment to fair value property	7.3
Adjustment to fair value inventories	7.4
Adjustment to current deferred tax liabilities	(1.9)
Adjustment to long-term deferred tax liabilities	(74.8)
Fair value of net assets acquired	266.4
Preliminary allocation to goodwill	219.7
Purchase price	$ 486.1

(g) Reflects the elimination of ColorMatrix's historical stockholders' equity.

Adjustments to the unaudited pro forma combined income statements

(h) Reflects adjustments to include the operating results of Gayson, which was acquired by ColorMatrix in April of 2011. Pro forma adjustments are to include Gayson operating results from January 1, 2011 through the acquisition date.

(i) Reflects adjustments to depreciation expense as a result of the fair value adjustments to property and their estimated remaining useful lives. Depreciation expense is recorded on a straight line basis over the estimated remaining useful lives.

(j) Reflects adjustments of amortization expense attributable to the fair value of the intangible assets acquired, net of the elimination of historical amortization expense for intangible assets recorded by ColorMatrix. The finite lived intangible assets are being amortized on a straight line basis over their remaining useful lives. Tradenames are indefinite lived intangible assets, therefore are not being amortized but will instead be tested at least annually for impairment.

(k) Reflects the elimination of foreign exchange losses related to ColorMatrix's debt, as if it was repaid on January 1, 2010.

(l) Reflects adjustments to eliminate interest expense and amortization of deferred financing costs related to ColorMatrix's debt, as if it was repaid on January 1, 2010.

(m) Reflects estimated interest expense on the term loan, which includes the LIBOR floor of 1.25% plus a 3.75% margin, amortization of the original issuer discount, and amortization of deferred financings costs for the term loan and revolving credit facility. The adjustment assumes the borrowing took place at the beginning of 2010. The Company has not presented a sensitivity analysis related to the impact of potential interest rate changes on interest expense under the secured term loan as the effect of a 0.125% increase or decrease in the assumed interest rate would not have a material impact on the pro forma results of operations. The LIBOR rate was below the 1.25% floor for the nine months ended September 31, 2011; therefore, a 0.125% change in the assumed interest rate would not impact interest expense.

(n) Reflects the recognition of the income tax expense on the pro forma adjustments identified above. The adjustments have been tax effected at the statutory rates. The Company is in process of evaluating its global tax structure necessary to support our current and future business requirements. Therefore, actual amounts may differ from the information presented in the pro forma adjustment.

(o) Reflects an adjustment to include the full year operating results of Gayson which was acquired by ColorMatrix in April of 2011. This adjustment assumes the acquisition took place at the beginning of the period. Gayson was acquired by ColorMatrix in April 2011.

(p) Reflects adjustments to depreciation expense as a result of the fair value adjustments to property and their estimated remaining useful lives. Depreciation expense is recorded on a straight line basis over the estimated remaining useful lives.

(q) Reflects adjustments of amortization expense attributable to the fair value of the intangible assets acquired, net of the elimination of historical amortization expense for intangible assets recorded by ColorMatrix. The finite lived intangible assets are being amortized on a straight line basis over their remaining useful lives. Tradenames are indefinite lived intangible assets, therefore are not being amortized but will instead be tested at least annually for impairment.

(r) Reflects the elimination of foreign exchange gains related to ColorMatrix's debt, as if it was repaid on January 1, 2010.

(s) Reflects the adjustments to eliminate interest expense and amortization of deferred financing costs related to ColorMatrix's debt as if they were repaid on January 1, 2010.

(t) Reflects estimated interest expense on the term loan, which includes the LIBOR floor of 1.25% plus a 3.75% margin, amortization of the original issuer discount, and amortization of deferred financings costs for the term loan and revolving credit facility. The adjustment assumes the borrowing took place at the beginning of the period. The Company has not presented a sensitivity analysis related to the impact of potential interest rate changes in interest expense under the secured term loan as the effect of a 0.125% increase or decrease in the assumed interest rate would not have a material impact on the pro forma results of operations. The LIBOR rate was below the 1.25% floor for the twelve months ended December 31, 2010; therefore, a 0.125% change on the assumed interest rate would not impact interest expense.

(u) Reflects the recognition of the income tax expense on the pro forma adjustments identified above. The adjustments have been tax effected at the statutory rates. The Company is in process of evaluating our global tax structure necessary to support its current and future business requirements. Therefore, actual amounts may differ from the information presented in the pro forma adjustment.

Note 5: Inventory

The unaudited pro forma condensed combined statements of income do not include an adjustment to reflect an increase in cost of sales for the adjustment of inventory to its estimated fair value as of the acquisition date as this adjustment is non-recurring.