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FORM 10-K

HOLOGIC INC - HOLX

Filed: November 24, 2010 (period: September 25, 2010)

Annual report with a comprehensive overview of the company

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
FORM 10-K**

(Mark One)

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended: September 25, 2010

or

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from _____ to _____

Commission File Number: 0-18281

Hologic, Inc.

(Exact Name of Registrant as Specified in Its Charter)

Delaware

(State or Other Jurisdiction of Incorporation or Organization)

04-2902449

(IRS Employer Identification No.)

35 Crosby Drive, Bedford, Massachusetts 01730

(Address of Principal Executive Offices) (Zip Code)

Registrant's Telephone Number, Including Area Code (781) 999-7300

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

<u>Title of Each Class</u>	<u>Name of Each Exchange on which Registered</u>
Common Stock, \$.01 par value	Nasdaq Global Select Market

Securities registered pursuant to Section 12(g) of the Act: Rights to Purchase Preferred Stock

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

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

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

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes No

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

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

Large accelerated filer	<input checked="" type="checkbox"/>	Accelerated filer	<input type="checkbox"/>
Non-accelerated filer	<input type="checkbox"/>	Smaller reporting company	<input type="checkbox"/>

(Do not check if a smaller reporting company)

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

The aggregate market value of the registrant's Common Stock held by non-affiliates of the registrant as of March 25, 2010 was \$4,709,015,506 based on the price of the last reported sale on the Nasdaq Global Select Market on that date.

As of November 17, 2010, there were 259,890,069 shares of the registrant's Common Stock, \$.01 par value, outstanding.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the registrant's Proxy Statement for the registrant's annual meeting of stockholders to be filed within 120 days of the end of its fiscal year ended September 25, 2010 are incorporated into Part III (Items 10, 11, 12, 13 and 14) of this Annual Report on Form 10-K where indicated.

SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS

Some of the statements contained in this report are forward-looking statements within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934. These statements involve known and unknown risks, uncertainties and other factors which may cause our or our industry's actual results, performance or achievements to be materially different from any future results, performance or achievements expressed or implied by the forward-looking statements. Forward-looking statements include, but are not limited to, statements regarding:

- the effect of the continuing worldwide macroeconomic uncertainty on our business and results of operation;
- the coverage and reimbursement decisions of third party payors relating to the use of our products and treatments;
- the uncertainty of the impact of federal healthcare reform legislation, including the excise tax on the sale of most medical devices, on our business and results of operation;
- the impact and anticipated benefits of recently completed acquisitions and acquisitions we may complete in the future;
- our goal of expanding our market positions;
- the development of new competitive technologies and products;
- regulatory approval and clearances for our products;
- production schedules for our products;
- the anticipated development of our markets and the success of our products in these markets;
- the anticipated performance and benefits of our products;
- business strategies;
- dependence on significant or sole source suppliers;
- the impact and costs and expenses of any litigation we may be subject to now or in the future;
- compliance with covenants contained in our long-term leases;
- anticipated trends relating to our financial condition or results of operations; and
- our capital resources and the adequacy thereof.

In some cases, you can identify forward-looking statements by terms such as “may,” “will,” “should,” “could,” “would,” “expects,” “plans,” “anticipates,” “believes,” “estimates,” “projects,” “predicts,” “potential” and similar expressions intended to identify forward-looking statements. These statements are only predictions and involve known and unknown risks, uncertainties, and other factors that may cause our actual results, levels of activity, performance, or achievements to be materially different from any future results, levels of activity, performance, or achievements expressed or implied by such forward-looking statements. Given these uncertainties, you should not place undue reliance on these forward-looking statements. Also, these forward-looking statements represent our estimates and assumptions only as of the date of this report. Except as otherwise required by law, we expressly disclaim any obligation or undertaking to release publicly any updates or revisions to any forward-looking statement contained in this report to reflect any change in our expectations or any change in events, conditions or circumstances on which any of our forward-looking statements are based. Factors that could cause or contribute to differences in our future financial results include those discussed in the Risk Factors set forth in Part I Item 1A below as well as those discussed elsewhere in this report. We qualify all of our forward-looking statements by these cautionary statements.

PART I

Item 1. Business

Overview

We are a developer, manufacturer and supplier of premium diagnostics, medical imaging systems and surgical products dedicated to the healthcare needs of women. Our core business segments are focused on breast health, diagnostics, GYN surgical and skeletal health.

Our breast health products include a broad portfolio of breast imaging and related products and accessories, including digital and film-based mammography systems, magnetic resonance imaging (“MRI”) breast coils, computer-aided detection (“CAD”) for mammography and MRI, minimally invasive breast biopsy devices, breast biopsy site markers, breast biopsy guidance systems, breast imaging comfort pads, and breast brachytherapy products. We have also developed a new breast imaging platform, Dimensions, which utilizes a new technology, tomosynthesis, to produce three dimensional (“3D”) images, as well as conventional two dimensional (“2D”) full field digital mammography (“FFDM”) images. In the U.S., our Dimensions product has been approved by the Food and Drug Administration (“FDA”) for providing conventional 2D images, and we have submitted a pre-market approval (“PMA”) application for the 3D configuration. Our Dimensions 3D system was reviewed by the Radiological Devices Panel of the FDA on September 24, 2010 as part of our PMA application. In connection with that review, the panel unanimously voted that the system was both safe and effective for both screening and diagnostic mammography. On November 22, 2010, we received an approvable letter from the FDA for our Dimensions 3D system. Final approval of our PMA application for our system remains subject to satisfactory review and inspection of our manufacturing facility, methods and controls. Even with the approvable letter, we cannot assure that the FDA will approve our system for either use on a timely basis, if at all. In addition, even if approved, the FDA could impose conditions to such approval that would significantly limit the use or commercialization of the system. Our Dimensions platform received CE mark approval in Europe during fiscal 2008 and Canadian registration in March 2009, both for 2D and 3D modes of imaging.

In August 2010, we acquired Sentinelle Medical Inc. (“Sentinelle Medical”), a company that develops, manufactures and markets MRI breast coils, patient positioners and visualization software. Sentinelle Medical, which is included within our breast health segment, is dedicated to developing advanced imaging technologies used in high-field strength MRI systems.

Our diagnostics products include the ThinPrep System (“ThinPrep”), which is primarily used in cytology applications such as cervical cancer screening, the Rapid Fetal Fibronectin Test, which assists physicians in assessing the risk of pre-term birth, and our molecular diagnostic reagents used for a wide variety of DNA and RNA analysis applications based on our proprietary Invader chemistry. Our current clinical diagnostic offerings based upon this Invader chemistry include products to assist in the diagnosis of human papillomavirus (“HPV”), cystic fibrosis, cardiovascular risk and other diseases. We received FDA approval of our Cervista HPV tests in March 2009, and CE mark approval in Europe for Cervista HPV high risk (“HR”) in January 2009 and in May 2009 for Cervista HPV 16/18.

Our GYN surgical products include the NovaSure Endometrial Ablation System (“NovaSure System”) and the Adiana Permanent Contraception System (“Adiana System”). The NovaSure System enables physicians to treat women suffering from excessive menstrual bleeding in a minimally invasive manner in order to eliminate or reduce their bleeding. The Adiana System is a form of permanent female contraception intended as an alternative to tubal ligation. We received FDA approval of the Adiana System in July 2009 and CE mark approval for the system in Europe in December 2008.

Our skeletal health products include dual-energy X-ray bone densitometry systems, an ultrasound-based osteoporosis assessment product, and our Fluoroscanner mini C-arm imaging products.

We were incorporated in Massachusetts in October 1985 and reincorporated in Delaware in March 1990. Unless the context otherwise requires, references to us, Hologic or our company refer to Hologic, Inc. and each of its consolidated subsidiaries.

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Trademark Notice

Hologic is a trademark of Hologic, Inc. Other trademarks, logos, and slogans registered or used by Hologic and its divisions and subsidiaries in the United States and other countries include, but are not limited to, the following:

Adiana, AEG, ATEC, BioLucent, Celero, Cervista, Cytyc, Dimensions, DirectRay, Eviva, Fluoroscan, Gestiva, Invader, LORAD, MammoPad, MammoSite, MultiCare, NovaSure, PreservCyt, QDR, R2, Rapid fFN, Sahara, SecurView, Selenia, Sentinelle Medical, StereoLoc, Suros, TechMate, ThinPrep, Third Wave, and TLI IQ.

Available Information

Our Internet website address is <http://www.hologic.com>. Through our website, we make available, free of charge, our annual report on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K and any amendments to those reports, as soon as reasonably practicable after we electronically file such material with, or furnish it to, the Securities and Exchange Commission ("SEC"). These SEC reports can be accessed through the investor relations section of our website. The information found on our website is not part of this or any other report we file with or furnish to the SEC.

You may read and copy any materials we file with the SEC at the SEC's Public Reference Room at 100 F Street, NE, Washington, DC 20549. You may obtain information on the operation of the Public Reference Room by calling the SEC at 1-800-SEC-0330. The SEC also maintains an Internet website that contains reports, proxy and information statements, and other information regarding the Company and other issuers that file electronically with the SEC. The SEC's Internet website address is <http://www.sec.gov>.

Products

We view our operations and manage our business in four principal reporting segments: Breast Health, Diagnostics, GYN Surgical and Skeletal Health. Financial information concerning these segments is provided in Note 13 to our consolidated financial statements contained in Item 15 of this Annual Report.

Breast Health Products

Our breast health products include a broad portfolio of breast imaging and related products and accessories, including digital and film-based mammography systems, MRI breast coils, CAD for mammography and MRI, minimally invasive breast biopsy devices, breast biopsy site markers, breast biopsy guidance systems, breast imaging comfort pads, and breast brachytherapy products. We have also developed a new breast imaging platform, Dimensions, which utilizes a new technology, tomosynthesis, to produce 3D images. In fiscal 2009, our breast health segment also included the sale of digital detectors to an original equipment manufacturer, and our organic photoconductor coating business in Shanghai, China acquired in connection with the acquisition of our selenium coating capabilities for our mammography digital detectors. In fiscal 2010, we did not generate revenues from these two sources, which contributed approximately \$17.5 million of revenue in fiscal 2009.

Selenia Full Field Digital Mammography System

The Selenia full field digital mammography system is based on our proprietary DirectRay digital detector, which preserves image quality by using a compound known as amorphous selenium to directly convert x-rays to electronic signals. Many other digital technologies employ an indirect two-step process by first converting x-ray energy into light and then converting the light energy into electrical signals. We believe that digital x-ray imaging technologies that require light conversion may compromise image resolution, lessening detection capability. Our DirectRay flat panel detector technology employs an amorphous selenium photoconductor to directly convert x-ray photons into an electrical signal. No intensifying screens or additional processes are required to capture and convert the x-ray energy, enabling high imaging resolution and contrast sensitivity.

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The Selenia product family has a number of other features designed to improve image quality and patient throughput. The open architecture of the system's design provides for full integration with existing enterprise Picture Archiving and Communications Systems ("PACS") and Radiology Information Systems ("RIS"). The Selenia product family includes the Selenia base configuration, the Selenia S configuration (a screening-only configuration), the Selenia Value (a lower cost alternative to the Selenia base configuration) and the Selenia Encore (refurbished units), each of which offer customers varying performance capabilities and product costs.

Breast Tomosynthesis

Our Dimensions platform includes a mammography gantry capable of performing both 2D and 3D image acquisition and display. When operating in 3D mode, the system acquires a series of low dose x-ray images taken in a scanning motion at various angles. The images are mathematically processed into a series of small slices, revealing breast tissue from a 3D perspective. We believe that by allowing the clinician to review breast tissue in three dimensional space, the more subtle architecture of various types of suspicious lesions may be able to be better interpreted, which may ultimately increase cancer detection and reduce unnecessary patient callbacks. In the United States, our Dimensions product has been approved by the FDA for providing conventional 2D images, and we have submitted a PMA application for the 3D configuration. Our Dimensions 3D system was reviewed by the Radiological Devices Panel of the FDA on September 24, 2010 as part of our PMA application. In connection with that review, the panel unanimously voted that the system was both safe and effective for both screening and diagnostic mammography. On November 22, 2010, we received an approvable letter from the FDA for our Dimensions 3D system. Final approval of our PMA application for our system remains subject to satisfactory review and inspection of our manufacturing facility, methods and controls. Even with the approvable letter, we cannot assure that the FDA will approve our system for either use on a timely basis, if at all. In addition, even if approved, the FDA could impose conditions to such approval that would significantly limit the use or commercialization of the system. Our Dimensions 2D and 3D configurations received CE mark approval in Europe in fiscal 2008 and Canadian registration in March 2009.

Screen-Film Mammography Systems

Our screen-film mammography systems include our LORAD M-IV and M-IV Platinum systems. These systems are less expensive than our digital systems and further offer customers varying performance capabilities and product costs.

SecurView Workstation

The images captured by digital mammography systems are typically transmitted electronically for review by a radiologist at a work station. Early product development activities focused on improving digital workflow in the breast-imaging suite due to limited PACS mammography functionality. To this end, we developed the SecurViewDX breast imaging softcopy workstation, approved for interpretation of digital mammograms from most vendors as well as images from other diagnostic breast modalities. To complement this product, we also developed the SecurViewRT workstation, a technologist workstation enabling bi-directional exchange of electronic communications between the reviewer and the technologist.

CAD Systems

We have developed CAD software tools for our mammography and MRI products. Mammography CAD is used by radiologists as "a second pair of eyes" when reading a woman's mammogram. Use of this technology provides reviewers with the potential to detect findings that might otherwise be overlooked during the review process, thus increasing cancer detection. We have integrated our mammography applications CAD software tools into our line of multi-modality breast imaging workstations. We also market an MRI CAD product, which manages the data set from an MRI procedure, designed to improve data workflow for the physician and provide analytical tools to aid in the identification and evaluation of the extent of disease.

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Stereotactic Breast Biopsy Systems

We provide clinicians with the flexibility of choosing upright or prone systems for breast biopsy by offering two minimally invasive stereotactic breast biopsy guidance systems, the MultiCare Platinum dedicated, prone breast biopsy table and the StereoLoc II upright attachment. The StereoLoc II attachment is used in conjunction with our M-IV series of screen-film mammography systems and our Selenia full field digital mammography systems. These breast biopsy systems provide an alternative to open surgical biopsy, and can be performed as an outpatient procedure under local anesthesia, allowing shorter recovery times.

Breast Biopsy Products

We offer a broad range of minimally invasive products for breast biopsy and site marking. Our breast biopsy technologies, which include a patented fluid management system, enables the removal of tissue under stereotactic x-ray, ultrasound, MRI and molecular breast imaging guidance. Our Automated Tissue Excision and Collection (ATEC) product line includes percutaneous, automatic vacuum-assisted breast biopsy collection systems, a disposable device used to collect samples, and biopsy site markers. The ATEC line of products is designed to accommodate a broad range of clinical and patient presentations. Our Celero product is a vacuum-assisted, spring-loaded, large-core biopsy device designed for use under ultrasound guidance to access hard-to-reach lesions in the axilla, near the chest wall, near implants or behind the nipple. Our Eviva stereotactic vacuum-assisted breast biopsy device is our premium device offering several enhanced features, including improved compatibility with the MultiCare Platinum prone breast biopsy table, an integrated firing mechanism, and an integrated, end deploy site marking system.

Breast Brachytherapy Products

The MammoSite Radiation Therapy System is a breast brachytherapy technology that offers accelerated partial breast irradiation (“APBI”) therapy to treat breast cancer. A MammoSite balloon, which is inserted into the surgical cavity remaining after a lumpectomy, delivers a 5-day course of concentrated radiation to the tissue most likely to contain residual cancerous cells following surgery, while reducing radiation exposure to adjacent healthy tissue. We introduced our multi-lumen device, the MammoSite ML radiation therapy system, in the fourth quarter of 2009. The MammoSite ML system allows radiation oncologists to shape the radiation dose for typical cases and treat patients who are otherwise not appropriate candidates for traditional brachytherapy. The MammoSite ML device has a central lumen, similar to the original MammoSite device, and three offset lumens parallel to the central lumen. In addition to allowing greater flexibility in radiation treatment planning, the use of a multiple-lumen device typically results in a higher reimbursement rate.

MammoPad Breast Cushion

Our mammography related products include a proprietary MammoPad breast cushion. The MammoPad cushion is designed to reduce the discomfort women often experience during mammography. The cushion’s grip-like surface also holds breast tissue in place to improve breast positioning. The radiolucent cushion does not interfere with image quality and can be used with both digital and analog mammography.

Photoconductor Coatings

Our AEG Elektrofotografie GmbH (“AEG”) subsidiary is our sole supplier of the amorphous selenium photoconductor coatings employed in our Selenia and Dimensions full-field digital mammography detectors. AEG also develops, manufactures, and sells non-medical selenium and organic photoconductor materials for use in a variety of other electro photographic applications, including copying and printing. During the fourth quarter of fiscal 2009, we closed our organic photoconductor drum coatings manufacturing operations in Shanghai, China, and completed the sale of the capital stock of this operation in the second quarter of fiscal 2010.

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Sentinel Medical MRI Breast Coils and Workstation

Through our acquisition of Sentinel Medical, we now develop, manufacture and sell a suite of high performance breast MRI coils. MRI coils are antenna receivers that are used to collect radio-frequency information emitted from a patient during an MR imaging procedure. These signals are fed into the MRI magnet system which produces a 3D image from the information. The coils are tuned to specific frequencies and positioned in calculated geometries to provide high quality signal to noise performance of the MRI system. The coils are integrated into various MRI scanning systems, and employ a unique variable coil geometry to obtain improved image quality by positioning the coils in close proximity to the tissue. The coil is not fixed and allows the healthcare provider to adjust positioning to each patient's unique anatomy. This close positioning results in higher signal to noise ratio and improved image resolution. The improved resolution also enhances guidance for biopsy targeting. We are also developing coils for other indications, including prostate cancer. In addition, Sentinel Medical sells an MRI CAD workstation designed to simplify workflow and improve diagnostic capabilities.

Diagnostic Products

Our diagnostic product offerings include the ThinPrep System used primarily for cytology applications, such as cervical cancer screening, and the Rapid Fetal Fibronectin Test for pre-term birth risk assessment. Our molecular diagnostic reagents are used for a wide variety of DNA and RNA analysis applications based on our proprietary Invader chemistry, including our two HPV tests approved by the FDA in 2009.

ThinPrep System

The ThinPrep System is the most widely used method for cervical cancer screening in the United States. If detected in the pre-cancerous stage, most cervical cancer cases are preventable. The ThinPrep System consists of any one or more of the following: the ThinPrep 2000 Processor, ThinPrep 3000 Processor, ThinPrep Imaging System, and related reagents, filters and other supplies, such as the ThinPrep Pap Test and our proprietary ThinPrep PreservCyt Solution.

The ThinPrep Process. The ThinPrep process begins with the patient's cervical sample being obtained by the physician using a cervical sampling device that, rather than being smeared on a microscope slide as in a conventional Pap smear, is inserted into a vial filled with our proprietary PreservCyt Solution. This enables most of the patient's cell samples to be preserved before the cells can be damaged by air drying. The ThinPrep specimen vial is then labeled and sent to a laboratory equipped with a ThinPrep Processor for slide preparation. At the laboratory, the ThinPrep specimen vial is inserted into a ThinPrep Processor, a proprietary sample preparation device which automates the process of preparing cervical slides for staining and microscopic examination.

In the case of manual screening, the cytotechnologist screens each Pap test slide with a microscope to first determine the adequacy of the slide and then to examine the entire slide to differentiate diseased or abnormal cells from normal cells. With the ThinPrep Imaging System, the screening process has been automated to combine the power of computer imaging technology and human interpretive skills. Prior to human review, the ThinPrep Imaging System rapidly scans and locates areas of interest for review. By directing the cytotechnologist to areas of interest on a slide, the system may increase a cytology laboratory's screening productivity and diagnostic accuracy. In Europe, where laboratories tend to be smaller, processing fewer tests, we also offer lower throughput imaging device, which we introduced in September 2009 to assist in the detection of cervical cancer.

Additional Applications. In addition to serving as a replacement for the conventional Pap smear, the ThinPrep System can also be used for non-gynecological cytology screening applications. Non-gynecological cytology applications include fine-needle aspiration specimens (e.g., breast, thyroid, lung or liver), lavage specimens (e.g., breast, gastrointestinal), body fluids (e.g., urine, pleural fluid, ascitic fluid, pericardial fluid), respiratory specimens (e.g., sputum, brushing of respiratory tracts) and ancillary testing (e.g., cell blocks, immunocytochemistry, special stains).

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Rapid Fetal Fibronectin Test

The Rapid Fetal Fibronectin Test is a patented single-use disposable test used to determine a woman's risk of preterm birth by detecting the presence of a specific protein, fetal fibronectin, in vaginal secretions during pregnancy. This test is approved by the FDA for use in assessing the risk of preterm birth. The test utilizes a single-use, disposable cassette and is analyzed on our patented instrument, the TLiIQ System.

HPV Offering and InVitro Diagnostics

Invader Chemistry. Our Invader chemistry platform is a DNA probe-based system for highly sensitive detection of specific nucleic acid sequences. It is an accurate and specific method for detecting single-base pair changes, insertions, deletions, gene copy number, infectious agents, and gene expression. Invader reactions can be performed using genomic DNA, amplified RNA, polymerase chain reaction (PCR) or real-time PCR products.

HPV Tests. HPV is the most common sexually transmitted disease in the U.S. and is recognized as the cause of most cervical cancer. We offer two HPV tests: the Cervista HPV HR and the Cervista HPV 16/18. These tests employ our proprietary Invader technology and are performed out of the ThinPrep PreservCyt collection vial. The Cervista HPV HR test is an in vitro diagnostic test for the qualitative detection of DNA from the fourteen high-risk HPV types responsible for most cervical disease. The Cervista HPV 16/18 test is an in vitro diagnostic test for the qualitative detection of DNA from HPV types 16 and 18, the types that cause approximately 70% of cervical cancer. We received FDA approval for these two tests in March 2009 and CE mark approval in Europe for Cervista HPV HR in January 2009 and in May 2009 for Cervista HPV 16/18.

Cervista HPV HR has been approved for triaging women with undetermined cervical cytology and co-testing with cervical cytology for women 30 years and older. Our Cervista HPV 16/18 has been approved to be used adjunctively with Cervista HPV HR in combination with cervical cytology to assess the presence of high risk HPV types, as well as to triage women with undetermined cervical cytology results along with our HPV HR test.

We are currently developing a high throughput instrumentation solution for Cervista testing. The instrument in development automates the DNA extraction step in the testing process.

Other Invader Products. Other current clinical diagnostic offerings based upon our Invader chemistry include the following:

- A molecular assay is cleared for use to identify patients who may be at increased risk of adverse reaction to the chemotherapy drug Camptosar (irinotecan) by detecting and identifying specific mutations in the UGT1A1 gene that have been associated with that risk.
- Products to assist in the diagnosis of cystic fibrosis, cardiovascular risk and other diseases.
- Agricultural products.

We also have an active out-licensing and partner program in areas outside of our core business that allows us to further realize the value of the Invader Chemistry.

GYN Surgical Products

Our surgical product offerings include the NovaSure System and the Adiana System.

NovaSure System

The NovaSure System is a minimally-invasive procedure that allows physicians to treat women suffering from excessive menstrual bleeding. The system consists of a disposable device and a controller that delivers

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radio frequency, or RF, energy to ablate the endometrial lining of the uterus in order to eliminate or reduce the patient's bleeding. The NovaSure disposable device is a hand-held, single-use device that incorporates a flexible gold-plated mesh electrode used to deliver the RF energy during the NovaSure procedure. The NovaSure RF Controller generates and delivers the RF energy customized for each patient, monitors several critical treatment and safety parameters, and automatically controls other aspects of the procedure.

The NovaSure System is a "second generation" endometrial ablation therapy approved by the FDA to be performed without drug or surgical pre-treatment. Pre-treatment can be time-consuming, expensive and inconvenient for both patients and physicians and can result in uncomfortable or painful side effects and complications. In contrast, the NovaSure procedure is typically performed as an outpatient procedure in the hospital, ambulatory surgery center or physician's office and often does not require the use of general anesthesia.

Adiana System

The Adiana System is a minimally invasive procedure for permanent female contraception that requires no incisions and can be performed in the doctor's office using local anesthesia. Patients are often able to return to work or resume their daily activities within one day. In contrast, tubal ligation, a traditional method of female permanent contraception, requires more invasive surgical procedures, is usually conducted in a hospital under general anesthesia and typically requires several days of recovery.

During the Adiana procedure, a slender, flexible instrument is passed through the body's natural openings to deliver a low level of RF energy to a small section of each fallopian tube. A tiny, soft insert, about the size of a grain of rice, is then placed in each fallopian tube in the location where the energy was applied. During the three months following the procedure, the patient continues to use temporary birth control while new tissue grows in and around the Adiana inserts, eventually blocking the fallopian tubes. At three months, a special x-ray test (called a hysterosalpingogram or "HSG") is performed to confirm the fallopian tubes are completely blocked and the patient may begin relying on the Adiana System for permanent contraception. Because the Adiana insert is fully contained within the fallopian tube and does not use metal, the procedure leaves nothing in the uterus that could interfere with future intra-uterine procedures such as endometrial ablation.

Skeletal Health Products

Our skeletal health products include a family of QDR dual energy x-ray bone densitometers and the Sahara Clinical Bone Sonometer and our mini C-arm imaging products.

QDR X-Ray Bone Densitometers

Bone densitometry is the measurement of bone density to assist in the diagnosis and monitoring of osteoporosis and other metabolic bone diseases that can lead to debilitating bone fractures. Osteoporosis is a disease that is most prevalent in post-menopausal women. Our proprietary QDR x-ray bone densitometers incorporate dual-energy x-ray technology to precisely assess bone density of the most important fracture sites, the spine and hip. Since our commercial introduction of the first bone densitometer employing dual-energy x-ray technology in 1987, we have continually improved upon our technology, and the use of dual-energy x-ray technology has become and remains a leading bone densitometry assessment tool. We offer a range of bone densitometers with various features and options to address the requirements of our diverse customer base.

Sahara Clinical Bone Sonometers

We have developed and sell a relatively low-cost, lightweight, portable ultrasound bone analyzer, which assesses the bone density of the heel that can assist in initial screening for osteoporosis.

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Mini C-arm Imaging

We manufacture and distribute Fluoroscan mini C-arm imaging systems. Mini C-arms provide low intensity, real-time x-ray imaging, with high-resolution images at radiation levels and at a cost below those of conventional x-ray and fluoroscopic equipment. Mini C-arm systems are used primarily by orthopedic surgeons to perform minimally invasive surgical procedures on a patient's extremities, such as the hand, wrist, knee, foot and ankle.

Recent Acquisitions

Our strategy to provide a broad range of best-in-class products for screening, diagnosis and treatment to help women lead longer, healthier lives requires a wide variety of technologies, products and capabilities. To achieve this goal, in addition to internally developed growth through research and development efforts, we have obtained products and the necessary specialized expertise in different areas through acquisitions. We expect to continue to make future investments or acquisitions to further strengthen our existing businesses, including our presence in selected geographic markets. Mergers and acquisitions of medical technology companies and companies in diverse geographical locations are inherently risky and we cannot assure that any of our previous or future acquisitions will be successful or will not materially adversely impact our results of operations, financial condition or cash flows.

In August 2010, we acquired Sentinelle Medical, a Canadian-based company that develops, manufactures and markets MRI breast coils, patient positioners and visualization software. Sentinelle Medical is dedicated to developing advanced imaging and related technologies used in high-field strength MRI systems, including to help in the earlier detection and treatment of breast cancer. Consideration under the terms of the agreement included an up-front payment of \$84.8 million, which was net of certain adjustments, and potential additional payments of up to \$250 million for the achievement of certain performance milestones based upon incremental increases in revenue over a period of two years following the acquisition.

In July 2008, we acquired Third Wave Technologies, Inc. ("Third Wave"), a company that develops and markets molecular diagnostic reagents for a wide variety of DNA and RNA analysis applications based on its proprietary Invader chemistry. Total consideration for the transaction was \$591.1 million, including the payment of direct acquisition costs and the fair value of vested stock options exchanged.

In October 2007, we merged with Cytoc Corporation ("Cytoc"), a company that develops, manufactures and markets innovative and clinically effective diagnostics and surgical products that cover a range of cancer and women's health applications, including cervical cancer screening, prenatal diagnostics, treatment of excessive menstrual bleeding and radiation treatment of early-stage breast cancer. Total consideration for the transaction was approximately \$6.2 billion, including the assumption and settlement of existing Cytoc debt, fair value of vested stock options exchanged and payment of direct acquisition costs.

Additional information pertaining to our acquisitions in fiscal 2010 and 2008 is contained in Note 3 to our consolidated financial statements contained in Item 15 of this Annual Report.

Marketing, Sales and Service

We sell and service our products through a combination of direct sales and service forces and a network of independent distributors and sales representatives. In fiscal 2010, 2009 and 2008, no customer accounted for more than 10% of our consolidated revenues. In fiscal 2010, 2009 and 2008, foreign sales accounted for approximately 21%, 20% and 20% of our product sales, respectively. See Note 13 to our consolidated financial statements contained in Item 15 of this Annual Report for geographical information concerning those sales.

As of October 23, 2010, our direct sales and service force consisted of approximately 1,571 people.

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U.S Marketing and Sales

Our U.S. Breast Health and Skeletal Health sales force is comprised of full line modality account managers selling mammography and bone densitometry products, assisted by women's health product specialists. Our biopsy and MRI sales specialists, who often work together with account managers, sell breast biopsy devices and breast biopsy site markers to radiologists and breast surgeons, as well as custom MRI coils and patient positioning systems to radiologists. Our territory sales specialists sell both our MammoSite and breast biopsy and site marker products and target breast surgeons and radiation oncologists. In addition to our MRI sales specialists, our Sentinelle Medical MRI business also supports the original equipment manufacturers ("OEM") channel with product specialists and sales support. Our U.S. sales efforts also include the use of national account managers focused on obtaining purchasing contracts from large purchasing entities, such as managed care organizations, integrated delivery networks ("IDNs") and government healthcare facilities. In addition, in certain regions of the U.S., we use a limited number of independent dealers or distributors to sell and service our product. These relationships enable us to sell into accounts where we might not otherwise have access.

Our U.S. Diagnostics and GYN Surgical sales forces focus on clinical laboratories, healthcare providers, and third-party payors. A critical element of our strategy in the United States has been to utilize the results of our clinical trials and expanded FDA labeling to demonstrate safety, efficacy and productivity improvements to our target customers. Our Diagnostics' sales force focuses on selling to clinical laboratories and OB/GYN offices, while our GYN Surgical sales force targets GYN surgeons in both hospital and office settings.

International Marketing and Sales

We sell our breast health and skeletal health products in international markets through a network of independent distributors and sales representatives, as well as a direct sales and service force in Belgium, Germany and Australia. We offer our products in Europe, Latin America, including Argentina, Brazil, Chile and Mexico, and Pacific Rim countries, including China, Japan, Australia, South Korea, Thailand and Taiwan, through local sales representatives and distributors or entering into strategic marketing alliances in those territories.

Our Diagnostics and GYN Surgical products are marketed outside of the United States by maintaining a presence in Canada, Europe, Australia and Hong Kong. We established these operations to manage sales, service, training and distribution in the Canadian, European and Asia/Pacific markets. We also utilize a network of third-party distributors in various other countries throughout the world, including Japan and China. We believe that in order to effectively market our current products and any other new products and applications on a worldwide basis, we will need to continue to increase our international marketing, sales, and service capabilities.

Service

Our service organization is responsible for installing our products and providing warranty and repair services, applications training and biomedical training. Products sold by our direct sales force typically carry limited warranties covering parts and labor for twelve months. Products sold through dealers also carry limited warranties that typically last for twelve months and cover only parts or components. We also offer service contracts to our customers that generally last one to five years after the original warranty period. We provide both repair services and routine maintenance services under these arrangements, and also offer repair and maintenance services on a time and materials basis to customers that do not have service contracts. Internationally, we primarily use distributors, sales representatives and third parties to provide maintenance service for our products.

As of October 23, 2010, we employed approximately 655 people as field service engineers, internal technical support personnel and related administrative personnel.

Competition

The healthcare industry, in general, and the markets in which our products compete are highly competitive and characterized by continual change and improvement in technology. A number of companies have developed, or are expected to develop products that compete or will compete with our products. Many of these competitors offer a range of products in areas other than those in which we compete, which may make these competitors more attractive to hospitals, radiology clients, group purchasing organizations, laboratories, physicians and other potential customers. In addition, many of our competitors and potential competitors are larger and have greater financial resources than we do and offer a range of competitive products broader than our product portfolio. Some of the companies with whom we compete have or may have more extensive research, sales, marketing and manufacturing capabilities and significantly greater technical resources than we do, and may be better positioned to continue to improve their technology in order to compete in an evolving industry. Competitors may develop superior products or products of similar quality for sale at the same or lower prices. Moreover, our products could be rendered obsolete by new industry standards or changing technology. We cannot assure that we will be able to compete successfully with existing or new competitors.

Our mammography and related products and subsystems compete on a worldwide basis with products offered by a number of competitors, including GE, Siemens, Philips, PlanMed, Agfa, Carestream Health, Fuji, IMS Giotto, Sectra and Toshiba. Our full field digital mammography systems compete with products such as GE's and Siemens' full field digital mammography systems, as well as Fuji's Computed Radiography ("CR") mammography system, a lower-priced alternative to digital mammography. Agfa, Carestream Health, Cedara and Sectra have introduced mammography workstations and are marketing these in competition with our line of radiologist review stations. Other companies are marketing digital mammography systems or technologies in Europe and other international markets, and have or are expected to apply for FDA clearance in the U.S. Recently, the FDA issued a notice that they have down-classified 2D digital mammography systems from Class III to Class II. As a result, it is expected that effective early December 2010, these systems will require a 510(k) submission rather than a PMA, which will make it easier for other mammography vendors to gain approval in the United States. We anticipate that competition in the digital mammography market will intensify as more companies and products enter this market.

While we offer a broad product line of breast imaging and related products, we compete most effectively in the high-end segment of the mammography market. We believe that our continued success will depend upon the continued success of our Selenia and Dimensions full field digital mammography system, as well as our ability to maintain our technology leadership through product enhancements and the development of new products and technologies, such as our Dimensions 3D tomosynthesis product, which is currently sold in Europe and Canada. Our PMA application to market the 3D configuration of this product in the United States is currently under review by the FDA, and on November 22, 2010, we received an approvable letter from the FDA for our Dimensions 3D system. Final approval of our PMA application for our system remains subject to satisfactory review and inspection of our manufacturing facility, methods and controls.

Our Sentinelle Medical MRI breast coils compete primarily with those sold by Invivo, acquired by Philips in 2006, to end users and OEMs, as well as other smaller third party coil designers and the OEMs themselves. We believe that these products compete on the basis of a number of factors including image quality, ease-of-use, product reliability and price.

The primary competitors for our breast biopsy product line are Devicor Medical Products, which acquired the Mammotone product line from Ethicon, a Johnson & Johnson company, and C.R. Bard, which recently acquired SenorRx. In addition, other competitors include CareFusion, Sanarus and Intact Medical. We believe that competition for our breast biopsy product line is based largely on tissue sampling quality, speed of procedure, ease of use, product reliability and price.

Our MammoSite systems face competition from companies also selling accelerated partial breast irradiation products, including C.R. Bard and Cianna Medical, as well as from other technologies, such as treatments using external beam whole breast radiation, which has longer-term data on patient outcomes. Alternative radiation

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therapy methods, such as intraoperative radiation therapy, are being used by some institutions; however, such alternative methods have not yet achieved widespread commercial use. The breast brachytherapy market has and will continue to experience certain challenges including downward pressure on procedure volumes due to the continuing adverse economic environment and current trends in breast cancer management, as well as competitive pricing pressures and competition from existing and alternative new technologies.

Our ThinPrep liquid-based slide preparation faces direct competition in the United States primarily from Becton, Dickinson and Company, which manufactures liquid-based slide preparation systems and slide imaging systems. We also compete with the conventional Pap smear and other alternative methods for detecting cervical cancer and/or its precursors. Internationally, our ThinPrep product competes with a variety of companies and other “off-market” (non-FDA-approved) tests, since fewer regulatory barriers exist in most international markets as compared to the United States. Our products compete on the basis of a number of factors, including clinical performance, product quality, marketing and sales capabilities, manufacturing efficiency, price and customer service and support.

With our Rapid Fetal Fibronectin Test, we are currently the only provider of a molecular test for predicting the risk of preterm birth. However, this product could experience competition from companies that manufacture and market pregnancy-related diagnostic products and services. In addition, healthcare providers use diagnostic techniques such as clinical examination and ultrasound to diagnose the likelihood of preterm birth. Healthcare providers may choose to continue using these techniques to assess their patients, rather than use the Rapid Fetal Fibronectin Test. They may also choose to use these techniques in conjunction with our Rapid Test to predict preterm birth.

In the molecular diagnostics market, our products compete with many companies in the U.S. and abroad engaged in the development, commercialization and distribution of similar products intended for clinical molecular diagnostic applications. These companies may have or develop products competitive with the products offered by us. Clinical laboratories also may offer testing services that are competitive with our products and may use reagents purchased from us or others to develop their own diagnostic tests. Such laboratory-developed tests may not be subject to the same requirements for clinical trials and FDA submission requirements that may apply to our products.

In the clinical market, we compete with several companies offering alternative technologies to the Invader chemistry including Abbott Laboratories, Siemens, Becton, Dickinson and Company, Qiagen, Roche Diagnostics Corporation, Gen-Probe, Applera Corporation, Applied Biosystems, Celera, Innogenetics, Inc., and Luminex Corporation. Our Cervista HPV HR test, which was approved by the FDA in March 2009, compete with a test marketed by Qiagen, which received FDA approval in 1999. In addition, we understand that Roche Diagnostics has submitted a PMA application for a high risk HPV test. We believe the primary competitive factors of our products are their performance, reliability, cost and ease of use. However, we believe the successful completion of our initiative of automating our laboratory products, including our Cervista HPV tests, will be essential to securing the higher volume laboratories as customers.

Our NovaSure System currently faces direct competition from Johnson & Johnson, Boston Scientific and CooperSurgical, each of which currently markets an FDA-approved “second generation” endometrial ablation device for the treatment of excessive menstrual bleeding. In addition to these devices, there exist alternative treatments to our NovaSure System, such as drug therapy, IUDs, hysterectomy, dilation and curettage and rollerball ablation. Internationally our products compete with drug therapy, as well as other endometrial ablation devices, including Johnson & Johnson’s Thermachoice, Boston Scientific’s HTA, and two other relatively small companies that market products that are not FDA approved. Because drug therapy is an alternative to our NovaSure procedure, NovaSure’s competitors also include many major pharmaceutical companies that manufacture hormonal drugs for women. We believe that the success of our NovaSure product has been primarily based upon its efficacy, ease of use, including limited patient pre-treatment requirements, and patient recovery.

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Our Adiana System, fully introduced commercially during our recently completed fiscal year, is the only non-incisional, non-hormonal permanent contraception method available that does not leave metal in the uterus potentially limiting future options for gynecological tests or procedures. Our Adiana product competes directly with Conceptus, Inc.'s Essure product, which is the only other option for hysteroscopic sterilization on the market. As a result of its earlier introduction, the Essure product has an established market position. However, we believe the Adiana System has significant advantages in safety and ease of use, including the fact that the Essure product leaves metal in the patient that could interfere with future intra-uterine procedures such as endometrial ablation. In addition, the Adiana System competes with traditional permanent contraception methods, such as tubal ligation and vasectomy, as well as with other products used for temporary birth control methods, such as diaphragms, condoms, spermicides, birth control pills and IUDs.

GE is the primary competitor in the bone densitometry market, and we have faced competition from Orthoscan in the mini-C arm market. We believe that competition for our products in the skeletal health markets in which we participate is based upon product versatility and features, price, precision, speed of measurement, reputation, product reliability, and quality of service.

Manufacturing

We have historically purchased many of the components and raw materials used in our products from numerous suppliers worldwide. For reasons of quality assurance, sole source availability or cost effectiveness, certain components and raw materials used in the manufacture of our products are available only from one supplier. We have worked closely with our suppliers to develop contingency plans to assure continuity of supply while maintaining high quality and reliability, and in some cases, we have established long-term supply contracts with our suppliers. In certain instances, we have developed in-house capability to offset potential shortages caused by sole source suppliers. Due to the high standards and FDA requirements applicable to the manufacturing of our products, we may not be able to quickly establish additional or replacement sources for certain components or materials. In the event that we are unable to obtain sufficient quantities of raw materials or components on commercially reasonable terms or in a timely manner, our ability to manufacture our products on a timely and cost-competitive basis may be compromised, which may have a material adverse effect on our business, financial condition and results of operations.

We manufacture our direct radiography detectors at our manufacturing facilities in Newark, Delaware and Warstein, Germany. We manufacture substantially all of our mammography and certain of our breast biopsy systems at our manufacturing facilities in Danbury, Connecticut. We manufacture our CAD line of products, the SecurView Work Stations, our osteoporosis assessment and our mini C-arm imaging systems at our headquarters in Bedford, Massachusetts. We continue to develop our software for our CAD products at our Santa Clara, California facility. The MammoPad breast cushion is manufactured by third parties and drop-shipped from our suppliers directly to our customers. Our breast biopsy disposable products are manufactured in Indianapolis, Indiana. Our ATEC control consoles for breast biopsy are manufactured by a third party, with quality control performed by our employees. Our Sentinelle Medical MRI breast coils are manufactured at our Toronto, Canada location.

Our ThinPrep Processors and ThinPrep Imaging Systems are assembled at our facility in Marlborough, Massachusetts. Our ThinPrep PreservCyt vials are filled at our facility in Londonderry, New Hampshire. Our ThinPrep System filters are manufactured at both our Marlborough and Londonderry facilities. The manufacture of our NovaSure disposable devices occurs at our facility in Alajuela, Costa Rica. The production of the RF Controller component of our NovaSure System takes place at our Marlborough facility. We contract with several third-parties to manufacture certain components of our MammoSite System, and we complete the manufacturing process at our Costa Rica and/or Marlborough locations, depending on the configuration. We manufacture our Adiana System at our manufacturing facility in Costa Rica, although the Adiana RF Controller, SureSound and the Tower-Free Hysteroscopy System ("THS") are supplied through third-parties.

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We manufacture our molecular diagnostics products at our facility in Madison, Wisconsin and source certain components from various contract manufacturers.

As noted above, we manufacture our products at a number of different facilities located throughout the world. An interruption in manufacturing capabilities at any of these facilities, as a result of equipment failure or other reasons, could reduce, delay or prevent the production of our products. Our manufacturing facilities are subject to the risk of catastrophic loss due to unanticipated events, such as fires, earthquakes, explosions, floods or weather conditions. Our manufacturing facilities may experience plant shutdowns, strikes or other labor disruptions, or periods of reduced production as a result of equipment failures, loss of power, gray outs, delays in deliveries or extensive damage to any of our facilities, which could harm our business and prospects. Because some of our manufacturing operations are located in Germany and Costa Rica, those manufacturing operations are also subject to additional challenges and risks associated with international operations described below.

Backlog

Our backlog as of November 7, 2010 totaled \$274.4 million. Backlog consists of customer orders for which a delivery schedule within the next twelve months has been specified. Orders included in backlog may be canceled or rescheduled by customers without significant penalty. Backlog as of any particular date should not be relied upon as indicative of our net revenues for any future period.

Research and Development

The markets in which we participate are characterized by rapid technological change, frequent product introductions and evolving customer requirements. Investment in research and development is critical to driving our future growth. Our research and development efforts are focused on the further development and improvement of our existing products, the design and development of innovative medical diagnostic and interventional devices, therapeutic applications, and regulatory compliance. During fiscal 2010, our development projects included the ongoing development, clinical trials and other support for the FDA clearance or approval process for our 3D Dimensions product, as well as the development of improvements to next generation laboratory automation and GYN surgical products. We anticipate continuing research and development to support these ongoing efforts.

In addition to product development, our research and development personnel play an active role in the review of product specifications, clinical protocols and FDA submissions, as well as ensuring that certain of our products conform to European health, safety and environmental requirements ("CE" marking). Our research and development expenses were \$104.3 million, \$102.5 million and \$88.2 million in fiscal 2010, 2009 and 2008, respectively. These expenses do not include acquired in-process research and development expenses of \$2.0 million and \$565.2 million in fiscal 2010 and 2008, respectively.

Patents and Proprietary Rights

We rely primarily on a combination of trade secrets, patents, copyrights and confidentiality procedures to protect our technology. Due to the rapid technological changes that characterize the markets we operate in, we believe that the improvement of existing products, reliance upon trade secrets and unpatented proprietary know-how and the development of new products are generally as important as patent protection in establishing and maintaining a competitive advantage. Nevertheless, we have obtained patents and will continue to make efforts to obtain patents, when available, in connection with our product development program.

We own numerous U.S. patents and have applied for numerous additional U.S. patents relating to our technologies. We also own or have applied for corresponding patents in selected foreign countries. These patents relate to various aspects of most of our products. We do not know if current or future patent applications will be

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issued with the scope of the claims sought, if at all, or whether any patents issued will be challenged or invalidated. There is a risk that our patent applications will not be granted or that the patent or patent application will not provide significant protection for our products and technology. Unauthorized third parties may infringe our intellectual property rights, copy or reverse engineer portions of our technology. Our competitors may independently develop similar technology that our patents do not cover. In addition, because patent applications in the U.S. are not generally publicly disclosed until eighteen months after the application is filed, applications may have been filed by third parties that relate to our technology. Moreover, there is a risk that foreign intellectual property laws will not protect our intellectual property rights to the same extent as intellectual property laws in the U.S. The rights provided by a patent are finite in time. Over the coming years, certain patents relating to current products will expire in the U.S. and abroad thus allowing third parties to utilize certain of our technologies. In the absence of significant patent protection, we may be vulnerable to competitors who attempt to copy our products, processes or technology.

In addition to the patents we have been issued or we have acquired, we license patents from others on a variety of terms and conditions.

We are engaged in intellectual property litigation as described in Item 3, Legal Proceedings, and may be notified in the future of claims that we may be infringing intellectual property rights possessed by other third parties. In connection with any such litigation or if any claims are asserted against us or our products, we may seek to enter into settlement and/or licensing arrangements. There is a risk in these situations that no license will be available or that a license will not be available on reasonable terms. Alternatively, we may decide to litigate such claims or to design around the patented technology. These actions could be costly and would divert the efforts and attention of our management and technical personnel. As a result, any infringement claims by third parties or other claims for indemnification by customers resulting from infringement claims, whether or not proven to be true, may harm our business and prospects.

Regulation

The manufacture, sale, lease and service of medical diagnostic and surgical devices intended for commercial use are subject to extensive governmental regulation by the FDA in the United States and by a variety of regulatory agencies in other countries. Under the Federal Food, Drug and Cosmetic Act, known as the FD&C Act, manufacturers of medical products and devices must comply with certain regulations governing the design, testing, manufacturing, packaging, servicing and marketing of medical products. Some of our products are also subject to the Radiation Control for Health and Safety Act, administered by the FDA, which imposes performance standards and record keeping, reporting, product testing and product labeling requirements for devices that emit radiation, such as x-rays.

The FDA generally must clear the commercial sale of new medical devices. Commercial sales of our medical devices within the United States must be preceded by either a pre-market notification filing pursuant to Section 510(k) of the FD&C Act or the granting of a PMA. A 510(k) pre-market notification filing must contain information establishing that the device to be sold is substantially equivalent to a device commercially distributed prior to May 28, 1976.

The PMA procedure involves a complex and lengthy testing and review process by the FDA and may require several years to obtain. We may need to first obtain an investigational device exemption, known as an IDE, in order to conduct extensive clinical testing of the device to obtain the necessary clinical data for submission to the FDA. The FDA will grant a PMA only if after evaluating clinical data it finds that the safety and effectiveness of the product has been sufficiently demonstrated. This approval may restrict the number of devices distributed or require additional patient follow-up for an indefinite period of time. In the United States, our Dimensions product has been approved by the FDA for providing conventional 2D images, and we have submitted a PMA application for the 3D configuration. Our Dimensions 3D system was reviewed by the Radiological Devices Panel of the FDA on September 24, 2010 as part of our PMA application. In connection

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with that review, the panel unanimously voted that the PMA application demonstrated both the effectiveness and safety of the Dimensions 3D system for both screening and diagnostic mammography. On November 22, 2010, we received an approvable letter from the FDA for our Dimensions 3D system. Final approval of our PMA application for our system remains subject to satisfactory review and inspection of our manufacturing facility, methods and controls. Even with the approvable letter, we cannot assure that the FDA will approve our system for either use on a timely basis, if at all. In addition, even if approved, the FDA could impose conditions to such approval that would significantly limit the use or commercialization of the system.

Sales of medical devices outside of the United States are subject to foreign regulatory requirements that vary widely from country to country. The time required to obtain approval from a foreign country to market and sell our products may be longer or shorter than that required for FDA approval and the requirements may differ. In addition, we may be required to meet the FDA's export requirements or receive FDA export approval for export of our products to foreign countries. Moreover, some of our technology is governed by the International Traffic in Arms Regulations of the United States Department of State. As a result, the export of some of our systems to some countries may be limited or prohibited.

Recently, the FDA issued a notice that they have down-classified 2D digital mammography systems from Class III to Class II. As a result, it is expected that effective early December 2010, these systems will require a 510(k) submission rather than a PMA, which will make it easier for other mammography vendors to gain approval in the United States.

Our manufacturing processes and facilities are subject to continuing review by the FDA and foreign governments or their representatives. Adverse findings could result in various actions against us, including withdrawal of approvals and product recall.

The laboratories that purchase our ThinPrep System, ThinPrep Imaging System, Rapid Fetal Fibronectin Test and Cervista HPV tests are subject to extensive regulation under the Clinical Laboratory Improvement Amendments of 1988 ("CLIA"), which requires laboratories to meet specified standards in the areas of personnel qualifications, administration, participation in proficiency testing, patient test management, quality control, quality assurance and inspections. We believe that the ThinPrep System (including the ThinPrep Imaging System), Rapid Fetal Fibronectin Test and Cervista HPV tests operate in a manner that will allow laboratories purchasing these products to comply with CLIA requirements. However, we cannot assure that adverse interpretations of current CLIA regulations or future changes in CLIA regulations would not have an adverse effect on sales of the ThinPrep System, ThinPrep Imaging System, the Rapid Fetal Fibronectin Test, and the Cervista HPV tests.

The majority of the current clinical diagnostic products we acquired as part of the Third Wave acquisition were sold as Analyte Specific Reagents, known as ASRs. The FDA restricts the sale of these products to clinical laboratories certified under CLIA to perform high complexity testing and also restricts the types of products that can be sold as ASRs. In 2006, followed by additional clarification in 2007, the FDA issued guidance concerning acceptable examples of reagents that meet the threshold of the ASR regulations. In this guidance, the FDA outlined examples of products and marketing practices that go beyond the scope of the ASR regulations making the reagent part of a test system potentially subject to premarket review. These examples include combining, or promoting for use, a single ASR with another product such as other ASRs, general purpose reagents, controls, laboratory equipment, software, etc., or promoting an ASR with specific analytical or performance claims, instructions for use in a particular test, or instructions for validation of a specific test using the ASR. As a result of this guidance we took appropriate steps to discontinue certain Third Wave products that were previously sold as ASRs. We received investigational device exemptions for the remaining products allowing us the ability to continue commercialization while we obtain FDA clearance through the 510(k) process.

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We cannot assure that the FDA or foreign regulatory agencies will give the requisite approvals or clearances for any of our medical devices under development on a timely basis, if at all. Moreover, after clearance is given, these agencies can later withdraw the clearance or require us to change the device or its manufacturing process or labeling, to supply additional proof of its safety and effectiveness, or to recall, repair, replace or refund the cost of the medical device, if it is shown to be hazardous or defective. The process of obtaining clearance to market products is costly and time-consuming and can delay the marketing and sale of our products.

We are subject to various federal and state laws pertaining to healthcare fraud and abuse, including federal and state anti-kickback laws, as well as the U.S. Foreign Corrupt Practices Act (“FCPA”). Anti-kickback laws make it illegal for an entity to solicit, offer, receive, or pay remuneration or anything of value in exchange for, or to induce, the referral of business or the purchasing, leasing, ordering, or arranging for or recommending the purchase, lease or order of any item or service paid for by Medicare, Medicaid or certain other federal and state healthcare programs. The statute has been broadly interpreted to cover a wide array of practices. Some states have passed similar laws and also regulate the interactions with Health Care Providers (“HCP”) as well as the requirement to disclose payments to HCPs. The federal government has published regulations that identify “safe harbors,” which if applicable will assure that certain arrangements will not be found to violate the federal anti-kickback statutes. Similarly, our international operations are subject to the provisions of the FCPA, which prohibits U.S. companies and their representatives from offering, promising, authorizing, or making payments to foreign officials for the purpose of influencing any act or decision of such official in his or her official capacity, inducing the official to do any act in violation of his or her lawful duty, or to secure any improper advantage in obtaining or retaining business. In many countries, the healthcare professionals we regularly interact with may meet the definition of a foreign official for purposes of the FCPA. While we make every effort to comply with applicable law and regulations, it is possible that our practices might be challenged under federal or state anti-kickback, FCPA or similar laws due to the breadth of the statutory provisions and the absence of extensive guidance regarding compliance. Violations of these laws may be punishable by criminal and/or civil sanctions, including fines and civil monetary penalties, as well as the possibility of exclusion from federal healthcare programs (including Medicare and Medicaid). If the government were to raise questions about our behavior or find that we have violated these laws, there could be a material adverse effect on our business. Our activities could be subject to challenge for the reasons discussed above, due to the broad scope of these laws and the increasing attention being given to them by law enforcement authorities.

We are also subject to numerous federal, state and local laws relating to safe working conditions, manufacturing practices, environmental protection, fire hazard control and disposal of hazardous or potentially hazardous substances, among others. We may be required to incur significant costs to comply with these laws and regulations in the future, and complying with these laws may result in a material adverse effect upon our business, financial condition and results of operations.

Federal, state and foreign regulations regarding the manufacture and sale of medical devices and pharmaceuticals are subject to future change. We cannot predict what impact, if any, such changes might have on our business.

Reimbursement

In the U.S., the Centers for Medicare & Medicaid Services, known as CMS, establishes policies for the coverage and reimbursement of Medicare and Medicaid beneficiaries. Under current CMS policies, varying reimbursement levels have been established for bone density assessment, endometrial ablations, mammography and other imaging, diagnostic tests and surgical procedures performed using our products. Coverage policies for Medicare patients may vary by regional Medicare carrier in the absence of a National Coverage Decision and reimbursement rates for procedures will vary based on the geographic price index. Coverage and reimbursement for patients with private insurance is dependent on the individual private payer’s decisions and may not follow the policies and rates established by CMS for Medicare. Moreover, private insurance carriers may choose not to follow the CMS reimbursement policies. The use of our products outside the U.S. is similarly affected by reimbursement policies adopted by foreign regulatory and insurance carriers.

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In November 2010, CMS announced 2011 reimbursement rates for physician, hospital and ambulatory surgical center payments. For 2011, as part of US healthcare reform legislation, which was passed on March 23, 2010, reimbursement for bone density screening was adjusted to 70% of the 2006 rates for 2010 and 2011. This resulted in an approximate increase of 60% of the rates published in the 2010 CMS Physician Fee Schedule. However, unless future legislation is adopted, the reimbursement for bone density screening will revert in 2012 to the then CMS Physician Fee Schedule, which could result in a substantial reduction in reimbursement for such screening. The CMS reductions that would affect the reimbursement for the use of our products also include a general reduction of 24% in the Sustainable Growth Rate ("SGR") factor. This factor is used by CMS in a formula to determine doctor reimbursements. Congress has, from time to time, overridden some or all of the proposed reductions in reimbursement. However, we cannot assure that Congress will override any part of the recent proposed reductions. Significant reductions in reimbursement rates proposed or implemented for the use of any our products has had and may continue to have a material adverse affect on the sales of those products.

Political, economic and regulatory influences, including those envisioned by the recent adoption, in March 2010, of U.S. healthcare reform may subject the healthcare industry to fundamental changes. We anticipate that the federal government and certain state legislatures will continue to review and assess alternative healthcare delivery systems and payment methods with an objective of ultimately reducing healthcare costs and expanding access. Healthcare reform proposals and medical cost containment measures in the United States and in many foreign countries could, among other things, limit the use of our products and treatments and further reduce reimbursement available for such use. These reforms or cost containment measures, including the uncertainty in the medical community regarding their nature and effect, could have an adverse effect on our customers' purchasing decisions regarding our products and treatments and could harm our business, result of operations, financial condition and prospects.

Employees

As of October 23, 2010, we had approximately 4,220 full-time employees, including 1,606 in manufacturing operations, 500 in research and development, 1,692 in marketing, sales and support services, and 422 in finance and administration. The non-management employees of our AEG subsidiary are represented by a union. AEG's approximate 205 non-management German employees were subject to collective bargaining agreements negotiated on a national and regional basis between Unternehmens-Verband Südöstliches Westfalen e.V., the Employers Association of North Rhine-Westphalia, and the German Metal Workers Union, IndustrieGewerkschaft Metall. In addition, AEG's German employees are represented by a works council, a Betriebsrat, with respect to various shop agreements for social matters and working conditions. We believe that our relationship with our employees is good. Except as described herein, none of our other employees are represented by a union.

Seasonality

Worldwide sales, including U.S. sales, do not reflect any significant degree of seasonality; however, customer purchases of our GYN Surgical products have been historically less in the second fiscal quarter of the year as compared to other quarters. In addition, the summer months, which is during our fiscal fourth quarter, typically have had lower order rates for most of our products.

Item 1A. Risk Factors

This report contains forward-looking information that involves risks and uncertainties, including statements regarding our plans, objectives, expectations and intentions. Such statements made in this report should be read as applicable to all forward-looking statements wherever they appear in this report. Our actual results could differ materially from those discussed herein. Factors that could cause or contribute to such differences include those discussed below, as well as those discussed elsewhere in this report.

Risks Related to our Business

The continuing worldwide macroeconomic uncertainty may adversely affect our business and prospects.

Market acceptance of our medical products in the United States and other countries is dependent upon the medical equipment purchasing and procurement practices of our customers, patient demand for our products and procedures and the reimbursement of patient's medical expenses by government healthcare programs and third-party payors. The continuing uncertainty surrounding world financial markets and continuing weak worldwide macroeconomic conditions have caused and may continue to cause the purchasers of medical equipment to decrease their medical equipment purchasing and procurement activities. Additionally, constrictions in world credit markets have caused and may continue to cause our customers to experience increased difficulty securing the financing necessary to purchase our products. Economic uncertainty has and may result in cost-conscious consumers making fewer elective trips to their physicians and specialists, which in turn would adversely affect demand for our products and procedures. Furthermore, governments and other third party payors around the world facing tightening budgets could move to further reduce the reimbursement rates or the scope of coverage offered, which could adversely affect sales of our products. If the current adverse macroeconomic conditions continue, our business and prospects may be adversely affected.

Sales and market acceptance of our products is dependent upon the coverage and reimbursement decisions made by third party payors. The failure of third party payors to provide appropriate levels of coverage and reimbursement for the use of our products and treatments facilitated by our products could harm our business and prospects.

Sales and market acceptance of our medical products and the treatments facilitated by our products in the United States and other countries is dependent upon the coverage decisions and reimbursement policies established by government healthcare programs and private health insurers. Market acceptance of our products and treatments has and will continue to depend upon our customers' ability to obtain an appropriate level of coverage for, and reimbursement from third-party payors for, these products and treatments. In the U.S., the Centers for Medicare & Medicaid Services, known as CMS, establish coverage and reimbursement policies for healthcare providers treating Medicare and Medicaid beneficiaries. Under current CMS policies, varying reimbursement levels have been established for our products and treatments. Coverage policies for Medicare patients may vary by regional Medicare carriers in the absence of a National Coverage Decision and reimbursement rates for treatments may vary based on the geographic price index. Coverage and reimbursement policies and rates applicable to patients with private insurance are dependent upon individual private payor decisions which may not follow the policies and rates established by CMS. The use of our products and treatments outside the United States is similarly affected by coverage and reimbursement policies adopted by foreign governments and private insurance carriers.

On November 2, 2010, CMS announced 2011 reimbursement rates for physician, hospital and ambulatory surgical center payments. The CMS announcement included many reimbursement reductions, including a general reduction of 24% in the Sustainable Growth Rate ("SGR") factor impacting physician services reimbursement. This factor is used by CMS in a formula to determine physician reimbursement rates. Significant reductions in reimbursement rates proposed or implemented for the use of any of our products, and uncertainties relating to such reimbursement rates, have had and may continue to have a material adverse affect on the sales of those products.

The adoption of healthcare reform in the United States and the uncertainty surrounding the implementation of these reforms could harm our business and prospects.

In recent years, the healthcare industry has undergone significant change driven by various efforts to reduce costs, trends toward managed care, cuts in Medicare, consolidation of healthcare distribution companies and collective purchasing arrangements by office-based healthcare practitioners. The effect of the implementation of the new U.S. health care reform law adopted in March 2010 on our business is uncertain. Among other things, the law requires the medical device industry to subsidize healthcare reform in the form of a 2.3% excise tax on U.S. sales of certain medical devices beginning in 2013. We expect that this excise tax will apply to our products. U.S. net product sales represented 79% and 80% of our worldwide net product sales in fiscal 2010 and 2009, respectively. Various healthcare reform proposals have also emerged at the state level. The new law and these proposals could reduce medical procedure volumes and impact the demand for our products or the prices at which we sell our products. In addition, the excise tax will increase our costs of doing business. The impact of this law and these proposals could have a material adverse effect on our business, results of operations and/or financial condition. Public debate of these issues will likely continue in the future. Healthcare reform proposals and medical cost containment measures in the United States and in many foreign countries could:

- limit the use of our products and treatments;
- reduce reimbursement available for such use;
- further tax the sale or use of our products; or
- adversely affect the use of new therapies for which our products may be targeted.

These reforms, cost containment measures and new taxes, including the uncertainty in the medical community regarding their nature and effect, could have an adverse effect on our customers' purchasing decisions regarding our products and treatments and could harm our business, result of operations, financial condition and prospects.

Changes in laws affecting the healthcare industry could adversely affect our revenues and profitability.

We operate in a highly regulated industry. As a result, governmental actions may adversely affect our business, operations or financial condition, including:

- new laws, regulations or judicial decisions, or new interpretations of existing laws, regulations or decisions, related to health care availability, method of delivery and payment for health care products and services;
- changes in the FDA and foreign regulatory approval processes that may delay or prevent the approval of new products and treatments and result in lost market opportunity;
- changes in FDA and foreign regulations that may require additional safety monitoring, labeling changes, restrictions on product distribution or use, or other measures after the introduction of our products and treatments to market, which could increase our costs of doing business, adversely affect the future permitted uses of approved products or treatments, or otherwise adversely affect the market for our products and treatments; and
- new laws, regulations and judicial decisions affecting pricing or marketing practices.

We anticipate that the government will continue to scrutinize our industry closely and that additional regulation by governmental authorities may increase compliance costs, exposure to litigation and other adverse effects to our operations.

Guidelines, recommendations and studies published by various organizations can reduce the use of our products.

Professional societies, government agencies, practice management groups, private health/science foundations, and organizations involved in healthcare issues may publish guidelines, recommendations or studies to the healthcare and patient communities from time to time. Recommendations of government agencies or these other groups/organizations may relate to such matters as usage, cost-effectiveness, and use of related therapies. Organizations like these have in the past made recommendations about our products and those of our competitors. Recommendations, guidelines or studies that are followed by patients and healthcare providers could result in decreased use of our products. For example, during calendar 2009, the American College of Obstetricians and Gynecologists changed their recommendations for pap smear screening, and the United States Preventive Services Task Force changed their recommendations for mammography screening. These new recommendations, if implemented, could significantly reduce the amount of screening using our ThinPrep, mammography and related products and adversely affect the sale of those products. Moreover, the perception by the investment community or stockholders that recommendations, guidelines or studies will result in decreased use of our products could adversely affect prevailing market price for our common stock.

Our long-term success will depend upon our ability to successfully develop and commercialize new products and treatments and enhance our existing products and treatments.

We are expending significant resources on our continuing research and development programs which are designed to develop new products and treatments and to enhance and improve our existing products and treatments. The successful development of our products and product enhancements is subject to numerous risks, both known and unknown, including:

- unanticipated delays in development, clinical trials or the FDA's approval or clearance process;
- access to capital;
- budget overruns;
- third party intellectual property;
- technical problems; and
- other difficulties that could result in the abandonment or substantial change in the design, development and commercialization of these new products, including, for example, changes requested by the FDA in connection with pre-market approval applications for products or 510(k) clearance.

Given the uncertainties inherent with product development, introduction, and enhancement our efforts may not be completed on a timely basis or within budget, if at all. Our failure to develop new products and product enhancements, such as our digital mammography tomosynthesis product, on a timely basis or within budget, if at all, could harm our business and prospects.

If we fail to achieve and maintain the high manufacturing standards that our products require, we may not be successful in developing and marketing those products.

The manufacture of many of our products is highly complex and requires precise high quality manufacturing that is difficult to achieve. We have in the past and may in the future experience difficulties in manufacturing our products in sufficient quantities. These difficulties have primarily related to delays and difficulties associated with ramping up production of newly introduced products. Our difficulties may lead to increased delivery lead-times and increased costs of manufacturing these products. Our failure, including the failure of our contract manufacturers, to achieve and maintain the required high manufacturing standards could result in further delays or failures in product testing or delivery, cost overruns, product recalls or withdrawals, increased warranty costs or other problems that could harm our business and prospects.

Our business could be harmed if products contain undetected errors or defects or do not meet customer specifications.

We are continuously developing new products and improving our existing products. Our existing and newly introduced products can contain undetected errors or defects. In addition, these products may not meet their performance specifications under all conditions or for all applications. If, despite internal testing and testing by customers, any of our products contain errors or defects or fail to meet customer specifications, then we may be required to enhance or improve those products or technologies. We may not be able to do so on a timely basis, if at all, and may only be able to do so at considerable expense. In addition, any significant reliability problems could result in adverse customer reaction, negative publicity, mandatory or voluntary recall or legal claims and could harm our business and prospects.

Our products may be subject to recalls even after receiving FDA clearance or approval, which could harm our business and prospects.

The FDA and similar governmental bodies in other countries have the authority to require the recall of medical products in the event of material deficiencies or defects in design or manufacture. A government mandated or voluntary recall by us could occur as a result of component failures, manufacturing errors or design defects, including defects in labeling. Any recall could harm the reputation of our products and adversely affect our business and prospects.

Interruptions, delays, shutdowns or damage at our manufacturing facilities could harm our business.

We manufacture our products at a number of different facilities located throughout the world. An interruption in manufacturing capabilities at any of these facilities, as a result of equipment failure or other reasons, could reduce, delay or prevent the production of our products. Our manufacturing facilities are subject to the risk of catastrophic loss due to unanticipated events, such as fires, earthquakes, explosions, floods or weather conditions. Our manufacturing facilities may experience plant shutdowns, strikes or other labor disruptions, or periods of reduced production as a result of equipment failures, loss of power, gray outs, delays in deliveries or extensive damage to any of our facilities, which could harm our business and prospects. Because some of our manufacturing operations are located in Germany and Costa Rica, those manufacturing operations are also subject to additional challenges and risks associated with international operations described below.

Our delay or inability to obtain any necessary United States or foreign regulatory clearances or approvals for our newly developed products and treatments or product enhancements could harm our business and prospects.

Our products and treatments are subject to a high level of regulatory oversight. Our delay or inability to obtain any necessary United States or foreign regulatory clearances or approvals for our newly developed products or product enhancements, such as our Dimensions digital mammography tomosynthesis product, could harm our business and prospects. The process of obtaining clearances and approvals can be costly and time-consuming. We had previously encountered delays in the FDA approval process relating to the 3D configuration of our Dimensions digital mammography tomosynthesis product and conducted additional clinical trials in support of our application to for a PMA for that product. On September 24, 2010, the Radiological Devices Panel of the FDA unanimously voted that the PMA application demonstrated both the effectiveness and safety of the Dimensions 3D system for both screening and diagnostic mammography. On November 22, 2010, we received an approvable letter from the FDA for our Dimensions 3D system. Final approval of our PMA application for our system remains subject to satisfactory review and inspection of our manufacturing facility, methods and controls. Even with this approvable letter, we cannot assure that we will be able to obtain FDA approval to market the product, or the scope of any such approval, if and when obtained. Additionally, there is a risk that any approvals or clearances, once obtained, may be withdrawn or modified.

Medical devices cannot be marketed in the United States without clearance or approval by the FDA. Any modifications to a device that has received a pre-market approval that affect its safety or effectiveness require a pre-market approval supplement or possibly a separate pre-market approval, either of which is likely to be time-

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consuming, expensive and uncertain to obtain. If the FDA requires us to seek one or more pre-market approval supplements or new pre-market approvals for any modification to a previously approved device, we may be required to cease marketing or to recall the modified device until we obtain approval, and we may be subject to significant criminal and/or civic sanctions, including but not limited to, regulatory fines or penalties.

Medical devices sold in the United States must also be manufactured in compliance with FDA Good Manufacturing Practices, which regulate the design, manufacture, packing, storage and installation of medical devices. Moreover, medical devices are required to comply with FDA regulations relating to investigational research and labeling. States may also regulate the manufacture, sale and use of medical devices, particularly those that employ x-ray technology. Our products are also subject to approval and regulation by foreign regulatory and safety agencies.

The markets for our newly developed products and treatments and newly introduced enhancements to our existing products and treatments may not develop as expected.

The successful commercialization of our newly developed products and treatments and newly introduced enhancements to our existing products and treatments are subject to numerous risks, both known and unknown, including:

- uncertainty of the development of a market for such product or treatment;
- trends relating to, or the introduction or existence of, competing products, technologies or alternative treatments or therapies that may be more effective, safer or easier to use than our products, technologies, treatments or therapies;
- perceptions of our products or treatments as compared to other products and treatments;
- recommendation and support for the use of our products or treatments by influential customers, such as hospitals, radiological practices, breast surgeons and radiation oncologists and treatment centers;
- the availability and extent of data demonstrating the clinical efficacy of our products or treatments;
- competition, including the presence of competing products sold by companies with longer operating histories, more recognizable names and more established distribution networks; and
- other technological developments.

Often, the development of a significant market for a product or treatment will depend upon the establishment of a reimbursement code or an advantageous reimbursement level for use of the product or treatment. Moreover, even if addressed, such reimbursement codes or levels frequently are not addressed until after a product or treatment is developed and commercially introduced, which can delay the successful commercialization of a product or treatment.

If we are unable to successfully commercialize and create a significant market for our products and treatments, such as those noted above, as well as our Dimensions digital mammography tomosynthesis product, due to, among other things, the lack of reimbursement codes or disadvantageous reimbursement levels for such products or treatments, our sales growth, business and prospects could be harmed.

Our business may be harmed by recently completed acquisitions or acquisitions we may complete in the future.

We have acquired a number of businesses, technologies, product lines and products, and may make additional acquisitions in the future. The long-term success of our recently completed acquisitions and any additional acquisitions we may complete in the future will depend upon our ability to realize the anticipated benefits from combining the acquired businesses with our business. We may fail to realize anticipated benefits for a number of reasons, including the following:

- problems may arise with our ability to successfully integrate the acquired businesses, which may result in us not operating as effectively and efficiently as expected, and may include:
 - diversion of management time, as well as a shift of focus from operating the businesses to issues related to integration and administration or inadequate management resources available for integration activity and oversight;
 - failure to retain and motivate key employees;
 - failure to successfully obtain FDA approval or clearance for products under development;
 - failure to successfully manage relationships with customers, distributors and suppliers;
 - failure of customers to accept new products;
 - failure to effectively coordinate sales and marketing efforts;
 - failure to combine product offerings and product lines quickly and effectively;
 - failure to effectively enhance acquired technology and products or develop new products relating to the acquired businesses;
 - potential difficulties and inefficiencies in managing and operating businesses in multiple locations or operating businesses in which we have either limited or no direct experience;
 - potential difficulties integrating financial reporting systems;
 - potential difficulties in the timely filing of required reports with the SEC; and
 - potential difficulties in implementing controls, procedures and policies, including disclosure controls and procedures and internal controls over financial reporting, appropriate for a larger public company at companies that, prior to the acquisition of such companies, had lacked such controls, procedures and policies, which may result in ineffective disclosure controls and procedures or material weaknesses in internal controls over financial reporting;
- we may not be able to achieve the expected synergies from an acquisition or it may take longer than expected to achieve those synergies;
- an acquisition may result in future impairment charges related to diminished fair value of businesses acquired as compared to the price we paid for them;
- an acquisition may involve restructuring operations or reductions in workforce which may result in substantial charges to our operations;
- an acquisition may involve unexpected costs or liabilities, or the effects of purchase accounting may be different from our expectations; and
- the acquired businesses may be adversely affected by future legislative, regulatory, or tax decisions and/or changes as well as other economic, business and/or competitive factors.

Our failure to realize the anticipated benefits from combining acquired businesses could harm our business and prospects and adversely affect the market price of our common stock.

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If we are successful in pursuing future acquisitions, we may be required to expend significant funds, incur additional debt or issue additional securities, which may negatively affect our results of operations and be dilutive to our stockholders. If we spend significant funds or incur additional debt, our ability to obtain financing for working capital or other purposes could decline, and we may be more vulnerable to economic downturns and competitive pressures. We cannot guarantee that we will be able to finance additional acquisitions or that we will realize any anticipated benefits from acquisitions that we complete.

It may be difficult for us to implement our strategies for improving growth.

Some of the markets in which we compete have been flat or declining over the past several years. To address this issue, we are pursuing a number of strategies to improve our growth, including:

- expanding our product offerings;
- allocating research and development funding to products with higher growth prospects;
- developing new applications for our technologies;
- strengthening our presence in selected geographic markets;
- acquiring technologies and businesses that complement or augment our existing products and services;
- implementing targeted customer initiatives; and
- supporting cross-selling opportunities of products and services to take advantage of our breadth in product offerings.

We may not be able to successfully implement these strategies, and these strategies may not result in the growth of our business.

Our inability to successfully identify and complete acquisitions or successfully integrate any new or previous acquisitions could have a material adverse effect on our business.

Our business strategy includes the acquisition of technologies and businesses that complement or augment our existing products and services. Promising acquisitions are difficult to identify and complete for a number of reasons, including competition among prospective buyers and the need for regulatory, including antitrust, approvals. We may not be able to identify and successfully complete transactions. Any acquisition we may complete may be made at a substantial premium over the fair value of the net assets of the acquired company. Further, we may not be able to integrate any acquired businesses successfully into our existing businesses, make such businesses profitable, or realize anticipated cost savings or synergies, if any, from these acquisitions, which could adversely affect our business. In addition, acquisitions in foreign countries may be more difficult to complete, integrate and operate and could adversely affect our business.

We are dependent upon a relatively small number of large clinical laboratory customers in the United States for a significant portion of our sales of the ThinPrep System and our molecular diagnostic products.

We are dependent upon a relatively small number of large clinical laboratory customers in the United States for a significant portion of our sales of the ThinPrep System and our molecular diagnostic products. Due in part to a trend toward consolidation of clinical laboratories in recent years and the relative size of the largest United States laboratories, it is likely that a significant portion of these sales will continue to be concentrated among a relatively small number of large clinical laboratories. Our business and prospects may be harmed if we are unable to increase sales to, or maintain pricing levels with our existing customers and establish new customers both within and outside the United States.

Our business could be harmed if we are unable to protect our proprietary technology.

We have relied primarily on a combination of trade secrets, patents, and copyrights to protect our products and technology. Despite these precautions, unauthorized third parties may infringe our intellectual property, copy or reverse engineer portions of our technology. We do not know if current or future patent applications will be

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issued with the scope of the claims sought, if at all, or whether any patents issued will be challenged or invalidated. In addition, we have obtained or applied for corresponding patents and patent applications in several foreign countries for some of our patents and patent applications. There is a risk that these patent applications will not be granted or that the patent or patent application will not provide significant protection for our products and technology. The rights provided by a patent are finite in time. Over the coming years, certain patents relating to current products will expire in the U.S. and abroad thus allowing third parties to utilize certain of our technologies. Our competitors may independently develop similar technology that our patents do not cover. In addition, because patent applications in the United States are not generally publicly disclosed until eighteen months after the application is filed, applications may have been filed by third parties that relate to our technology. Moreover, there is a risk that foreign intellectual property laws will not protect our intellectual property rights to the same extent as intellectual property laws in the U.S. Even if we believed our proprietary information is protected by patents or otherwise, the initiation of actions to protect our proprietary information could be costly and divert the efforts and attention of our management and technical personnel, and the outcome of such litigation is often uncertain. As a result of these uncertainties, we could also elect to forego such litigation or settle such litigation without fully enforcing our proprietary rights. In the absence of significant patent protection, we may be vulnerable to competitors who attempt to copy our products, processes or technology.

Our business could be harmed if we infringe upon the intellectual property rights of others.

There has been substantial litigation regarding patent and other intellectual property rights in the medical device and related industries. We have been involved in patent litigation, and may in the future be subject to claims of infringement of intellectual property rights possessed by third parties. For further information concerning such ongoing litigation, please refer to Item 3. Legal Proceedings.

In connection with claims of patent infringement, we may seek to enter into settlement and/or licensing arrangements. There is a risk in these situations that no license will be available or that a license will not be available on reasonable terms. Alternatively, we may decide to litigate such claims or to design around the patented technology. These actions could be costly and would divert the efforts and attention of our management and technical personnel. As a result, any infringement claims by third parties or claims for indemnification by customers resulting from infringement claims, whether or not proven to be true, may harm our business and prospects.

Our international operations and foreign acquisitions expose us to additional operational challenges that we might not otherwise face.

We are subject to a number of additional risks and expenses due to our international operations. Any of these risks or expenses could have a material adverse effect on our operating results. These risks and expenses include:

- difficulties in staffing and managing operations in multiple locations as a result of, among other things, distance, language and cultural differences;
- protectionist laws and business practices that favor local companies;
- greater difficulties in trade accounts receivable collection;
- difficulties and expenses related to implementing internal controls over financial reporting and disclosure controls and procedures;
- expenses associated with customizing products for clients in foreign countries;
- possible adverse tax consequences;
- the inability to obtain favorable third-party reimbursements;
- the inability to obtain required regulatory approvals;
- governmental currency controls;

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- multiple, conflicting and changing government laws and regulations (including, among other things, antitrust and tax requirements, international trade regulations and the Foreign Corrupt Practices Act);
- reduced protection for intellectual property rights in some countries;
- political and economic changes and disruptions;
- clone or “knock off” products;
- the inability to effectively obtain or enforce intellectual property rights;
- export/import controls; and
- tariff regulations.

We utilize distributors for a portion of our sales, the loss of which could harm our revenues in the territory serviced by these distributors.

We have strategic relationships with a number of key distributors for sales and service of our products, principally in foreign countries. If these strategic relationships are terminated and not replaced, our revenues and/or ability to service our products in the territories serviced by these distributors could be adversely affected.

Fluctuations in the exchange rates of European currencies and the other foreign currencies in which we conduct our business, in relation to the U.S. dollar, could harm our business and prospects.

We maintain sales and service offices outside the United States, have manufacturing facilities in Germany, Costa Rica and Canada, and conduct business worldwide. The expenses of our international offices are denominated in local currencies, except at our Costa Rica subsidiary, where the majority of business is conducted in U.S. dollars. Our foreign sales may be denominated in local currencies, the Euro or U.S. dollar. Historically, a majority of our sales of capital equipment to international dealers have been denominated in U.S. dollars; however in the second half of fiscal 2010 we began to invoice more of our European sales in the Euro.

Fluctuations in foreign currency exchange rates could affect our revenues, cost of goods and operating margins and could result in exchange losses. In addition, currency devaluation can result in a loss if we hold deposits of that currency. In the last few years we have not hedged foreign currency exposures, but we may in the future hedge foreign currency denominated sales. There is a risk that any hedging activities will not be successful in mitigating our foreign exchange risk exposure and may adversely impact our financial condition and results of operations.

We rely on one or only a limited number of suppliers for some key components or subassemblies for our products. This reliance could harm our business and prospects.

We rely on one or only a limited number of suppliers for some key components or subassemblies for our products. Obtaining alternative sources of supply of these components could involve significant delays and other costs and regulatory challenges, and may not be available to us on reasonable terms, if at all. The failure of a component supplier or contract assembler to provide sufficient quantities, acceptable quality and timely components or assembly service at an acceptable price, or an interruption of supplies from such a supplier could harm our business and prospects. Any disruption of supplies of key components could delay or reduce shipments, which could result in lost or deferred sales.

We face intense competition from other companies and may not be able to compete successfully.

A number of companies have developed, or are expected to develop, products that compete or will compete with our products. Some of our competitors are large companies that may enjoy significant competitive advantages over us, including:

- significantly greater name recognition;
- established, or larger, distribution networks;

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- additional product lines, and the ability to offer rebates or bundle products to offer discounts or incentives to gain a competitive advantage;
- more extensive research, development, sales, marketing, manufacturing and financial capabilities; and
- greater financial resources allowing them to continue to improve their technology in order to compete in an evolving industry.

The markets in which we sell our products are intensely competitive, subject to rapid technological change and may be significantly affected by new product introductions and other market activities of industry participants. Other companies may develop products that are superior to or less expensive, or both, than our products. Improvements in existing competitive products or the introductions of new competitive products may reduce our ability to compete for sales, particularly if those competitive products demonstrate better safety or effectiveness, clinical results, ease of use or lower costs.

If we are unable to compete effectively against existing and future competitors and existing and future alternative treatments, our business and prospects could be harmed.

Our success depends upon our ability to adapt to rapid changes in technology and customer requirements.

The markets for our products have been characterized by rapid technological change, frequent product introductions and evolving customer requirements. These trends will likely continue into the foreseeable future. Our success depends, in part, upon our ability to enhance our existing products, successfully develop new products that meet increasing customer requirements and gain market acceptance. If we fail to do so our products may be rendered obsolete or uncompetitive by new industry standards or changing technology.

Our results of operations are subject to significant quarterly variation.

Our results of operations have been and may continue to be subject to significant quarterly variation. Our results for a particular quarter may also vary due to a number of factors, including:

- the overall state of healthcare and cost containment efforts;
- the timing and level of reimbursement for our products domestically and internationally;
- the development status and demand for our products;
- the development status and demand for therapies to treat the health concerns addressed by our products and treatments;
- economic conditions in our markets;
- foreign exchange rates;
- the timing of orders;
- the timing of expenditures in anticipation of future sales;
- the mix of products we sell and markets we serve;
- regulatory approval of products;
- the introduction of new products and product enhancements by us or our competitors;
- pricing and other competitive conditions;
- unanticipated expenses;
- complex revenue recognition rules pursuant to U.S. generally accepted accounting principles (U.S. GAAP);
- asset impairments; and
- seasonality of sales of certain of our products.

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Customers may also cancel or reschedule shipments. Production difficulties could also delay shipments. Any of these factors also could harm our business and prospects.

Recent changes to reclassify full-field digital mammography to permit 510(k) clearance could increase competition for our digital mammography products.

Recently, the FDA issued a notice that they have down-classified 2D digital mammography systems from Class III to Class II. As a result, it is expected that effective early December 2010, these systems will require a 510(k) submission rather than a PMA, which will make it easier for other mammography vendors to gain approval in the United States. We anticipate that competition in the digital mammography market will intensify as more companies and products enter this market.

Some of our activities may subject us to risks under federal and state laws prohibiting “kickbacks” and false or fraudulent claims.

We are subject to the provisions of a federal law commonly known as the Medicare/Medicaid anti-kickback law, and several similar state laws, which prohibit payments intended to induce physicians or others either to refer patients or to acquire or arrange for or recommend the acquisition of healthcare products or services. While the federal law applies only to referrals, products or services for which payment may be made by a federal healthcare program, state laws often apply regardless of whether federal funds may be involved. These laws constrain the sales, marketing and other promotional activities of manufacturers of medical devices by limiting the kinds of financial arrangements, including sales programs, with hospitals, physicians, laboratories and other potential purchasers of medical devices. Other federal and state laws generally prohibit individuals or entities from knowingly presenting, or causing to be presented, claims for payment from Medicare, Medicaid, or other third-party payors that are false or fraudulent, or are for items or services that were not provided as claimed. Anti-kickback and false claims laws prescribe civil and criminal penalties (including fines) for noncompliance that can be substantial. Similarly, our international operations are subject to the provisions of the FCPA, which prohibits U.S. companies and their representatives from offering, promising, authorizing, or making payments to foreign officials for the purpose of influencing any act or decision of such official in his or her official capacity, inducing the official to do any act in violation of his or her lawful duty, or to secure any improper advantage in obtaining or retaining business. In many countries, the healthcare professionals we regularly interact with may meet the definition of a foreign official for purposes of the FCPA. While we continually strive to comply with these complex requirements, interpretations of the applicability of these laws to marketing practices is ever evolving and even an unsuccessful challenge could cause adverse publicity and be costly to respond to, and thus could harm our business and prospects. Moreover, our failure to comply with domestic or foreign laws could result in various adverse consequences, including possible delay in approval or refusal to approve a product, recalls, seizures, withdrawal of an approved product from the market, and the imposition of civil or criminal sanctions.

We are subject to the risk of product liability claims relating to our products.

Our business involves the risk of product liability and other claims inherent to the medical device business. If even one of our products is found to have caused or contributed to injuries or deaths, we could be held liable for substantial damages. We maintain product liability insurance subject to deductibles and exclusions. There is a risk that the insurance coverage will not be sufficient to protect us from product and other liability claims, or that product liability insurance will not be available to us at a reasonable cost, if at all. An under-insured or uninsured claim could harm our business and prospects. In addition, claims could adversely affect the reputation of the related product, which could damage that product’s competitive position in the market.

The sale and use of one of our diagnostic products could also lead to the filing of product liability claims if someone were to allege that one of our products contained a design or manufacturing defect that resulted in the failure to detect a disorder for which it was being used to screen, inaccurate test results or caused injuries to a

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patient. Any product liability claim brought against us, with or without merit, could result in the increase of our product liability insurance rates or the inability to secure additional coverage in the future. Also, even a meritless or unsuccessful product liability claim could be time consuming and expensive to defend, which could result in a diversion of management's attention from our business and could adversely affect the perceived safety and efficacy of our products, and could harm our business and prospects.

We use hazardous materials and products.

Our research and development and manufacturing processes involve the controlled use of hazardous materials, such as toxic and carcinogenic chemicals and various radioactive compounds. Although we believe that our safety procedures for handling and disposing of such materials comply with the standards prescribed by federal, state and local regulations, the risk of accidental contamination or injury from these materials cannot be eliminated. In the event of this type of accident, we could be held liable for any resulting damages, and any such liability could be extensive. We are also subject to substantial regulation relating to occupational health and safety, environmental protection, hazardous substance control, and waste management and disposal. The failure to comply with such regulations could subject us to, among other things, fines and criminal liability.

Our future success depends on the continued services of key personnel.

The loss of any of our key personnel, particularly key research and development personnel, could harm our business and prospects and could impede the achievement of our research and development, operational or strategic objectives. Our success also depends upon our ability to attract and retain other qualified managerial and technical personnel. Competition for such personnel, particularly software engineers and other technical personnel, is intense. We may not be able to attract and retain personnel necessary for the development of our business.

Our failure to manage current or future alliances or joint ventures effectively may harm our business and prospects.

We have entered into alliances, joint ventures or other business relationships. Alliances with certain partners or companies could make it more difficult for us to enter into advantageous business transactions or relationships with others. Moreover, we may not be able to:

- identify appropriate candidates for alliances or joint ventures;
- assure that any alliance or joint venture candidate will provide us with the support anticipated;
- successfully negotiate an alliance or joint venture on terms that are advantageous to us; or
- successfully manage any alliance or joint venture.

Furthermore, any alliance or joint venture may divert management time and resources. Entering into a disadvantageous alliance or joint venture, failing to manage an alliance or joint venture effectively, or failing to comply with obligations in connection therewith, could harm our business and prospects.

An adverse change in the projected cash flows from our business units or the business climate in which they operate, including the continuation of the current financial and economic downturn, could require us to incur an impairment charge which could have an adverse impact on our operating results.

At least annually we review the carrying value of our goodwill, and for other long-lived assets when indicators of impairment are present, to determine if any adverse conditions exist or a change in circumstances has occurred that would indicate impairment of the value of these assets. Conditions that could indicate impairment and necessitate an evaluation of these assets include, but are not limited to, a significant adverse change in the business climate or the legal or regulatory environment within which we operate. In addition, the

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deterioration of a company's market capitalization significantly below its net book value is an indicator of impairment. We assess goodwill for impairment at the reporting unit level and in evaluating the potential impairment of goodwill, we make assumptions regarding the amount and timing of future cash flows, terminal value growth rates and appropriate discount rates.

During the fourth quarter of fiscal 2010 in connection with our annual budgeting process and future revenue forecasting, we determined that indicators of impairment existed in our MammoSite reporting unit as the breastbrachy therapy market has and will continue to experience certain challenges, including the impact of the continued adverse economic environment negatively impacting procedure volume as well as current trends in breast cancer management, competitive pricing pressures and competition from existing and alternative new technologies. This updated market view resulted in us lowering our long-term financial projections. As a result, we performed the first step in the long-lived assets impairment test and compared MammoSite's forecasted undiscounted cash flows to the carrying value of its net assets, and these cash flows were insufficient to recover MammoSite's carrying value. Therefore, we determined the fair value of MammoSite's long-lived assets, which are primarily intangible assets, using a discounted cash flow technique, considering market participant assumptions, and recorded an impairment charge of \$143.5 million to write these intangible assets down to their fair value. In addition, under the annual goodwill impairment test, we recorded a goodwill impairment charge of \$76.7 million. For further information of these charges, refer to Note 2 to our consolidated financial statements contained in Item 15 of this Annual Report.

During the fourth quarter of fiscal 2010, we performed our annual impairment test of goodwill for our other reporting units, and no additional impairment charges were required. In connection with this review, we identified one reporting unit with a material amount of goodwill that is of higher risk of potential failure of the first step of the impairment test in future reporting periods. Although we use reasonable methodologies for developing assumptions and estimates underlying the fair value calculations used in our impairment tests, these estimates are uncertain by nature and can vary from actual results. It is possible that the continuation of the current global financial and economic uncertainty could negatively affect our anticipated future cash flows, or the discount rates used to value the cash flows for each reporting unit, to such an extent that we could be required to perform an interim impairment test in fiscal 2011. Such a requirement could result in a material impairment charge that would have an adverse impact on our operating results.

During fiscal 2009, driven by a combination of factors, including the deteriorating macro-economic environment, declines in the stock market and the decline of our market capitalization significantly below the book value of our net assets, we performed an interim goodwill impairment test and recorded an aggregate goodwill impairment charge of \$2.34 billion in the second quarter of fiscal 2009. This impairment charge was comprised of \$1.17 billion for GYN Surgical, \$908.3 million for Diagnostics, and \$265.9 million for Breast Health. For further information of these charges, please refer to Note 2 to our consolidated financial statements contained in Item 15 of this Annual Report.

Our effective tax rate may fluctuate and we may incur obligations in tax jurisdictions in excess of amounts that have been accrued.

We are subject to income taxes in both the United States and various foreign jurisdictions. We take certain income tax positions on our tax returns that we provide additional taxes for if it is more likely than not they will not withstand challenge by tax authorities. We are subject to ongoing tax audits in various jurisdictions, including the United States, and tax authorities may disagree with certain positions we have taken and assess additional taxes. We regularly evaluate the likely outcomes of these audits in order to determine the appropriateness of our tax provision and tax reserves. However, there can be no assurance that we will accurately predict the outcomes of these audits, and the actual outcomes could have a material impact on our net income of financial condition. In addition, our effective tax rate may be lower or higher than experienced in the past due to numerous factors, including a change in the mix of our profitability from country to country and changes in tax laws. Any of these factors could cause us to experience an effective tax rate significantly different from previous periods or our current expectations, which could have an adverse effect on our business and results of operations.

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Changes in tax laws or tax rulings could materially impact our effective tax rate. There are several proposals to reform U.S. tax rules being considered by U.S. law makers, including proposals that may reduce or eliminate the deferral of U.S. income tax on our unrepatriated earnings, potentially requiring those earnings to be taxed at the U.S. federal income tax rate, reduce or eliminate our ability to claim foreign tax credits, and eliminate various tax deductions until foreign earnings are repatriated to the U.S. Our future reported financial results may be adversely affected by tax rule changes which restrict or eliminate our ability to claim foreign tax credits or deduct expenses attributable to foreign earnings, or otherwise affect the treatment of our unrepatriated earnings.

Risks Related to our Indebtedness

We have incurred significant indebtedness that limits our operating flexibility, and could adversely affect our operations and financial results and prevent us from fulfilling our obligations.

On December 10, 2007, we issued \$1.725 billion of 2.00% convertible notes due 2037, which are unsecured and subordinated to our secured indebtedness. On November 18, 2010, we entered into separate, privately-negotiated exchange agreements under which we retired \$450.0 million in aggregate principal of our Original Notes for \$450.0 million in aggregate principal of new 2.00% Convertible Exchange Senior Notes due 2037. Following these transactions, \$1.275 billion in principal amount of the Original Notes remain outstanding. Our level of indebtedness may:

- make it more difficult for us to satisfy our obligations with respect to our outstanding indebtedness;
- increase our vulnerability to general adverse economic and industry conditions, including increases in interest rates;
- require us to dedicate a substantial portion of our cash flow from operations to interest and principal payments on our indebtedness, which would reduce the availability of our cash flow to fund working capital, capital expenditures, expansion efforts and other general corporate purposes;
- limit our flexibility in planning for, or reacting to, changes in our business and the industry in which we operate;
- place us at a competitive disadvantage compared to our competitors that have less debt; and
- limit our ability to borrow additional funds for working capital, capital expenditures, general corporate purposes or acquisitions.

If there were an event of default under our convertible notes or a change of control, the holders of the notes may be permitted to cause all amounts outstanding with respect to that debt to be due and payable immediately and may be cross-defaulted to other debt. Our assets or cash flow may not be sufficient to fully repay borrowings under our convertible notes if accelerated upon an event of default, and there is no guarantee that we would be able to repay, refinance or restructure the payments on that debt.

We may not be able to generate sufficient cash flow to service all of our obligations.

Our ability to make payments on our convertible notes or any other of our obligations and to fund planned capital expenditures, strategic transactions and expansion efforts will depend on our ability to generate cash in the future. This, to a certain extent, is subject to general economic, financial, competitive, legislative, regulatory and other factors that are beyond our control.

Our business may not be able to generate sufficient cash flow from operations, and we cannot assure that future borrowings will be available to us in amounts sufficient to enable us to pay our indebtedness as such indebtedness matures and to fund our other liquidity needs. If this is the case, we will need to refinance all or a portion of our indebtedness on or before maturity, and there can be no assurance that we will be able to refinance any of our indebtedness on commercially reasonable terms, or at all. We may need to implement one or more

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alternatives, such as reducing or delaying planned expenses and capital expenditures, selling assets, restructuring debt, or obtaining additional equity or debt financing. These financing strategies may not be affected on satisfactory terms, if at all. Our ability to refinance our indebtedness or obtain additional financing, or to do so on commercially reasonable terms, will depend on, among other things, our financial condition at the time, restrictions in agreements governing our indebtedness, and other factors, including the condition of the financial markets and the markets in which we compete.

If we do not generate sufficient cash flow from operations, and additional borrowings, refinancings or proceeds of asset sales are not available to us, we may not have sufficient cash to enable us to meet all of our obligations.

Risks Related to our Common Stock and Convertible Notes

Future issuances of common stock and hedging activities may depress the trading price of our common stock and our convertible notes.

Any future issuance of equity securities, including the issuance of shares upon conversion of our convertible notes, could dilute the interests of our existing stockholders, including holders who have received shares upon conversion of our convertible notes, and could substantially decrease the trading price of our common stock and our convertible notes. We may issue equity securities in the future for a number of reasons, including to finance our operations and business strategy (including in connection with acquisitions, strategic collaborations or other transactions), to adjust our ratio of debt to equity, to satisfy our obligations upon the exercise of outstanding warrants or options or for other reasons.

In addition, the price of our common stock could also be affected by possible sales of our common stock by investors who view our convertible notes as a more attractive means of equity participation in our company and by hedging or arbitrage trading activity that we expect to develop involving our common stock. The hedging or arbitrage could, in turn, affect the trading price of our convertible notes, or any common stock that note holders receive upon conversion of their notes.

Future sales of our common stock in the public market or the issuance of securities senior to our common stock could adversely affect the trading price of our common stock and the value of our convertible notes and our ability to raise funds in new securities offerings.

Future sales of our common stock, the perception that such sales could occur or the availability for future sales of shares of our common stock or securities convertible into or exercisable for our common stock could adversely affect the market prices of our common stock and the value of our convertible notes prevailing from time to time and could impair our ability to raise capital through future offerings of equity or equity-related securities. In addition, we may issue common stock or equity securities senior to our common stock in the future for a number of reasons, including to finance our operations and business strategy, to adjust our ratio of debt to equity, satisfy our obligations upon the exercise of options or for other reasons.

Provisions in our charter and bylaws and our stockholder rights plan may have the effect of discouraging advantageous offers for our business or common stock and limit the price that investors might be willing to pay in the future for shares of our common stock.

Our charter, bylaws and the provisions of the Delaware General Corporation Law include provisions that may have the effect of discouraging or preventing a change in control. In addition, we have a stockholder rights plan that may have the effect of discouraging or preventing a change in control. These provisions could limit the price that our stockholders might receive in the future for shares of our common stock.

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Our stock price is volatile.

The market price of our common stock has been, and may continue to be, highly volatile. We believe that a variety of factors could cause the price of our common stock to fluctuate, perhaps substantially, including:

- new, or changes in, recommendations, guidelines or studies that could affect the use of our products;
- announcements and rumors of developments related to our business, including changes in reimbursement rates or regulatory requirements, proposed and completed acquisitions, or the industry in which we compete;
- published studies and reports relating to the comparative efficacy of products and markets in which we participate;
- quarterly fluctuations in our actual or anticipated operating results and order levels;
- general conditions in the worldwide economy;
- announcements of technological innovations;
- new products or product enhancements by us or our competitors;
- developments in patents or other intellectual property rights and litigation;
- developments in relationships with our customers and suppliers; and
- the implementation of recently adopted healthcare reform legislation and the adoption of additional reform legislation in the future.

The price of our common stock also may be adversely affected by the amount of common stock issuable upon conversion of our Convertible Notes. In addition, in recent years the stock market in general and the markets for shares of “high-tech” companies, have experienced extreme price fluctuations which have often been unrelated to the operating performance of affected companies. Any such fluctuations in the future could adversely affect the market price of our common stock, and the market price of our common stock may decline.

Conversion of our Convertible Notes will dilute the ownership interest of existing stockholders, including holders who had previously converted their notes.

To the extent we issue any shares of our common stock upon conversion of our Convertible Notes, the conversion of some or all of our Convertible Notes will dilute the ownership interests of existing stockholders, including holders who have received shares of our common stock upon prior conversion of our Convertible Notes. Any sales in the public market of the common stock issuable upon such conversion could adversely affect prevailing market prices of our common stock. In addition, the existence of our Convertible Notes may encourage short selling by market participants because the conversion of our Convertible Notes could depress the price of our common stock.

Item 1B. Unresolved Staff Comments

None

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Item 2. Properties

We own and lease the real property identified below. We believe that we have adequate space for our anticipated needs and that suitable additional space will be available at commercially reasonable prices as needed. See the Business and Manufacturing sections above for a description of the products manufactured at the facilities described below.

Principal Properties Owned:	Primary Use	Floor Space
Newark, DE(a)	DirectRay digital detector research and development and plate manufacturing operations	164,000 sq. ft.
Warstein, Germany	AEG's manufacturing operations, research and development and administrative functions	201,000 sq. ft.
Londonderry, NH	Manufacturing operations	2.7 acres of land and 47,000 sq. ft.

Principal Properties Leased:	Primary Use	Floor Space	Lease Expiration (fiscal year)	Renewals
Bedford, MA	Headquarters, including research and development, administrative and manufacturing operations	207,000 sq. ft.	2022	4, five-yr. periods
Danbury, CT	Lorad manufacturing facility	62,000 sq. ft.	2022	4, five-yr. periods
Marlborough, MA	Administrative, research and development, manufacturing and distribution operations	216,000 sq. ft.	2019	2, five-yr. periods
Marlborough, MA	Manufacturing operations	146,000 sq. ft.	2019	2, five-yr. periods
Danbury, CT	Manufacturing operations and research and development	60,000 sq. ft.	2013	2, five-yr. periods
Alajuela, Costa Rica	Manufacturing facility	164,000 sq. ft.	2018	2, five-yr. periods
Madison, WI	Manufacturing operations and research and development	62,000 sq. ft.	2014	None

- (a) We currently occupy approximately 59,000 square feet of this building, which houses our plate manufacturing facility, including both a Class 1 and a Class 2 clean room. We lease approximately 105,000 square feet of the facility to Siemens under a lease which expires in April 2015.

We lease other facilities utilized for office space and manufacturing and distribution operations across the United States, Europe, Canada and Hong Kong. We also lease several sales and service offices throughout the world.

Item 3. Legal Proceedings

On May 22, 2009, Conceptus, Inc. filed suit in the United States District Court for the Northern District of California seeking a declaration by the Court that Hologic's planned importation, use, sale or offer to sell of its forthcoming Adiana Permanent Contraception System would infringe five Conceptus patents. On July 9, 2009, Conceptus filed an amended complaint alleging infringement of the same five patents by the Adiana System. The complaint seeks preliminary and permanent injunctive relief and unspecified monetary damages. In addition to the amended complaint, Conceptus also filed a motion for preliminary injunction seeking to preliminarily enjoin sales of the Adiana System based on alleged infringement of certain claims of three of the five patents. A hearing on Conceptus' preliminary injunction motion was held on November 4, 2009, and on November 6, 2009, the judge issued an order denying the motion. On January 19, 2010, upon stipulation of the parties, the Court dismissed all claims relating to three of the five asserted patents with prejudice. A Markman hearing on claim construction took place on March 10, 2010 and a ruling was issued on March 24, 2010. On April 12, 2010, in

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response to Hologic's counterclaims of unfair competition filed in October of 2009, the Court granted Conceptus leave to amend its counterclaims adding charges of unfair competition. On June 23, 2010, upon stipulation of the parties, the Court dismissed the asserted claims of an additional patent leaving three claims of U.S. patent 7,506,650 being asserted against the Company in the case. On August 10, 2010, the parties entered into a settlement agreement dismissing all unfair competition claims against each other. Both parties have filed motions for summary judgment and a hearing on these motions is scheduled for December 9, 2010. A trial date has been scheduled for February 28, 2011 for the remaining patent claim. Based on available information regarding this litigation, the Company is unable to reasonably estimate the ultimate outcome of this case.

The Company is a party to various other legal proceedings and claims arising out of the ordinary course of its business. The Company believes that except for those described above there are no other proceedings or claims pending against it the ultimate resolution of which would have a material adverse effect on its financial condition or results of operations.

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

Market Information. Our common stock is traded on the Nasdaq Global Select Market under the symbol "HOLX." The following table sets forth the high and low sales prices per share of our common stock, as reported by the Nasdaq Global Select Market.

<u>Fiscal Year Ended September 25, 2010</u>	<u>High</u>	<u>Low</u>
First Quarter	\$ 16.96	\$ 13.26
Second Quarter	19.72	14.46
Third Quarter	18.85	13.85
Fourth Quarter	16.93	13.22
<u>Fiscal Year Ended September 26, 2009</u>	<u>High</u>	<u>Low</u>
First Quarter	\$ 19.95	\$ 10.54
Second Quarter	14.52	9.31
Third Quarter	15.91	11.36
Fourth Quarter	17.83	12.52

Number of Holders. As of November 17, 2010, there were approximately 1,548 holders of record of our common stock, including multiple beneficial holders at depositories, banks and brokers listed as a single holder in the street name of each respective depository, bank or broker.

Dividend Policy. We have never declared or paid cash dividends on our capital stock, and we have no plans to do so. Our current policy is to retain all of our earnings to finance future growth.

Recent Sales of Unregistered Securities. We did not sell unregistered securities during the fourth quarter of fiscal 2010.

Issuer's Purchases of Equity Securities. For the majority of restricted stock units granted, the number of shares issued on the date that the restricted stock units vest is net of the minimum statutory tax withholding requirements that we pay in cash to the appropriate taxing authorities on behalf of our employees. The following table sets forth information about repurchases of our common stock to cover employee income tax withholding obligations in connection with the vesting of restricted stock units under our equity incentive plans for the three months ended September 25, 2010 (shares in thousands):

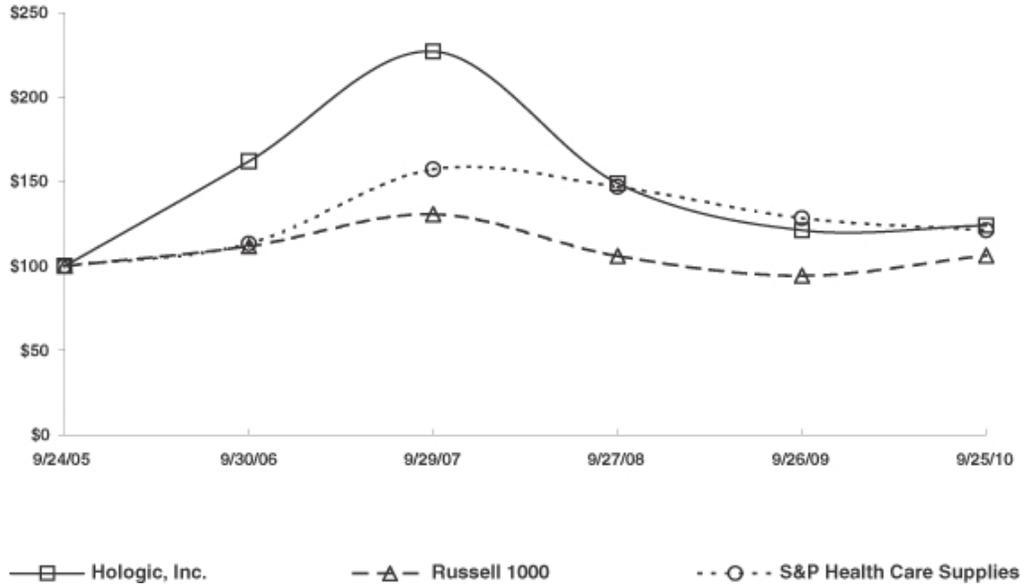
<u>Period of Repurchase</u>	<u>Total Number of Shares Purchased</u>	<u>Average Price Paid Per Share</u>	<u>Total Number of Shares Purchased As Part of Publicly Announced Plans or Program</u>
June 27, 2010—July 24, 2010	—	—	—
July 25, 2010—August 21, 2010	63	\$ 14.14	—
August 22, 2010—September 25, 2010	47	14.80	—
Total	110	\$ 14.42	—

Stock Performance Graph

The following graph compares cumulative total shareholder return on our common stock since September 24, 2005 with the cumulative total return of the Russell 1000 Index and the Standard & Poor's Health Care Supplies Index. This graph assumes the investment of \$100 on September 24, 2005 in our common stock, the Russell 1000 Index and the S&P Health Care Supplies Index. Measurement points are the last trading day of each respective fiscal year.

COMPARISON OF 5 YEAR CUMULATIVE TOTAL RETURN*

Among Hologic, Inc., the Russell 1000 Index
and the S&P Health Care Supplies Index



* \$100 invested on 9/24/05 in stock or index, including reinvestment of dividends.

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Item 6. Selected Financial Data.

The following selected financial data should be read in conjunction with our consolidated financial statements and related notes appearing elsewhere in this Annual Report on Form 10-K, beginning on page F-1. In the fourth quarter of fiscal 2010, we acquired Sentinelle Medical Inc. (“Sentinelle Medical”). In the first and fourth quarters of fiscal 2008, we acquired Cytoc Corporation (“Cytoc”) and Third Wave Technologies, Inc. (“Third Wave”), respectively. In the fourth quarter of fiscal 2007, we acquired BioLucent, Inc. (“BioLucent”). In fiscal 2006, we acquired AEG Elektrofotografie (“AEG”), R2 Technology, Inc. (“R2”) and Suros Surgical, Inc. (“Suros”), and we also acquired the intellectual property relating to Fischer Imaging Corporation’s mammography business. Results of operations for each of these businesses are included in our consolidated financial statements from the date of acquisition.

	Fiscal Years Ended				
	September 25, 2010 (4)	September 26, 2009 (3)	September 27, 2008 (2)	September 29, 2007	September 30, 2006 (1)
(In thousands, except per share data)					
Consolidated Statement of Operations Data					
Total revenues	\$ 1,679,552	\$ 1,637,134	\$ 1,674,499	\$ 738,368	\$ 462,680
Total costs and expenses	\$ 1,609,615	\$ 3,653,808	\$ 1,872,041	\$ 590,616	\$ 412,341
Net (loss) income	\$ (62,813)	\$ (2,216,642)	\$ (415,588)	\$ 94,578	\$ 27,423
Basic net (loss) income per common share	\$ (0.24)	\$ (8.64)	\$ (1.69)	\$ 0.88	\$ 0.29
Diluted net (loss) income per common share	\$ (0.24)	\$ (8.64)	\$ (1.69)	\$ 0.86	\$ 0.28
Consolidated Balance Sheet Data					
Working capital	\$ 656,969	\$ 489,335	\$ 352,703	\$ 220,568	\$ 123,493
Total assets	\$ 5,625,834	\$ 5,684,226	\$ 8,126,812	\$ 1,066,349	\$ 856,205
Line of credit	—	—	—	—	\$ 55,000
Long-term obligations (5)	\$ 1,479,379	\$ 1,545,528	\$ 1,774,834	\$ 9,222	\$ 6,163
Total stockholders’ equity	\$ 2,698,549	\$ 2,725,977	\$ 4,895,936	\$ 805,723	\$ 605,750

- (1) Included in total costs and expenses in fiscal 2006 is a charge of \$4.2 million for in-process research and development from the acquisition of Fischer Imaging Corporation, a charge of \$0.6 million for in-process research and development from the acquisition of AEG, a charge of \$10.2 million for in-process research and development from the acquisition of R2 and a charge of \$4.9 million for in-process research and development from the acquisition of Suros.
- (2) Included in total costs and expenses in fiscal 2008 is a charge of \$370.0 million for in-process research and development from the acquisition of Cytoc and a charge of \$195.2 million for in-process research and development from the acquisition of Third Wave.
- (3) Included in total costs and expenses in fiscal 2009 is an aggregate goodwill impairment charge of \$2.34 billion comprised of \$1.17 billion for GYN Surgical, \$908.3 million for Diagnostics and \$265.9 million for Breast Health.
- (4) Included in total costs and expenses in fiscal 2010 are impairment charges of \$143.5 million for intangible assets and \$76.7 million for goodwill, both of which are related to our MammoSite reporting unit within Breast Health. Also included in total costs and expenses is \$11.4 million of net charges for litigation-related settlements.
- (5) Long-term obligations are net of the unamortized debt discount related to our convertible notes of \$277.9 million, \$351.1 million and \$418.8 million for fiscal years 2010, 2009 and 2008, respectively.

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

The following discussion and analysis should be read in conjunction with the Consolidated Financial Statements and the information described under the caption “Risk Factors” included elsewhere in this report.

OVERVIEW

We are a developer, manufacturer and supplier of premium diagnostics, medical imaging systems and surgical products dedicated to the healthcare needs of women. Our core business segments are focused on breast health, diagnostics, GYN surgical and skeletal health.

Our breast health products include a broad portfolio of breast imaging and related products and accessories, including digital and film-based mammography systems, magnetic resonance imaging (“MRI”) breast coils, computer-aided detection (“CAD”) for mammography and MRI, minimally invasive breast biopsy devices, breast biopsy site markers, breast biopsy guidance systems, breast imaging comfort pads, and breast brachytherapy products. We have also developed a new breast imaging platform, Dimensions, which utilizes a new technology, tomosynthesis, to produce three dimensional (“3D”) images, as well as conventional two dimensional (“2D”) full field digital mammography (“FFDM”) images. In the U.S., our Dimensions product has been approved by the Food and Drug Administration (“FDA”) for providing conventional 2D images, and we have submitted a pre-market approval (“PMA”) application for the 3D configuration. Our Dimensions 3D system was reviewed by the Radiological Devices Panel of the FDA on September 24, 2010 as part of our PMA application. In connection with that review, the panel unanimously voted that the system was both safe and effective for both screening and diagnostic mammography. On November 22, 2010, we received an approvable letter from the FDA for our Dimensions 3D system. Final approval of our PMA application for our system remains subject to satisfactory review and inspection of our manufacturing facility, methods and controls. Even with the approvable letter, we cannot assure that the FDA will approve our system for either use on a timely basis, if at all. In addition, even if approved, the FDA could impose conditions to such approval that would significantly limit the use or commercialization of the system. Our Dimensions platform received CE mark approval in Europe during fiscal 2008 and Canadian registration in March 2009, both for 2D and 3D modes of imaging.

In August 2010, we acquired Sentinelle Medical Inc. (“Sentinelle Medical”), a company that develops, manufactures and markets MRI breast coils, patient positioners and visualization software. Sentinelle Medical, which is included within our breast health segment, is dedicated to developing advanced imaging technologies used in high-field strength MRI systems.

Our diagnostics products include the ThinPrep System (“ThinPrep”), which is primarily used in cytology applications such as cervical cancer screening, the Rapid Fetal Fibronectin Test, which assists physicians in assessing the risk of pre-term birth, and our molecular diagnostic reagents used for a wide variety of DNA and RNA analysis applications based on our proprietary Invader chemistry. Our current clinical diagnostic offerings based upon this Invader chemistry include products to assist in the diagnosis of human papillomavirus (“HPV”), cystic fibrosis, cardiovascular risk and other diseases. We received FDA approval of our Cervista HPV tests in March 2009, and CE mark approval in Europe for Cervista HPV high risk (“HR”) in January 2009 and in May 2009 for Cervista HPV 16/18.

Our GYN surgical products include the NovaSure Endometrial Ablation System (“NovaSure System”) and the Adiana Permanent Contraception System (“Adiana System”). The NovaSure System enables physicians to treat women suffering from excessive menstrual bleeding in a minimally invasive manner in order to eliminate or reduce their bleeding. The Adiana System is a form of permanent female contraception intended as an alternative to tubal ligation. We received FDA approval of the Adiana System in July 2009 and CE mark approval for the system in Europe in December 2008.

Our skeletal health products include dual-energy X-ray bone densitometry systems, an ultrasound-based osteoporosis assessment product, and our Fluoroscan mini C-arm imaging products.

RECENT DEVELOPMENTS

Market acceptance of our medical products in the United States and other countries is dependent upon the medical equipment purchasing and procurement practices of our customers, patient demand for our products and procedures and the reimbursement of patients' medical expenses by government healthcare programs, private insurers or other healthcare payors. Since the end of calendar 2008, the uncertainty surrounding world financial markets and slowdown in worldwide macroeconomic conditions have caused and may continue to cause the purchasers of medical equipment to decrease their medical equipment purchasing and procurement activities. Additionally, constrictions in world credit markets have caused and continue to cause our customers to experience difficulty securing the financing necessary to purchase our products. Economic uncertainty and unemployment have and may continue to result in cost-conscious consumers focusing on acute care rather than wellness, which has and may continue to adversely affect demand for our products and procedures. Furthermore, governments and other third party payors around the world facing tightening budgets could move to further reduce the reimbursement rates or the scope of coverage offered, which could adversely affect sales of our products. If the current adverse macroeconomic conditions continue, our business and prospects may be negatively impacted.

In March 2010, significant reforms to the healthcare system were adopted as law in the United States. The law includes provisions that, among other things, reduce and/or limit Medicare reimbursement, require all individuals to have health insurance (with limited exceptions) and imposes new and/or increased taxes. Specifically, the law requires the medical device industry to subsidize healthcare reform in the form of a 2.3% excise tax on U.S. sales of certain medical devices beginning in 2013. We expect that our products will fall under the government classification requiring the excise tax. U.S. net product sales represented 79% and 80% of our worldwide net product sales in fiscal 2010 and 2009, respectively.

As we operate in a highly regulated industry, other governmental actions may adversely affect our business, operations or financial condition, including, without limitation: new laws, regulations or judicial decisions, or new interpretations of existing laws, regulations or decisions, related to health care availability, method of delivery and payment for health care products and services; changes in the FDA and foreign regulatory approval processes that may delay or prevent the approval of new products and result in lost market opportunity; changes in FDA and foreign regulations that may require additional safety monitoring, labeling changes, restrictions on product distribution or use, or other measures after the introduction of our products to market, which could increase our costs of doing business, adversely affect the future permitted uses of approved products, or otherwise adversely affect the market for our products and treatments; new laws, regulations and judicial decisions affecting pricing or marketing practices; and changes in the tax laws relating to our operations, including those associated with the recently adopted healthcare reform law discussed above, could have a material adverse impact on our results of operations.

Professional societies, government agencies, practice management groups, private health/science foundations, and organizations involved in healthcare issues may publish guidelines, recommendations or studies to the healthcare and patient communities from time to time. Recommendations of government agencies or these other groups/organizations may relate to such matters as usage, cost-effectiveness, and use of related therapies. Organizations like these have in the past made recommendations about our products and those of our competitors. Recommendations, guidelines or studies that are followed by patients and healthcare providers could result in decreased use of our products. For example, in November 2009, the American College of Obstetricians and Gynecologists changed their recommendations for pap smear screening, and the United States Preventive Services Task Force changed their recommendations for mammography screening. These new recommendations could significantly reduce the amount of screening using our ThinPrep, Selenia and related products and adversely affect the sale of those products.

In recent history, there have been periodic significant fluctuations in foreign currencies relative to the U.S. dollar. The ongoing fluctuations of the value of the U.S. dollar may cause our products to be less competitive in international markets and may impact sales and profitability over time. Historically, a majority of our capital

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equipment sales to international dealers have been denominated in U.S. dollars. However, we expect there to be a shift to more sales denominated in the Euro compared to the U.S. dollar for our Euro zone dealers. In addition, we have international sales, principally in our Diagnostics segment, that are denominated in foreign currencies. The value of these sales is also impacted by fluctuations in the value of the U.S. dollar. Given the uncertainty in the worldwide financial markets, foreign currency fluctuations may be significant in the future, and if the U.S. dollar strengthens, we may experience a material adverse effect on our international revenues and operating results.

ACQUISITIONS

Fiscal 2010 Acquisitions:

Sentinelle Medical Inc.

On August 5, 2010, we completed our acquisition of Sentinelle Medical, a privately held company located in Toronto, Canada. The purchase price is comprised of an \$84.8 million cash payment, which was net of certain adjustments, plus a two-year contingent earn out up to a maximum of \$250.0 million in cash. We have concluded that the acquisition of Sentinelle Medical did not represent a material business combination and therefore no pro forma financial information has been provided herein. Subsequent to the acquisition date, our results of operations include the results of Sentinelle Medical, which is a component of our Breast Health reporting segment. We adopted Accounting Standards Codification (ASC) 805, *Business Combinations*, effective September 27, 2009 and have accounted for the Sentinelle Medical acquisition as a purchase of a business under this business combination accounting standard.

The allocation of the purchase price is based upon preliminary estimates of the fair value of assets acquired and liabilities assumed as of August 5, 2010. The purchase price in excess of net tangible assets acquired was allocated to identifiable intangible assets aggregating \$67.6 million, primarily comprised of developed technology of \$60.9 million and in-process research and development projects of \$4.8 million, based upon a detailed valuation that relies on projections and assumptions. The excess of the purchase price over the fair value of the net tangible and intangible assets acquired and liabilities assumed was allocated to goodwill of \$48.9 million.

The amount allocated to acquired in-process research and development represented the estimated fair value of in-process projects based on risk-adjusted cash flows utilizing a discount rate of 17%. These in-process projects had not yet reached technological feasibility and had no future alternative uses as of the date of the acquisition. The primary basis for determining the technological feasibility of these projects was obtaining regulatory approval to market the underlying products. The acquired in-process research and development assets are not subject to amortization until the projects are complete, at which time, they will be amortized over their estimated remaining useful lives ranging from 10 to 20 years. These projects relate to a prostrate MRI coil and certain software, and the projects are expected to be completed in fiscal 2011 at a cost of approximately \$1.0 million. If the projects are not successful or completed in a timely manner, we may not realize the financial benefits expected for these projects or for the transaction as a whole.

The contingent earn out will be based on a multiple of incremental revenue growth during the two-year period following the completion of the acquisition. As required by ASC 805, we have recorded an estimate of the fair value of the contingent consideration liability based on future revenue projections of the Sentinelle Medical business under various potential scenarios and weighted probability assumptions of these outcomes. These cash flow projections have been discounted using a rate of 16.5%. This analysis resulted in an initial contingent consideration liability of \$29.5 million, which will be adjusted periodically as a component of operating expenses based on changes in fair value of the liability, primarily driven by assumptions pertaining to the achievement of the defined revenue growth milestones. This fair value measurement is based on significant inputs not observable in the market and thus represents a Level 3 measurement as defined in ASC 820, *Fair Value Measurements*. As of September 25, 2010, there were no significant changes in the estimated outcomes for the contingent consideration recognized. Actual amounts paid may differ from the liability recorded.

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Fiscal 2008 Acquisitions:

Third Wave Technologies, Inc.

On July 24, 2008, we completed our acquisition of Third Wave pursuant to a definitive agreement dated June 8, 2008. We paid \$11.25 per share of Third Wave, for an estimated aggregate purchase price of \$591.1 million, including \$8.1 million for the estimated fair value of fully vested stock-based awards and \$7.6 million in acquisition-related expenses. We concluded that the acquisition of Third Wave did not represent a material business combination and therefore no pro forma financial information has been provided herein. Our results of operations include the results of Third Wave since the acquisition date, as a component of our Diagnostics reporting segment.

Our acquisition of Third Wave was accounted for using the purchase method of accounting, and the total purchase price was allocated to the assets acquired and liabilities assumed based on our estimate of their fair values as of the date of the acquisition. The excess of purchase price over those fair values was recorded as goodwill. As a result of this acquisition, we recorded a \$195.2 million charge for acquired in-process research and development in the fourth quarter of fiscal 2008, and we have recorded additional amortization expense for the acquired intangible assets and additional interest expense on the funds we borrowed to complete the acquisition in both fiscal 2009 and 2008.

The allocation of the purchase price was based upon preliminary estimates of the fair value of assets acquired and liabilities assumed as of July 24, 2008. We finalized the allocation of the purchase price in fiscal 2009 once we had all necessary information to complete our estimates. The purchase price in excess of net tangible assets acquired was allocated to identifiable intangible assets, including in-process research and development, based upon a detailed valuation that relies on information and assumptions further described below. The excess of the purchase price over the fair value of the net tangible and intangible assets acquired and liabilities assumed was allocated to goodwill.

As part of the purchase price allocation, \$195.2 million of the purchase price was allocated to acquired in-process research and development projects. The amounts allocated to acquired in-process research and development represents programs for which some research and development has been completed, but technological feasibility has not been determined or FDA approval is pending. The amount allocated to acquired in-process research and development represents the estimated fair value based on risk-adjusted cash flows related to these projects using a discount rate of 20%. The primary basis for determining the technological feasibility of these projects was obtaining regulatory approval to market the underlying products. The fair value attributable to these in-process projects was expensed at the time of the acquisition. If the projects are not successful or completed in a timely manner, we may not realize the financial benefits expected for these projects or for the transaction as a whole.

The most significant acquired in-process technology related to the Cervista HPV HR screening, for which we estimated a value of \$151.2 million. At the time of, and subsequent to the acquisition, we sold HPV reagents that detect certain high risk HPV types as Analyte Specific Reagents (“ASRs”). In 2006, Third Wave began clinical trials for PMA submissions to the FDA for Cervista HPV HR. Third Wave submitted the PMAs in April 2008 and received FDA approval in the second quarter of fiscal 2009. Since receiving FDA approval, we have begun to transition to only selling HPV IVDs. The HPV in-process research and development related only to the HPV IVDs and the HPV ASRs were valued as developed technology.

The estimated cost to complete Third Wave’s remaining in-process research and development projects as of September 25, 2010 in the aggregate was approximately \$2.8 million.

On July 17, 2008, we entered into an amended and restated credit agreement with Goldman Sachs Credit Partners L.P. and certain other lenders and borrowed \$540.0 million under that facility to finance our acquisition of Third Wave. We paid off amounts outstanding under this amended and restated credit agreement in fiscal 2010 and terminated this agreement in third quarter of fiscal 2010.

Cytc Corporation

On October 22, 2007, we completed our merger with Cytc, pursuant to which Cytc became our wholly-owned subsidiary. Under the terms of the merger agreement, Cytc shareholders received 1.04 shares of our common stock and \$16.50 in cash for each share of Cytc common stock held by them. The aggregate consideration we paid for Cytc, including liabilities assumed in connection with the transaction, was \$6.2 billion comprised as follows:

- merger consideration paid to the former Cytc stockholders of \$5.8 billion, consisting of approximately \$2.1 billion in cash and approximately 132.0 million shares of our common stock with an estimated fair value of approximately \$3.7 billion;
- 16.5 million of fully vested stock options issued upon conversion of Cytc stock options with an estimated fair value of approximately \$241.4 million;
- the assumption of obligations of Cytc under its 2.25% Senior Convertible Notes due 2024 with a principal amount outstanding as of October 22, 2007 of approximately \$73.0 million and an estimated fair value of approximately \$125.0 million; and
- direct acquisition costs of \$24.2 million.

In connection with the merger, we entered into a credit agreement relating to a senior secured credit facility with Goldman Sachs Credit Partners L.P. and certain other lenders, in which the lenders committed to provide, in the aggregate, senior secured financing of up to approximately \$2.55 billion to pay for the cash portion of the merger consideration, for repayment of existing debt of Cytc, for expenses relating to the merger and for working capital following the completion of the merger. As of the closing of the merger, we borrowed \$2.35 billion under the credit facility. In December 2007, we refinanced a substantial portion of this credit facility through the issuance of 2.00% Convertible Senior Notes due 2037 in the principal amount of \$1.725 billion. On July 17, 2008, after having paid off all outstanding term loans under the credit facility, we amended and restated the credit facility to finance our acquisition of Third Wave.

Our merger with Cytc was accounted for using the purchase method of accounting, and we were considered to be the acquirer of Cytc for accounting purposes. Our results of operations after completion of the merger include the operations of Cytc. As a result of the acquisition, we recorded an in-process research and development of \$370.0 million in the first quarter of fiscal 2008.

We allocated the purchase price to the assets acquired and liabilities assumed based on our estimate of their estimated fair values. We then allocated the purchase price in excess of net tangible assets acquired to identifiable intangible assets, including in-process research and development, based upon a detailed valuation that relies on information and assumptions further described below. The excess of the purchase price over the fair value of the net tangible and intangible assets acquired and liabilities assumed was allocated to goodwill.

Identifiable Intangible Assets

As part of the purchase price allocation, we determined that Cytc's identifiable intangible assets included existing technology, customer relationships and trade names. Cytc's existing technology related to patents, patent applications and know-how with respect to the technologies embedded in its currently marketed products. In determining the allocation of the purchase price to existing technology, consideration was only given to patent and patent applications that relate to products that have been approved by the FDA. Cytc's customer relationship assets relate to relationships that Cytc's sales force has developed with OB/GYNS, breast surgeons, clinical laboratories and other physicians. The trade names related to both the Cytc name as well as key product names.

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We used the income approach to value the existing technology and marketing based intangibles. This approach calculates fair value by discounting the after-tax cash flows back to a present value. The baseline data for this analysis was the cash flow estimates used to price the transaction. Cash flows were forecasted for each intangible asset, and then discounted based on an appropriate discount rate. The discount rates applied were benchmarked with reference to the implied rate of return from the transaction model as well as Cytyc's weighted average cost of capital based on the capital asset pricing model.

In estimating the useful life of the acquired assets, we considered ASC 350, *Intangible—Goodwill and Other*, Subsection 30-35-3, which lists the pertinent factors to be considered when estimating the useful life of an intangible asset. These factors included a review of the expected use by the combined company of the assets acquired, the expected useful life of another asset (or group of assets) related to the acquired assets, legal, regulatory or other contractual provisions that may limit the useful life of an acquired asset or may enable the extension of the useful life of an acquired asset without substantial cost, the effects of obsolescence, demand, competition and other economic factors, and the level of maintenance expenditures required to obtain the expected future cash flows from the asset. We are amortizing these intangible assets over their estimated useful lives either using a method that is based on estimated future cash flows as we believe this will approximate the pattern in which the economic benefits of the assets will be utilized, or on a straightline basis if those cash flows are not reliably determinable.

In connection with our review of long-lived assets, we recorded a \$143.5 million intangible asset impairment charge related to our MammoSite reporting unit, which was acquired in the merger with Cytyc and is within our Breast Health segment, in the fourth quarter of fiscal 2010. See the Critical Accounting Policies below for additional information pertaining to the impairment analysis.

Acquired In-Process Research and Development

As part of the purchase price allocation for our merger with Cytyc, we allocated \$370.0 million of the purchase price to acquired in-process research and development projects. The amount allocated to acquired in-process research and development represented the estimated fair value based on risk-adjusted cash flows related to in-process projects that had not yet reached technological feasibility and had no alternative future uses as of the date of the merger. The primary basis for determining the technological feasibility of these projects was obtaining regulatory approval to market the underlying products. The fair value attributable to these in-process projects was expensed at the time of the merger. If the projects are not successful or completed in a timely manner, we may not realize the financial benefits expected for these projects or for the transaction as a whole.

The fair value assigned to acquired in-process research and development was determined by estimating the costs to develop the acquired technology into commercially viable products, estimating the resulting net cash flows from the projects, and discounting the net cash flows to their present value. The revenue projections used to value the acquired in-process research and development was based on estimates of relevant market sizes and growth factors, expected trends in technology, and the nature and expected timing of new product introductions by us and our competitors. The resulting net cash flows from such projects were based on our estimates of cost of sales, operating expenses, and income taxes from such projects.

The rates utilized to discount the net cash flows to their present value were based on estimated cost of capital calculations and the implied rate of return from the transaction model plus a risk premium. Due to the nature of the forecasts and the risks associated with the developmental projects, appropriate risk-adjusted discount rates were used for the in-process research and development projects. The discount rates were based on the stage of completion and uncertainties surrounding the successful development of the purchased in-process technology projects.

The acquired in-process research and development of Cytyc related to the following research and development projects: Adiana System and expanded labeling of the NovaSure System, Gestiva, the ThinPrep Imaging System, the ThinPrep Processor and Helica.

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The most significant acquired in-process technology related to the Adiana System for which we estimated a value of approximately \$220.0 million. The system is an incisionless trans-cervical permanent sterilization device intended to be used during an office or hospital based procedure. In January 2008, the FDA requested an additional year of clinical trial data for the product, and in July 2009, we received FDA approval for the product.

On January 16, 2008, we entered into a definitive agreement to sell our rights to Gestiva, a drug being developed to be used in the prevention of preterm birth in pregnant women with a history of spontaneous preterm birth, to K-V Pharmaceutical Company (KV) for a total purchase price of \$82.0 million. We subsequently amended the agreement with KV to increase the purchase price to \$199.5 million. For additional information, refer to the Liquidity and Capital Resources section of this management discussion and analysis of financial condition and results of operations. We had allocated \$53.4 million to acquired in-process research for this product as part of the initial purchase price allocation.

Subsequent to the merger with Cytyc, we decided to discontinue the development of Cytyc's Helica Thermal Coagulator System product. We will not incur any further costs or realize any future cash flows from this product. Our intangible asset valuation for Cytyc included \$2.9 million related to customer relationships for Helica. As a result of the Helica product discontinuation, we recorded an impairment charge of \$2.9 million during the first quarter of fiscal 2008.

The other in-process research and development projects we acquired in our merger with Cytyc were at different stages of development, ranging from the early stages of development to Phase IIb prototype building, ongoing clinical trials and submission to the FDA of PMA and drug applications. FDA approval or clearance had not been granted for any of the products classified as in-process research and development, nor had Cytyc received any foreign approvals or clearances for any of these products. All products classified as in-process research and development require various levels of in-house and external testing, clinical trials and approvals from the FDA before these future products can be marketed. The estimated cash requirements to complete the remaining products as of September 25, 2010 were expected to be approximately \$2.4 million.

The successful development of new products and product enhancements is subject to numerous risks and uncertainties, both known and unknown, including, unanticipated delays, access to capital, budget overruns, technical problems and other difficulties that could result in the abandonment or substantial change in the design, development and commercialization of these new products and enhancements, including, for example changes requested by the FDA in connection with PMA or NDA applications for products or 510(k) notification. Given the uncertainties inherent with product development and introduction, we cannot provide assurance that any of our product development efforts will be successful on a timely basis or within budget, if at all. Our failure to develop new products and product enhancements on a timely basis or within budget could harm our results of operations and financial condition.

Goodwill

The purchase price allocation for Cytyc initially resulted in goodwill of approximately \$3.84 billion. The factors contributing to the recognition of this amount of goodwill were based upon several strategic and synergistic benefits that were expected to be realized from the combination. These benefits included the expectation that our complementary products and technologies would create a leading women's healthcare company with an enhanced presence in hospitals, private practices and healthcare organizations. We also expected to realize substantial synergies through the use of Cytyc's OB/GYN and breast surgeon sales channel to cross-sell our existing and future products. Our merger with Cytyc provided us broader channel coverage within the United States and expanded geographic reach internationally, as well as increased scale and scope for further expanding operations through product development and complementary strategic transactions.

In connection with our fiscal 2010 annual goodwill impairment test, performed on the first day of our fiscal fourth quarter, we recorded a goodwill impairment charge of \$76.7 million related to our MammoSite reporting

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unit. As a result of our interim impairment analysis of goodwill as of December 27, 2008, we recorded an impairment charge of \$2.34 billion related to the goodwill from the merger with Cytac. See the Critical Accounting Policies below for additional information pertaining to the interim impairment analysis of our goodwill.

RESULTS OF OPERATIONS

The following table sets forth, for the periods indicated, the percentage of total revenues represented by items as shown in our Consolidated Statements of Operations. All dollar amounts in tables are presented in thousands.

	Fiscal Years Ended		
	September 25, 2010	September 26, 2009	September 27, 2008
Revenues:			
Product sales	84.2%	87.2%	89.7%
Service and other revenues	15.8	12.8	10.3
	<u>100.0</u>	<u>100.0</u>	<u>100.0</u>
Costs and expenses:			
Cost of product sales	29.0	28.3	31.6
Cost of product sales—amortization of intangible assets	10.2	9.5	5.7
Cost of product sales—impairment of intangible assets	7.3	0.2	—
Cost of service and other revenues	9.6	9.6	9.4
Research and development	6.2	6.3	5.3
Selling and marketing	14.7	14.6	15.6
General and administrative	8.8	8.6	8.4
Amortization of intangible assets	3.3	3.1	1.5
Impairment of goodwill	4.6	142.9	—
Impairment of intangible assets	1.2	—	0.2
Litigation-related settlement charges, net	0.7	—	—
Acquired in-process research and development	0.1	—	33.7
Restructuring and divestiture charges	0.1	0.0	0.4
	<u>95.8</u>	<u>223.2</u>	<u>111.8</u>
Income (loss) from operations	4.2	(123.2)	(11.8)
Interest income	0.1	0.1	0.3
Interest expense	(7.6)	(8.2)	(7.9)
Other income (expense) income, net	0.1	(0.2)	(0.1)
Loss before income taxes	(3.2)	(131.5)	(19.5)
Provision for income taxes	0.5	3.9	5.3
Net loss	<u>(3.7)%</u>	<u>(135.4)%</u>	<u>(24.8)%</u>

Fiscal Year Ended September 25, 2010 Compared to Fiscal Year Ended September 26, 2009**Product Sales.**

	September 25, 2010		September 26, 2009		Change	
	Amount	% of Total Revenue	Amount	% of Total Revenue	Amount	%
	Product Sales					
Breast Health	\$ 525,622	31%	\$ 553,065	34%	\$ (27,443)	(5)%
Diagnostics	548,832	33%	544,143	33%	4,689	1%
GYN Surgical	281,364	17%	263,187	16%	18,177	7%
Skeletal Health	59,082	3%	66,591	4%	(7,509)	(11)%
	<u>\$1,414,900</u>	<u>84%</u>	<u>\$1,426,986</u>	<u>87%</u>	<u>\$(12,086)</u>	<u>(1)%</u>

In fiscal 2010, our product sales decreased \$12.1 million, or 1%, compared to fiscal 2009 primarily due to a decrease of \$27.4 million in our Breast Health products and to a lesser extent a \$7.5 million decline in Skeletal Health products partially offset by increases in GYN Surgical and Diagnostic products of \$18.2 million and \$4.7 million, respectively.

Breast Health product sales decreased 5% in fiscal 2010 compared to fiscal 2009 primarily due to a \$13.9 million decline in digital mammography systems revenues principally due to product mix as we sold a greater number of defeated Selenia systems, which have lower average selling prices than our full featured models, a shift to a higher level of international sales, and to a lesser extent, we experienced slight pressure on average selling prices. These decreases were partially offset by an increase in the number of units sold of our new 2D/3D Dimensions systems. The decline in revenue is also due to phasing out the supply of digital detectors to an OEM and closing our AEG organic photoconductor drum coatings manufacturing operations in Shanghai, which in aggregate accounted for \$17.5 million in revenues in fiscal 2009. These decreases were partially offset by a \$9.3 million increase in revenues due to higher volumes of our breast biopsy products, offset in part by a slight reduction in average selling prices for these products. We also generated \$2.4 million in revenues from sales of MRI breast coils through our acquisition of Sentinelle Medical in the fourth quarter of fiscal 2010.

Diagnostics product sales increased 1% in fiscal 2010 compared to fiscal 2009 primarily due to an increase in sales of our Cervista HPV tests, and to a lesser extent other molecular tests. Partially offsetting these increases was a decrease in ThinPrep pap test volume domestically due to the decline in doctor visits, which we believe is attributable to the lagging effects of unemployment, continuing economic uncertainty and recent changes in cervical cancer screening guidelines to extend the recommended intervals between such screenings, and the discontinuance of certain molecular ASRs, which contributed \$3.5 million of revenue in 2009. In addition, we have seen laboratory consolidation, which impacts our average selling prices due to volume purchase discounts to the larger laboratories.

GYN Surgical product sales increased 7% in fiscal 2010 compared to fiscal 2009 primarily due to growing sales of the Adiana System, which was approved by the FDA in the fourth quarter of fiscal 2009, and to a lesser extent, an increase in the number of NovaSure products sold. We also experienced a slight increase in NovaSure average selling prices.

Skeletal Health product sales decreased 11% in fiscal 2010 compared to fiscal 2009 primarily due to a decrease in mini C-arms sales of \$4.6 million as a result of a reduction in the number of units sold. In addition, there was a \$3.6 million decrease in osteoporosis assessment product sales principally due to a decrease in the number of bone densitometry systems sold worldwide. This product line has experienced a difficult capital equipment environment worldwide and the ongoing effects of the reduction in reimbursement for osteoporosis exams in the U.S. Recently the reimbursement situation improved, which may benefit future demand for this product line.

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In fiscal 2010, approximately 79% of product sales were generated in the United States, 12% in Europe, 5% in Asia, and 4% in other international markets. In fiscal 2009, approximately 80% of product sales were generated in the United States, 12% in Europe, 4% in Asia, and 4% in other international markets.

Service and Other Revenues.

	Years Ended					
	September 25, 2010		September 26, 2009		Change	
	Amount	% of Total Revenue	Amount	% of Total Revenue	Amount	%
<i>Service and Other Revenues</i>	\$264,652	16%	\$210,148	13%	\$54,504	26%

Service and other revenues are primarily comprised of revenue generated from our field service organization to provide ongoing service, installation and repair of our products. Service and other revenues increased 26% in fiscal 2010 compared to fiscal 2009 primarily in our Breast Health business due to an increase in the number of service contracts driven by an increase in our installed base of our full field digital mammography systems.

Cost of Product Sales.

	Years Ended					
	September 25, 2010		September 26, 2009		Change	
	Amount	% of Product Sales	Amount	% of Product Sales	Amount	%
<i>Cost of Product Sales</i>	\$487,057	34%	\$463,066	33%	\$23,991	5%
<i>Cost of Product Sales—Amortization of Intangible Assets</i>	171,447	12%	155,519	11%	15,928	10%
<i>Cost of Product Sales—Impairment of Intangible Assets</i>	123,350	9%	4,065	0%	119,285	2,934%
	\$781,854	55%	\$622,650	44%	\$159,204	26%

Product sales gross margin decreased to 45% in fiscal 2010 compared to 56% in fiscal 2009 primarily due to the significant intangible asset impairment charge of \$123.4 million recorded in fiscal 2010.

Cost of Product Sales. The cost of product sales as a percentage of product sales in fiscal 2010 was 34% compared to 33% in fiscal 2009. Cost of product sales as a percentage of product revenues increased across our business segments, except Skeletal Health which remained relatively flat with the prior year. The decline in gross margin in the current year was driven by a shift in product mix of our Selenia digital mammography systems to lower margin configurations, a higher level of international sales, and a slight reduction in average selling prices in our Breast Health segment. In addition, we experienced unfavorable manufacturing variances related to our Adiana System and lower absorption of manufacturing costs.

Cost of Product Sales—Amortization of Intangible Assets. Amortization of intangible assets relates to acquired developed technology. These intangible assets are generally being amortized over their estimated useful lives of between 8.5 and 20 years using a straight-line method or, if reliably determinable, based on the pattern in which the economic benefits of the assets are expected to be consumed. The increase in amortization in fiscal 2010 is due to the method of recognition based on the expected economic benefits of the underlying assets, and is primarily related to the intangible assets acquired in the Cytoc merger in the first quarter of fiscal 2008.

Cost of Product Sales—Impairment of Intangible Assets. During the fourth quarter of fiscal 2010 in connection with our Company-wide annual budgeting and strategic planning process, we determined that indicators of impairment existed in our MammoSite reporting unit due to changing market conditions for the

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breast brachytherapy market, including downward pressure on procedure volumes due to the continuing adverse macroeconomic environment and current trends in breast cancer management, as well as competitive pricing pressures and competition from existing and alternative new technologies. These factors resulted in lowering our financial projections for MammoSite. We performed the first step in the long-lived assets impairment test and compared MammoSite's forecasted undiscounted cash flows to the carrying value of its net assets, which indicated that these cash flows were insufficient to recover MammoSite's carrying value. Therefore, we determined the fair value of MammoSite's long-lived assets, which are primarily intangible assets, using a discounted cash flow technique. Based on the fair value of the long-lived assets, we recorded an impairment charge of \$123.4 million to developed technology in the fourth quarter of fiscal 2010. During the second quarter of fiscal 2009, we decided to discontinue selling a certain product acquired in the Third Wave acquisition, which was an indicator of impairment, and therefore, we performed an impairment test. Due to the insufficient cash flows to be generated, the Company determined that the related asset group's fair value was de minimus and recorded an impairment charge of \$4.1 million comprised of developed technology of \$2.6 million and capitalized license fees of \$1.5 million.

Cost of Service and Other Revenues.

	Years Ended					
	September 25, 2010		September 26, 2009		Change	
	Amount	% of Service and Other Revenues	Amount	% of Service and Other Revenues	Amount	%
<i>Cost of Service and Other Revenues</i>	\$161,060	61%	\$156,998	75%	\$4,062	3%

Service and other revenues gross margin has improved to 39% in fiscal 2010 from 25% in fiscal 2009 due in part to the improved absorption of fixed service costs as a result of the continued growth of service contract revenue, primarily in the Breast Health business. We have been able to convert a high percentage of our domestic installed base of full field digital mammography systems to service contracts upon the expiration of the warranty period.

Operating Expenses.

	Years Ended					
	September 25, 2010		September 26, 2009		Change	
	Amount	% of Total Revenue	Amount	% of Total Revenue	Amount	%
<i>Operating Expenses</i>						
Research and Development	\$ 104,305	6%	\$ 102,453	6%	\$ 1,852	2%
Selling and Marketing	247,374	15%	238,977	15%	8,397	4%
General and Administrative	148,340	9%	140,700	9%	7,640	5%
Amortization of Intangible Assets	54,858	3%	51,210	3%	3,648	7%
Impairment of Goodwill	76,723	5%	2,340,023	143%	(2,263,300)	(97)%
Impairment of Intangible Assets	20,117	1%	—	—	20,117	100%
Litigation-related Settlement Charges, Net	11,403	1%	—	—	11,403	100%
Acquired In-process Research and Development	2,000	0%	—	—	2,000	100%
Restructuring and Divestiture Charges	1,581	0%	797	0%	784	98%
	\$666,701	40%	\$2,874,160	176%	\$(2,207,459)	(77)%

Research and Development Expenses. Research and development expenses increased 2% in fiscal 2010 compared to fiscal 2009 due to an increase in clinical trial costs, primarily related to our tomosynthesis product,

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the addition of expenses from Sentinelle Medical since August 5, 2010 (the acquisition date), compensation and benefits, and engineering programs for a number of projects for product enhancements and new products. These increases were offset in part by a reduction of pre-release production costs that were incurred in fiscal 2009 related to the Adiana System that are no longer being incurred due to its FDA approval and commercial release in the fourth quarter of fiscal 2009. Research and development primarily reflects spending on new product development programs, regulatory compliance and clinical research and trials. At any point in time, we have a number of different research projects and clinical trials being conducted and the timing of these projects and related costs can vary period to period.

Selling and Marketing Expenses. Selling and marketing expenses increased 4% in fiscal 2010 compared to fiscal 2009 primarily due to higher distributor and third-party commissions, additional expenses related to recently released products, trade shows and website marketing partially offset by lower compensation and expenditures for advertising and medical education. We expect to incur additional expenses in fiscal 2011 with the launch of our direct-to-consumer advertising campaign for our NovaSure product.

General and Administrative Expenses. General and administrative expenses increased 5% primarily due to higher legal fees related to increased litigation related activities, principally the Ethicon and SenoRx lawsuits, and higher employee compensation and benefits principally due to a transition payment to the former CEO of \$1.7 million in the first quarter of fiscal 2010 and related continuing retention compensation, an increase in the value of our Supplemental Executive Retirement Plan (“SERP”), and increased bonuses, offset slightly by lower costs from the departure of certain employees that were not replaced. In addition, transaction costs related to acquisitions are now recorded as an expense and not capitalized as part of the purchase price, increasing general and administrative expenses in fiscal 2010. The increase in general and administrative expenses was partially offset by lower fees for accounting, tax and other consulting services, lower bad debt expense, and lower charges for the write-off of certain corporate-related fixed assets in fiscal 2010.

Amortization of Intangible Assets. Amortization of intangible assets results from customer relationships and trade names related to our acquisitions. These intangible assets are generally being amortized over their estimated useful lives of between 2 and 30 years using a straight-line method or, if reliably determinable, based on the pattern in which the economic benefits of the assets are expected to be consumed.

Impairment of Goodwill. During the fourth quarter of fiscal 2010, in connection with performing our Company-wide annual budgeting and forecasting process, we determined that indicators of impairment existed in our MammoSite reporting unit and recorded intangible asset impairment charges discussed above and below. The fair value of this reporting unit declined from fiscal 2009 primarily due to our reassessment of the overall market size of breast brachytherapy and a reduction in long-term growth projections. After determining the fair values of MammoSite’s long-lived assets, other than goodwill, and writing these assets down to their fair values, we performed the 2-step goodwill impairment test for MammoSite. As a result of this analysis, we recorded a \$76.7 million goodwill impairment charge. No other reporting units were deemed to be impaired in fiscal 2010. During the first quarter of fiscal 2009, based upon a combination of factors, including the deteriorating macro-economic environment, declines in the stock market and the decline of our market capitalization significantly below the book value of our net assets, we concluded that potential goodwill impairment indicators existed as of December 27, 2008. As a result, we performed an interim goodwill impairment analysis as of December 27, 2008. Step 1 of the impairment analysis indicated that the carrying value of the net assets of certain of our reporting units, acquired in connection with the Cytoc acquisition, exceeded the estimated fair value of those reporting units. As a result, we were required to complete Step 2 of the impairment analysis to determine the amount, if any, of goodwill impairment charges. We completed Step 2 of this analysis during the second quarter of fiscal 2009 and recorded a goodwill impairment charge of \$2.34 billion in the three month period ended March 28, 2009. Refer to Note 2—“Intangible Assets and Goodwill” contained in Item 15 of this Annual Report for more information.

Impairment of Intangible Assets. As noted above under Cost of Product Sales—Impairment of Intangible Assets, we determined that the long-lived assets in the MammoSite reporting unit were impaired. As a result of

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this analysis, we recorded a \$20.1 million charge to write down customer relationships and trade name intangible assets to their fair values. Refer to Note 2—"Intangible Assets and Goodwill" contained in Item 15 of this Annual Report for more information.

Litigation-Related Settlement Charges, Net. These charges are primarily comprised of our litigation with Ethicon Endo-Surgery, Inc. ("Ethicon"), a Johnson & Johnson operating company. We had been engaged in litigation in which Ethicon had alleged patent infringement by our ATEC biopsy system of certain of their patents, and Ethicon had made similar claims of our Eviva biopsy system. On February 17, 2010, we entered into a settlement agreement with Ethicon, and all outstanding litigation between the parties was dismissed. In connection with the settlement agreement, we agreed to make a one-time payment to Ethicon of \$12.5 million and ongoing royalties for sales of our ATEC and EVIVA products, and Ethicon agreed to pay us ongoing royalties for sales of its Mammotome magnetic resonance imaging product.

Acquired In-Process Research and Development Expenses. During the fourth quarter of fiscal 2010, we acquired certain assets that were determined to have no future alternative use and recorded a \$2.0 million charge within our Diagnostics segment.

Restructuring and Divestiture Charges. During the fourth quarter of fiscal 2010, we terminated the employment of certain employees in connection with completing the Sentinelle Medical acquisition and recorded severance and related benefit costs of \$0.9 million. Certain employees will also receive stay bonuses, which are being recorded over the required service period. The terminations occurred prior to September 25, 2010. During the second quarter of fiscal 2010, we completed the sale of the capital stock of our organic photoconductor drum coating manufacturing operation in Shanghai, China for a net sales price of \$3.8 million resulting in a loss on disposal of \$0.3 million. During the fourth quarter of 2009, we closed this manufacturing operation due to Chinese government requirements to move the facility. In connection with this action, we recorded restructuring costs for severance benefits and other costs of \$0.8 million in the fourth quarter of fiscal 2009. In fiscal 2010, we incurred clean-up and closure costs of \$0.3 million, net.

Interest Income.

	Years Ended			
	September 25, 2010	September 26, 2009	Change	
	Amount	Amount	Amount	%
Interest Income	\$ 1,278	\$ 1,161	\$ 117	10%

Interest income increased in fiscal 2010 compared to fiscal 2009 primarily due to an increase in invested balances partially offset by a decline in interest rates.

Interest Expense.

	Years Ended			
	September 25, 2010	September 26, 2009	Change	
	Amount	Amount	Amount	%
Interest Expense	\$ (127,107)	\$ (134,957)	\$ 7,850	6%

Interest expense consists primarily of the interest costs and the related amortization of the debt discount of our 2.00% Convertible Notes as well as the amortization of deferred financing costs. In fiscal 2010, we adopted a new accounting standard, FASB Staff Position APB 14-1, *Accounting for Convertible Debt Instruments That May Be Settled in Cash Upon Conversion (Including Partial Cash Settlement)* (FSP APB 14-1) (codified within Accounting Standards Codification 470, *Debt*), that changed the accounting for convertible debt instruments with

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cash settlement features and required us to allocate a portion of our Convertible Notes to equity based on the relative fair value of the embedded conversion feature in our Convertible Notes. This component is recorded as a debt discount and is amortized to interest expense. This new accounting standard was retrospectively applied to prior periods (see Note 5(a) contained in Item 15 of this Annual Report for additional information). In addition, we incurred interest costs and the related amortization of deferred financing costs of our senior secured credit agreement. Interest expense decreased in fiscal 2010 compared to fiscal 2009 primarily due to paying down the outstanding principal amounts under our senior secured credit agreement, which were fully paid off in the third quarter of this year, partially offset by higher overall interest expense on our Convertible Notes due to using the effective interest method to amortize the debt discount.

Other Income (Expense), net.

	Years Ended			
	September 25, 2010	September 26, 2009	Change	
	Amount	Amount	Amount	%
<i>Other Income (Expense), net</i>	\$ 901	\$ (3,660)	\$4,561	125%

In fiscal 2010, this account was primarily comprised of an increase in the cash surrender value of life insurance contracts related to our SERP of \$1.3 million, which is driven by changes in stock market valuation, an increase related to non-income tax related government credits of \$0.8 million partially offset by the write-off of a cost-method investment of \$1.1 million due to an other-than-temporary impairment charge. In fiscal 2009, this account was primarily comprised of other-than-temporary impairment charges of cost-method investments of \$2.2 million and foreign currency transaction losses of \$2.3 million, offset by a \$0.7 million increase in the cash surrender value of life insurance contracts related to our SERP.

Provision for Income Taxes.

	Years Ended			
	September 25, 2010	September 26, 2009	Change	
	Amount	Amount	Amount	%
<i>Provision for Income Taxes</i>	\$ 7,822	\$ 62,512	\$ (54,690)	(87)%

Our effective tax rate for fiscal 2010 was 14.2% of the pre-tax loss compared to 2.9% of the pre-tax loss in fiscal 2009. Our effective tax rate for fiscal 2010 was significantly impacted by the \$76.7 million goodwill impairment charge recorded in the fourth quarter, substantially all of which was not deductible for tax purposes. The effective tax rate for fiscal 2009 was significantly impacted by the \$2.34 billion goodwill impairment charge recorded in the second quarter of fiscal 2009, substantially all of which was not deductible for tax purposes.

We anticipate an effective tax rate of approximately 35% to 36% of pre-tax earnings in fiscal 2011.

Segment Results of Operations

We report our business as four segments: Breast Health, Diagnostics, GYN Surgical and Skeletal Health. The accounting policies of the segments are the same as those described in the footnotes to the accompanying consolidated financial statements contained in Item 15 of this Annual Report. We measure segment performance based on total revenues and operating income or loss. Revenues from product sales of each of these segments are described in further detail above. The discussion that follows is a summary analysis of total revenues and the primary changes in operating income or loss by segment.

[Table of Contents](#)*Breast Health.*

	Years Ended			
	September 25, 2010	September 26, 2009	Change	
	Amount	Amount	Amount	%
Total Revenues	\$ 755,542	\$ 728,884	\$26,658	4%
Operating Loss	\$ (93,623)	\$ (122,559)	\$ 28,936	24%
Operating Loss as a % of Segment Revenue	(12)%	(17)%		

Breast Health revenues increased in fiscal 2010 compared to fiscal 2009 primarily due to a \$54.1 million increase in service revenues that is substantially related to additional service contracts for the increased number of Selenia systems in our installed base partially offset by the decrease in product revenues of \$27.4 million discussed above.

The operating loss for this business segment decreased in fiscal 2010 compared to fiscal 2009 primarily due to a \$220.2 million intangible asset and goodwill impairment charge related to our MammoSite reporting unit recorded in the fourth quarter of fiscal 2010 as compared to the \$265.9 million goodwill impairment charge related to our MammoSite reporting unit recorded in the second quarter of fiscal 2009. Excluding the impact of these goodwill and intangible asset impairment charges, operating income decreased \$16.8 million in fiscal 2010 compared to fiscal 2009 primarily due to the \$12.5 million litigation settlement charge recorded in the second quarter of fiscal 2010 for the settlement of the Ethicon matter discussed above. Overall, our gross margins declined significantly to 31% due to the intangible asset impairment charge to write down developed technology related to our MammoSite reporting unit. Excluding this impairment, gross margins were relatively flat at 47% in both the current and prior year periods. Gross margin was positively impacted by an improved service revenues gross margin as a result of our relatively fixed cost structure to support service contracts, which was partially offset by a reduction in product gross margin to 54% from 58% in fiscal 2009 primarily due to a shift in product mix of our Selenia digital mammography systems to lower margin configurations, a higher level of international sales, and slight pressure on average selling prices. In addition, the increase in service revenues, which have lower gross margins than product sales, resulted in overall lower gross margins. The fiscal 2010 operating loss included higher clinical trial expenses principally related to clinical trials for our tomosynthesis product, increased litigation costs and higher third-party commissions compared to fiscal 2009. Fiscal 2010 also included Sentinelle Medical operating expenses and acquisition related transaction costs and charges aggregating approximately \$5.0 million.

Diagnostics.

	Years Ended			
	September 25, 2010	September 26, 2009	Change	
	Amount	Amount	Amount	%
Total Revenues	\$ 552,501	\$ 547,892	\$ 4,609	1%
Operating Income (Loss)	\$ 100,469	\$ (809,640)	\$ 910,109	112%
Operating Income (Loss) as a % of Segment Revenue	18%	(148)%		

Diagnostics revenues increased in fiscal 2010 compared to fiscal 2009 primarily due to product sales discussed above.

Operating income for this business segment in fiscal 2010 increased compared to fiscal 2009 primarily due to a \$908.3 million goodwill impairment charge and a \$4.1 million intangible asset charge recorded in the second

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quarter of fiscal 2009. Excluding the impact of these charges, operating income was essentially flat in fiscal 2010 compared to fiscal 2009 due to lower operating expenses, which declined \$7.5 million, partially offset by a reduction in gross margin to 53% from 55%. Gross margin declined primarily due to lower absorption of manufacturing costs as a result of lower volumes of ThinPrep, and higher intangible asset amortization expense. Gross margin in fiscal 2009 included a \$4.1 million intangible asset charge. Operating expenses declined due to lower legal expenses, lower employee compensation and benefits as a result of the departure of certain senior personnel. Operating expenses in fiscal 2010 included an acquired in-process research and development charge of \$2.0 million for the acquisition of certain assets which had no future alternative use.

GYN Surgical.

	Years Ended			
	September 25, 2010	September 26, 2009	Change	
	Amount	Amount	Amount	%
Total Revenues	\$ 283,142	\$ 264,900	\$ 18,242	7%
Operating Income (Loss)	\$ 53,071	\$ (1,097,685)	\$ 1,150,756	105%
Operating Income (Loss) as a % of Segment Revenue	19%	(414)%		

GYN Surgical revenues increased in fiscal 2010 compared to fiscal 2009 primarily due to the increase in product sales discussed above.

The operating loss in this segment in fiscal 2009 included a \$1.17 billion goodwill impairment charge recorded in the second quarter of fiscal 2009. Excluding the impact of the goodwill impairment charge, operating income in fiscal 2010 decreased \$15.1 million compared to fiscal 2009 due to a reduction in gross margin to 61% from 67% and higher operating expenses of \$10.6 million compared to the corresponding period in the prior year. The decrease in gross margin is primarily due to unfavorable manufacturing variances related to the Adiana System, higher manufacturing and material costs related to our next generation NovaSure product and higher intangible asset amortization expense. Operating expenses increased primarily due to higher compensation costs for sales and marketing personnel as a result of an increase in headcount, higher commissions driven by an increase in revenues, and higher intangible asset amortization expense. In addition, we had higher Adiana System product launch activities as FDA approval was received in the fourth quarter of fiscal 2009.

Skeletal Health.

	Years Ended			
	September 25, 2010	September 26, 2009	Change	
	Amount	Amount	Amount	%
Total Revenues	\$ 88,367	\$ 95,458	\$ (7,091)	(7)%
Operating Income	\$ 10,020	\$ 13,210	\$ (3,190)	(24)%
Operating Income as a % of Segment Revenue	11%	14%		

Skeletal Health revenues decreased in fiscal 2010 compared to fiscal 2009 primarily due to the decline in product sales discussed above.

Operating income for this business segment decreased primarily due to lower sales and higher operating expenses. Gross margin in fiscal 2010 was relatively flat at 42% compared to 41% in fiscal 2009.

Fiscal Year Ended September 26, 2009 Compared to Fiscal Year Ended September 27, 2008**Product Sales.**

	September 26, 2009		Years Ended September 27, 2008		Change	
	Amount	% of Total Revenue	Amount	% of Total Revenue	Amount	%
	Product Sales					
Breast Health	\$ 553,065	34%	\$ 731,267	44%	\$(178,202)	(24)%
Diagnostics	544,143	33%	474,633	28%	69,510	15%
GYN Surgical	263,187	16%	219,305	13%	43,882	20%
Skeletal Health	66,591	4%	77,242	5%	(10,651)	(14)%
	<u>\$1,426,986</u>	<u>87%</u>	<u>\$1,502,447</u>	<u>90%</u>	<u>\$(75,461)</u>	<u>(5)%</u>

In fiscal 2009, our product sales decreased 5% compared to fiscal 2008, primarily due to a \$178.2 million decrease in revenues from our Breast Health products and, to a lesser extent, a \$10.7 million decrease in revenues from our Skeletal Health products, partially offset by increased revenues in our Diagnostics and GYN Surgical segments of \$69.5 million and \$43.9 million, respectively. These increases were due in part to a full year of revenue for these segments in fiscal 2009 compared to the inclusion of only 49 weeks of operating results for fiscal 2008 as we acquired these segments with the Cytoc merger on October 22, 2007. Included in the increased Diagnostics' revenue is additional revenue from Third Wave of \$31.2 million. We acquired Third Wave in the fourth quarter of fiscal 2008 and as such had a full year of revenue in fiscal 2009 compared to 11 weeks in fiscal 2008.

Breast Health product sales decreased 24% in fiscal 2009 compared to fiscal 2008, primarily due to a \$150.0 million decrease in digital mammography systems sales caused primarily by a reduction in the number of Selenia full field mammography systems and related components, including our CAD software, sold domestically, and to a lesser extent, internationally. In addition, we experienced a slight deterioration of average selling prices, both domestically and internationally, driven by the current economic environment for capital purchases, and less expensive configurations of the units being sold. Also contributing to the decrease was a \$15.6 million decrease in multicare stereotactic table sales primarily attributable to a decrease in the number of systems sold, principally in the U.S. We attribute the decline in sales of breast health capital equipment and related products primarily to the more difficult economic and capital spending environment. We also experienced a decline in our MammoSite single-lumen products of \$10.2 million due to increased competition as a result of lower reimbursement rates compared to multi-lumen products. Partially offsetting the declines in sales referenced above was an \$18.2 million increase in revenues from our breast biopsy products.

Diagnostics product sales, which include ThinPrep, Rapid Fetal Fibronectin Test and our Third Wave products, increased 15% in fiscal 2009 compared to fiscal 2008. This increase was primarily due to the addition of Third Wave revenues of \$37.1 million in fiscal 2009 compared to \$5.9 million in fiscal 2008 and, to a lesser extent, an increase in the number of ThinPrep Pap Tests. The increase in fiscal 2009 is also due to the inclusion of Cytoc's results for the full fiscal year versus 49 weeks in fiscal 2008. While we received FDA approval of the Cervista HPV HR and Cervista HPV 16/18 tests in March 2009, the revenue contribution was modest in fiscal 2009.

GYN Surgical product sales, which include our NovaSure System and Adiana System, increased 20% in fiscal 2009 compared to fiscal 2008. This increase was primarily due to a significant increase in the number of NovaSure systems sold. The increase is also due to the inclusion of GYN Surgical's revenue for the full fiscal year versus 49 weeks in fiscal 2008. Revenues from the Adiana System, which we received FDA approval on July 6, 2009, were modest as the US and international market launches were limited.

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Skeletal Health product sales decreased 14% in fiscal 2009 compared to fiscal 2008, primarily due to a \$5.8 million decrease in osteoporosis assessment product sales caused primarily by a decrease in the number of bone densitometry systems sold worldwide and lower average selling prices. This product line has faced a difficult capital equipment environment in the U.S. and the effects of the reduction in reimbursement for osteoporosis assessment exams in the U.S. In addition, we experienced a reduction in revenues of \$2.8 million in mini-C arm sales and a decrease in extremity MRI sales of \$2.1 million. The decrease in mini-C arm and extremity MRI sales was due to a decrease in the number of systems sold.

In fiscal 2009 and 2008, approximately 80% of product sales were generated in the U.S., 12% in Europe, 4% in Asia, and 4% in other international markets.

Service and Other Revenues.

	September 26, 2009		September 27, 2008		Change	
	Amount	% of Total Revenue	Amount	% of Total Revenue	Amount	%
	<i>Service and Other Revenues</i>	\$210,148	13%	\$172,052	10%	\$38,096

Service and other revenues is primarily comprised of revenue generated from our field service organization to provide ongoing service, installation and repair of our products. Service and other revenues increased 22% in fiscal 2009 compared to fiscal 2008, primarily in our Breast Health segment, due to an increase in the number of service contracts executed driven by an increase in the installed base of our full field digital mammography systems and detectors.

Cost of Product Sales.

	September 26, 2009		September 27, 2008		Change	
	Amount	% of Product Sales	Amount	% of Product Sales	Amount	%
	<i>Cost of Product Sales</i>	\$ 463,066	33%	\$528,528	35%	\$(65,462)
<i>Cost of Product Sales—Amortization of Intangible Assets</i>	155,519	11%	95,310	6%	60,209	63%
<i>Cost of Product Sales—Impairment of Intangible Assets</i>	4,065	0%	—	—	4,065	100%
	\$ 622,650	44%	\$ 623,838	42%	\$ (1,188)	(0)%

Product sales gross margin decreased to 56% in fiscal 2009 compared to 58% in fiscal 2008 primarily due to the significant increase in intangible asset amortization expense of \$60.2 million, partially offset by the increase in sales of our higher gross margin disposable products in our Diagnostics and GYN Surgical segments.

Cost of Product Sales. The cost of product sales as a percentage of product sales in fiscal 2009 was 33% compared to 35% in fiscal 2008. This improvement was primarily attributable to the increase in sales of our Diagnostics and GYN Surgical segments as a percentage of our total product sales as these products have a lower product cost as a percent of revenue compared to our Breast Health and Skeletal Health products. In addition, our cost of product sales in fiscal 2008 included additional costs associated with the write-up of acquired inventory to fair value in purchase accounting of \$42.4 million related to the merger with Cytac and \$3.9 million related to the Third Wave acquisition. In fiscal 2009, the impact of these costs was only \$1.2 million related to the Third Wave inventory write-up. Our margins in fiscal 2009 were also positively impacted by our cost reduction

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initiatives implemented in the first half of 2009, which included securing lower material costs from our vendors. Partially offsetting these improvements, was a decrease in gross margin in our Breast Health segment, primarily attributable to lower absorption of manufacturing costs due to lower volumes and to a lesser extent, a slight deterioration of average selling prices, driven by the current economic environment for capital purchases, and less expensive configurations of the units being sold.

Fiscal 2009 and 2008 cost of product sales included charges of \$0.7 million and \$4.5 million, respectively, for impairment of MRI inventory and a related purchase obligation, which was fulfilled in fiscal 2009.

Cost of Product Sales—Amortization of Intangible Assets. Amortization of intangible assets relates to acquired developed technology, which are generally being amortized over their estimated useful lives of between 8.5 and 15 years using a straight-line method or, if reliably determinable, based on the pattern in which the economic benefits of the assets are expected to be consumed utilizing expected undiscounted future cash flows. The increase in amortization expense is due partly to the method of recognition based on expected economic benefits of the underlying assets, primarily related to the intangible assets acquired in the merger with Cytoc, which increased to \$133.2 million from \$80.2 million in fiscal 2008, and a full year of Third Wave related amortization of \$7.8 million compared to \$1.1 million in fiscal 2008.

Cost of Product Sales—Impairment of Intangible Assets. During the second quarter of fiscal 2009, we decided to discontinue selling a certain product acquired in the Third Wave acquisition as a result of communications from the FDA in the second quarter of fiscal 2009 regarding the approval process. This decision was an indicator of impairment, and we performed an impairment test, which indicated the undiscounted cash flows the asset group would generate over its remaining estimated useful life would not be sufficient to recover the carrying value of the asset group. Due to the insufficient cash flows to be generated, the Company determined that the related asset group's fair value was de minimus and recorded an impairment charge of \$4.1 million comprised of developed technology of \$2.6 million and capitalized license fees of \$1.5 million.

Cost of Service and Other Revenues.

	September 26, 2009		Years Ended September 27, 2008		Change	
	Amount	% of Service and Other Revenues	Amount	% of Service and Other Revenues	Amount	%
<i>Cost of Service and Other Revenues</i>	\$156,998	75%	\$158,140	92%	\$(1,142)	(1)%

Service and other revenues gross margin improved to 25% in fiscal 2009 from 8% in fiscal 2008 due in part to the improved absorption of fixed service costs and the continued growth of service contract revenue, primarily in the Breast Health segment. We increased the number of service contracts due to our increased installed base of our full field digital mammography systems and detectors. In addition, warranty costs decreased due to lower failure rates in our products.

Operating Expenses.

	Years Ended					
	September 26, 2009		September 27, 2008		Change	
	Amount	% of Total Revenue	Amount	% of Total Revenue	Amount	%
Operating Expenses						
Research and Development	\$ 102,453	6%	\$ 88,184	5%	\$ 14,269	16%
Selling and Marketing	238,977	15%	261,524	16%	(22,547)	(9)%
General and Administrative	140,700	9%	140,642	8%	58	0%
Amortization of Intangible Assets	51,210	3%	25,227	1%	25,983	103%
Impairment of Goodwill	2,340,023	143%	—	—	2,340,023	100%
Impairment of Intangible Assets	—	—	2,900	0%	(2,900)	(100)%
Acquired In-process Research and Development	—	—	565,200	34%	(565,200)	(100)%
Restructuring Charges	797	0%	6,383	1%	(5,586)	(88)%
	<u>\$2,874,160</u>	<u>176%</u>	<u>\$1,090,060</u>	<u>65%</u>	<u>\$1,784,100</u>	<u>164%</u>

Research and Development Expenses. Research and development expenses increased 16% in fiscal 2009 compared to fiscal 2008. These increases were primarily due to a full year of expenses of \$20.7 million related to Third Wave compared to \$3.7 million in fiscal 2008, and to a lesser extent a full year of operations from Cytyc in fiscal 2009 compared to 49 weeks in fiscal 2008. In addition, there was an increase in expenses related to the anticipated launch of the Adiana System and additional clinical spending for a number of projects. These increases were partially offset by a decrease in related headcount, bonus and other discretionary areas resulting from a number of cost reduction initiatives implemented in the first half of 2009. In fiscal 2008, we recorded a \$1.8 million charge related to a change in control payment associated with the merger with Cytyc.

Selling and Marketing Expenses. Selling and marketing expenses decreased 9% in fiscal 2009 compared to fiscal 2008 primarily due to lower commission expenses as a result of lower product revenues, lower bonuses driven by the Company's operating results, reduced advertising and trade show expenditures, and other cost reductions including lower employee headcount resulting from our cost reduction initiatives implemented in the first half of 2009. These decreases were partially offset by an increase of \$6.8 million related to the inclusion of a full year of operations of Third Wave, as well as a full year of operations from Cytyc in fiscal 2009 compared to 49 weeks in fiscal 2008.

General and Administrative Expenses. General and administrative expenses were unchanged in fiscal 2009 compared to fiscal 2008. In fiscal 2009, these expenses increased \$7.4 million related to the inclusion of a full year of operations of Third Wave, as well as a full year of operations from Cytyc in fiscal 2009 compared to 49 weeks in fiscal 2008. In addition, stock-based compensation expense was higher by \$5.2 million in fiscal 2009. Offsetting these increases was a decrease in bonus, headcount and related compensation, and other expenses as a result of our cost reduction initiatives implemented in the first half of 2009.

Amortization of Intangible Assets. Amortization of intangible assets results from customer relationships and trade names related to our acquisitions. These intangible assets are being amortized over their estimated useful lives of between 8.5 and 30 years using a straight-line method or, if reliably determinable, based on the pattern in which the economic benefits of the assets are expected to be consumed utilizing expected undiscounted future cash flows. The increases in these costs primarily relate to additional Cytyc-related amortization based on the pattern of economic benefit.

Impairment of Goodwill. Based upon a combination of factors, including the deteriorating macro-economic environment, declines in the stock market and the decline of our market capitalization significantly below the book value of our net assets, we concluded that potential goodwill impairment indicators existed as of

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December 27, 2008. As a result, we performed an interim goodwill impairment analysis as of December 27, 2008. Step 1 of the impairment analysis indicated that the carrying value of the net assets of certain of our reporting units, acquired in connection with the Cytyc acquisition, exceeded the estimated fair value of those reporting units. As a result, we were required to complete Step 2 of the impairment analysis to determine the amount, if any, of goodwill impairment charges. We completed Step 2 of this analysis during the second quarter of fiscal 2009 and recorded a goodwill impairment charge of \$2.34 billion in the second quarter of fiscal 2009. Refer to Note 2 in our consolidated financial statements contained in Item 15 of this Annual Report for more information. We completed our fiscal 2009 annual goodwill impairment analysis as of the first day of our fourth quarter and no additional impairments were recorded.

Impairment of Intangible Assets. Subsequent to the merger with Cytyc, we discontinued the development of Cytyc's Helica Thermal Coagulator System product, used for the treatment of endometriosis. We will not realize any future cash flows from this product. Our intangible asset valuation for Cytyc included approximately \$2.9 million related to customer relationships for Helica. As a result of the Helica product discontinuation, we recorded an impairment charge of \$2.9 million in fiscal 2008.

Acquired In-Process Research and Development Expenses. The \$565.2 million charge for in-process research and development expense is comprised of a \$370.0 million charge recorded in connection with our merger with Cytyc and a \$195.2 million charge recorded in connection with the Third Wave acquisition. Both of these charges are described in further detail above under the respective acquisitions.

Restructuring Charges. During the fourth quarter of 2009, we closed our manufacturing facility in Shanghai, China due to Chinese government requirements to move the facility. This facility, which manufactured organic photoconductor drum coatings, was acquired in connection with the AEG acquisition in 2006, and contributed approximately \$9.7 million of revenue to our Breast Health business in fiscal 2009. In connection with this action, we recorded severance benefits and other costs of \$0.8 million. The majority of employees were terminated and all termination benefits were paid as of September 26, 2009. Other costs were recorded in connection with this closure of \$1.9 million primarily related to the impairment of manufacturing equipment, accelerated depreciation expense, and the write-off of inventory, all of which was recorded in cost of product sales. During the third quarter of fiscal 2008, we recorded \$6.4 million in compensation charges, including \$1.9 million in stock-based compensation, related to the resignation of our former Executive Chairman, which was effective May 20, 2008. The cash payments were made during fiscal 2008.

Interest Income.

	Years Ended			
	September 26, 2009	September 27, 2008	Change	
	Amount	Amount	Amount	%
<i>Interest Income</i>	\$ 1,161	\$ 4,528	\$ (3,367)	(74)%

Interest income decreased in fiscal 2009 compared to fiscal 2008 primarily due to a decline in interest rates.

Interest Expense.

	Years Ended			
	September 26, 2009	September 27, 2008	Change	
	Amount	Amount	Amount	%
<i>Interest Expense</i>	\$ (134,957)	\$ (133,043)	\$ 1,914	1%

Interest expense consists primarily of the interest costs on our debt, amortization of the debt discount on our 2.00% Convertible Notes, and amortization of deferred financing costs for both our senior secured credit agreement entered into on October 22, 2007 in connection with the merger with Cytyc and amended on July 17,

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2008 in connection with the Third Wave acquisition and our 2.00% Convertible Notes that were issued in December 2007 to pay down a portion of the term loans, which had higher interest rates. Effective in fiscal 2010, we implemented FSP APB 14-1 that changed the accounting for convertible debt instruments with cash settlement features, which is applicable to our Convertible Notes. FSP APB 14-1 has been retrospectively applied to fiscal 2009 and 2008 beginning December 10, 2007, the date the Convertible Notes were issued. The impact of adoption of FSP APB 14-1 increased net interest expense in fiscal 2009 and 2008 by \$65.5 million and \$48.1 million, respectively. See Note 5(a) contained in Item 15 of this Annual Report for more information.

Interest expense in fiscal 2009 increased slightly compared to fiscal 2008 primarily due to an increase in the amortization of the debt discount on our Convertible Notes of \$67.7 million in fiscal 2009 compared to \$50.1 million in fiscal 2008. This increase was offset by lower interest expense from lower term loan balances as we paid them down quarterly and lower interest rates on those balances. In addition to the required principal payments, we made voluntary payments throughout the year resulting in a total decrease of \$290.8 million in the principal of our term loans during fiscal 2009. Additionally, we had the benefit of the lower interest rates from our Convertible Notes for all of fiscal 2009 compared to approximately nine months in fiscal 2008 as prior to the issuance of the Convertible Notes we were paying a higher interest rate on the term loans, which had higher outstanding balances.

Other (Expense) Income, net.

	Years Ended			
	September 26, 2009	September 27, 2008	Change	
	Amount	Amount	Amount	%
<i>Other (Expense) Income, net</i>	\$ (3,660)	\$ (1,215)	\$2,445	201%

In fiscal 2009, other (expense) income, net primarily includes other-than-temporary impairment charges of cost-method investments of \$2.2 million and foreign currency transaction losses of \$2.3 million, offset by an increase of \$0.7 million in the cash surrender value of life insurance contracts related to our SERP. Included in the foreign currency transaction losses is a gain of \$0.7 million related to the elimination of the cumulative translation adjustment related to our manufacturing facility in Shanghai, China due to its closure. In fiscal 2008, these balances were primarily related to a decrease in the cash surrender value of life insurance contracts related to our SERP of \$1.4 million and foreign currency transaction losses of \$0.7 million. The increase in foreign currency losses is due to the significant volatility of exchange rates during fiscal 2009, primarily the Euro.

Provision for Income Taxes.

	Years Ended			
	September 26, 2009	September 27, 2008	Change	
	Amount	Amount	Amount	%
<i>Provision for Income Taxes</i>	\$ 62,512	\$ 88,316	\$(25,804)	(29)%

Our effective tax rate for fiscal 2009 was 2.9% of the pre-tax loss compared to 27.0% of the pre-tax loss in fiscal 2008. Our effective tax rate for fiscal 2009 was significantly impacted by the \$2.34 billion goodwill impairment charge recorded in the second quarter of fiscal 2009, substantially all of which is not deductible for tax purposes. The effective tax rate for fiscal 2008 was significantly impacted by the acquired in-process research and development charge related to the merger with Cytoc and Third Wave acquisition, which is not tax deductible.

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Segment Results of Operations

The discussion that follows is a summary analysis of total revenues and the primary changes in operating income or loss by segment.

Breast Health.

	Years Ended			
	September 26, 2009	September 27, 2008	Change	
	Amount	Amount	Amount	%
Total Revenues	\$ 728,884	\$ 860,848	\$ (131,964)	(15)%
Operating (Loss) Income	\$ (122,559)	\$ 211,704	\$ (334,263)	(158)%
Operating (Loss) Income as a % of Segment Revenue	(17)%	25%		

Breast Health revenues decreased in fiscal 2009 compared to fiscal 2008 primarily due to the \$178.2 million decrease in product sales discussed above, partially offset by an increase of \$46.2 million in service revenues that is substantially related to additional service contracts for the increased number of Selenia systems in our installed base.

This segment incurred an operating loss in fiscal 2009 compared to operating income in fiscal 2008 primarily due to a \$265.9 million goodwill impairment charge recorded in the second quarter related to our MammoSite reporting unit in addition to the reduction of revenue discussed above and lower gross margins, partially offset by a reduction of operating expenses from our cost reduction initiatives implemented in the first half of fiscal 2009. Our gross margin in this business segment was 47% in fiscal 2009 compared to 51% in fiscal 2008. The decrease in gross margin was primarily attributable to lower absorption of manufacturing costs due to lower volumes, an increase of \$8.8 million in amortization expense of intangible assets, and to a lesser extent, a slight deterioration of average selling prices driven by the current economic environment for capital purchases, and less expensive configurations of the units being sold. In addition, included in cost of product sales was approximately \$1.9 million of costs related to the closure of our manufacturing facility in Shanghai. This segment incurred charges of \$3.3 million in fiscal 2008 related to sales of acquired MammoSite inventory that was written up to fair value for purchase accounting purposes.

Diagnostics.

	Years Ended			
	September 26, 2009	September 27, 2008	Change	
	Amount	Amount	Amount	%
Total Revenues	\$ 547,892	\$ 485,004	\$ 62,888	13%
Operating Loss	\$ (809,640)	\$ (172,538)	\$ (637,102)	369%
Operating Loss as a % of Segment Revenue	(148)%	(36)%		

Diagnostics revenues increased in fiscal 2009 compared to fiscal 2008 primarily due to the increase in product sales discussed above.

The operating loss in this segment in fiscal 2009 included a \$908.3 million goodwill impairment charge recorded in the second quarter, intangible asset amortization of \$119.2 million and a full year of operating costs related to Third Wave compared to 11 weeks in fiscal 2008. Partially offsetting these additional charges in fiscal 2009 were reduced operating expenses resulting from our cost reduction initiatives implemented in the first half of fiscal 2009. The operating loss in fiscal 2008 included a \$195.2 million charge for in-process research and

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development related to the Third Wave acquisition, an \$85.2 million charge for in-process research and development related to the merger with Cytyc, intangible asset amortization of \$68.7 million, and a \$3.6 million restructuring charge in the third quarter related to the resignation of our former Executive Chairman in May 2008. Gross margin in fiscal 2009 was 55% compared to 56% in fiscal 2008. The reduction in gross margin was primarily due to an increase in amortization expense due to an increase of \$27.6 million and \$6.7 million in the amortization of Cytyc and Third Wave related intangible assets, respectively. In addition, gross margin in fiscal 2009 included the write-off of intangible assets of \$4.1 million and \$1.2 million of charges for the write-up to fair value of acquired inventory sold by Third Wave in fiscal 2009. Gross margin in fiscal 2008 included charges of \$26.6 million and \$3.9 million, respectively, for the write-up to fair value of acquired Cytyc and Third Wave inventory sold during fiscal 2008.

GYN Surgical.

	Years Ended			
	September 26, 2009	September 27, 2008	Change	
	Amount	Amount	Amount	%
Total Revenues	\$ 264,900	\$ 221,069	\$ 43,831	20%
Operating Loss	\$ (1,097,685)	\$ (241,450)	\$ (856,235)	355%
Operating Loss as a % of Segment Revenue	(414)%	(109)%		

GYN Surgical revenues increased in fiscal 2009 compared to fiscal 2008 due to the increase in product sales discussed above. The operating loss in this segment in fiscal 2009 included a \$1.17 billion goodwill impairment charge recorded in the second quarter and additional amortization expense of \$26.5 million. Partially offsetting these charges in fiscal 2009 was the increase in revenue discussed above as well as a decrease in operating expenses as a result of cost reduction initiatives implemented in the first half of this year. The operating loss in fiscal 2008 included a \$284.8 million charge for in-process research and development related to the merger with Cytyc, a \$2.9 million impairment charge for the Helica Thermal Coagulator System intangibles and a \$2.4 million restructuring charge in the third quarter related to the resignation of our former Executive Chairman in May 2008. Our gross margin in this business segment was 67% in both fiscal 2009 and 2008. Gross margin in fiscal 2009 and 2008 included amortization expense from intangible assets of \$38.2 million and \$21.0 million, respectively, and fiscal 2008 included a \$12.4 million charge for the write-up to fair value of Cytyc inventory that was sold during the first quarter of fiscal 2008.

Skeletal Health.

	Years Ended			
	September 26, 2009	September 27, 2008	Change	
	Amount	Amount	Amount	%
Total Revenues	\$ 95,458	\$ 107,578	\$ (12,120)	(11)%
Operating Income	\$ 13,210	\$ 4,742	\$ 8,468	179%
Operating Income as a % of Segment Revenue	14%	4%		

Skeletal Health revenues decreased in fiscal 2009 compared to fiscal 2008 primarily due to the decline in product sales discussed above. Our gross margin in this business segment was 41% compared to 34% in fiscal 2008. The improvement was primarily due to reductions in material costs and in manufacturing spending. Operating income for this segment improved due to the improved gross margin and from cost reduction initiatives implemented in the first half of 2009. The operating income and gross margin in fiscal 2009 included a \$0.7 million charge associated with MRI inventory and purchase obligations compared to \$4.5 million in fiscal 2008.

LIQUIDITY AND CAPITAL RESOURCES

At September 25, 2010, we had \$657.0 million of working capital, and our cash and cash equivalents totaled \$515.6 million. Our cash and cash equivalents increased \$222.4 million during fiscal 2010, primarily from cash generated from our operations and the receipt of a \$70.0 million payment related to the potential sale of our Gestiva assets. These cash sources were partially offset by our financing activities relating to our repayment of amounts outstanding under our credit agreement and cash used in our investing activities primarily to pay the consideration for the Sentinelle Medical acquisition and to a lesser extent for purchases of property and equipment and placement of equipment under customer usage agreements.

Our operating activities generated \$456.7 million of cash, which included a net loss of \$62.8 million reduced primarily by non-cash charges for goodwill and intangible asset impairments of \$220.2 million, depreciation and amortization expense of \$294.8 million, non-cash interest expense of \$86.6 million, and stock-based compensation expense of \$34.2 million. These adjustments to net loss were partially offset by a decrease in our net deferred taxes liabilities of \$121.7 million primarily the result of our amortization of intangible assets as well as our intangible asset impairment charges. Cash provided by operations also included changes in our operating assets and liabilities reflecting an increase in deferred revenue of \$21.3 million and an increase in accounts payable of \$7.2 million. The increase in deferred revenue was primarily due to an increase in the number of service contracts as our installed base of our Breast Health products continues to grow. The increase in accounts payable was primarily due to the timing of payments. Cash provided by operations was offset by an increase in accounts receivable of \$20.2 million, an increase of inventories of \$5.2 million and an increase in prepaid income taxes of \$3.8 million. The increase in accounts receivable was primarily due to higher revenues in the current quarter compared to the fourth quarter of fiscal 2009. The increase in inventories was primarily related to the increase in components on hand in support of our higher sales volume as well as production of newly released products. The increase in prepaid income taxes is based on timing of estimated tax payments relative to our income tax provision.

During fiscal 2010, we used \$67.0 million of cash in investing activities. This use of cash was primarily attributable to the net payment of \$84.3 million of consideration for the Sentinelle Medical acquisition and \$28.0 million for purchases of property and equipment, which consisted primarily of manufacturing equipment, and computer software and hardware. We also invested \$18.6 million in equipment under customer usage agreements, and we purchased of \$5.3 million of life insurance contracts to fund future payments under our SERP. These uses of cash were partially offset by the receipt of a \$70.0 million payment from KV in connection with an amendment to the existing agreement to sell the rights to our Gestiva asset to KV upon FDA approval.

During fiscal 2010, we used \$167.6 million of cash in financing activities, substantially for repayments of the term loans under our credit agreement of \$174.2 million and repayments of \$2.8 million under certain notes payable. We also purchased substantially all of the remaining non-controlling interest of our Third Wave Japan subsidiary for \$2.7 million. Offsetting these payments was proceeds of \$12.6 million from the exercise of stock options and the purchase of common shares under the employee stock purchase plan.

Debt

We had total recorded debt outstanding of \$1.45 billion at September 25, 2010, which is primarily comprised of our Convertible Notes of \$1.45 billion (principal \$1.725 billion).

Convertible Notes.

Original Convertible Notes. On December 10, 2007, we issued and sold \$1.725 billion, at par, of our 2.00% Convertible Senior Notes due 2037 (“Original Notes”). The net proceeds from the offering was approximately \$1.69 billion, after deducting the underwriters’ discounts and estimated offering expenses of approximately \$1.5 million payable by us, and was used to repay a portion of our then outstanding senior secured indebtedness under our Credit Agreement. At September 25, 2010, the Original Notes are recorded at \$1.45 billion, which is net of the unamortized debt discount attributed to the embedded conversion feature of the Original Notes in accordance

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with FSP APB 14-1. See Note 5(a) contained in Item 15 of this Annual Report for more information. On November 18, 2010, we entered into separate, privately-negotiated exchange agreements under which we retired \$450.0 million in aggregate principal of our Original Notes for \$450.0 million in aggregate principal of new 2.00% Convertible Exchange Senior Notes due 2037 (“Exchange Notes”). Following these transactions, \$1.275 billion in principal amount of the Original Notes remain outstanding.

Holders may require us to repurchase the Original Notes on December 13, 2013, and on each of December 15, 2017, 2022, 2027 and 2032 at a repurchase price equal to 100% of their accreted principal amount, plus accrued and unpaid interest. We may redeem any of the Original Notes beginning December 18, 2013, by giving holders at least 30 days’ notice. We may redeem the Original Notes either in whole or in part at a redemption price equal to 100% of their principal amount, plus accrued and unpaid interest, including contingent interest and liquidated damages, if any, to, but excluding, the redemption date.

The Original Notes bear interest at a rate of 2.00% per year on the principal amount, payable semi-annually in arrears in cash on June 15 and December 15 of each year, beginning June 15, 2008, and ending on December 15, 2013 and will accrete principal from December 15, 2013 at a rate that provides holders with an aggregate annual yield to maturity of 2.00% per year. Beginning with the six month interest period commencing December 15, 2013, we will pay contingent interest during any six month interest period to the holders of Original Notes if the “trading price”, as defined, of the Original Notes for each of the five trading days ending on the second trading day immediately preceding the first day of the applicable six month interest period equals or exceeds 120% of the accreted principal amount of the Original Notes. The holders of the Original Notes may convert the Original Notes into shares of our common stock at a conversion price of approximately \$38.60 per share, subject to adjustment, prior to the close of business on September 15, 2037, subject to prior redemption or repurchase of the Original Notes, under any of the following circumstances: (1) during any calendar quarter after the calendar quarter ending December 31, 2007 if the last reported sale price of our common stock exceeds 130% of the conversion price for at least 20 trading days in the 30 consecutive trading days ending on the last trading day of the preceding calendar quarter; (2) during the five business day period after any five consecutive trading day period in which the trading price per note for each day of such period was less than 98% of the product of the last reported sale price of our common stock and the conversion rate on each such day; (3) if the Original Notes have been called for redemption; or (4) upon the occurrence of specified corporate events.

In lieu of delivery of shares of our common stock in satisfaction of our obligation upon conversion of the Original Notes, we may elect to deliver cash or a combination of cash and shares of our common stock. If we elect to satisfy our conversion obligation solely in cash, we will deliver cash in an amount as provided in the indenture for the Original Notes. If we elect to satisfy our conversion obligation in a combination of cash and shares of our common stock, we will deliver up to a specified dollar amount of cash per \$1,000 original principal amount of Original Notes, and will settle the remainder of our conversion obligation in shares of our common stock, in each case based on the daily conversion value calculated as provided in the indenture for the Original Notes. In addition, at any time on or prior to the 35th scheduled trading day prior to the maturity date of the Original Notes, we may make an irrevocable election to settle conversions of the Original Notes either solely in cash or in a combination of cash and shares of our common stock with a specified cash amount at least equal to the accreted principal amount of the Original Notes. This net share settlement election is in our sole discretion and does not require the consent of holders of the Original Notes. It is our current intent and policy to settle any conversion of the Original Notes as if we had elected to make the net share settlement election.

The Original Notes are our senior unsecured obligations and rank equally with all of our existing and future senior unsecured debt and prior to all future subordinated debt. The Original Notes are effectively subordinated to any future secured indebtedness to the extent of the collateral securing such indebtedness, and structurally subordinated to all indebtedness and other liabilities (including trade payables) of our subsidiaries.

Exchange Convertible Notes. On November 18, 2010, pursuant to separate, privately-negotiated exchange agreements, we retired \$450.0 million in aggregate principal of our Original Notes for \$450.0 million in aggregate principal of new 2.00% Convertible Exchange Senior Notes due 2037 (Exchange Notes).

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Holders may require us to repurchase the Exchange Notes on December 15, 2016, and on each of December 15, 2020, December 15, 2025, December 13, 2030 and December 14, 2035 or upon a fundamental change, as described in the Second Supplemental Indenture, at a repurchase price equal to 100% of their accreted principal amount, plus accrued and unpaid interest. We may redeem any of the notes beginning December 19, 2016, by giving holders at least 30 days' notice. We may redeem the Exchange Notes either in whole or in part at a redemption price equal to 100% of their principal amount, plus accrued and unpaid interest, including contingent interest and liquidated damages, if any, to, but excluding, the redemption date.

The Exchange Notes bear interest at a rate of 2.00% per year on the principal amount, payable semi-annually in arrears in cash on June 15 and December 15 of each year, beginning December 15, 2010, and ending on December 15, 2016 and will accrete principal from December 15, 2016 at a rate that provides holders with an aggregate annual yield to maturity of 2.00% per year. Beginning with the six month interest period commencing December 15, 2016, we will pay contingent interest during any six month interest period to the holders of Exchange Notes if the "trading price", as defined, of the Exchange Notes for each of the five trading days ending on the second trading day immediately preceding the first day of the applicable six month interest period equals or exceeds 120% of the accreted principal amount of the Exchange Notes. The holders of the Exchange Notes may convert the Exchange Notes into shares of our common stock at a conversion price of approximately \$23.03 per share, subject to adjustment, prior to the close of business on September 15, 2037, subject to prior redemption or repurchase of the Exchange Notes, under any of the following circumstances: (1) during any calendar quarter after the calendar quarter ending December 31, 2010 if the last reported sale price of our common stock exceeds 130% of the conversion price for at least 20 trading days in the 30 consecutive trading days ending on the last trading day of the preceding calendar quarter; (2) during the five business day period after any five consecutive trading day period in which the trading price per note for each day of such period was less than 98% of the product of the last reported sale price of our common stock and the conversion rate on each such day; (3) if the Exchange Notes have been called for redemption; or (4) upon the occurrence of specified corporate events.

In lieu of delivery of shares of our common stock in satisfaction of our obligation upon conversion of the Exchange Notes, we may elect to deliver cash or a combination of cash and shares of our common stock. If we elect to satisfy our conversion obligation solely in cash, we will deliver cash in an amount as provided in the indenture for the Exchange Notes. If we elect to satisfy our conversion obligation in a combination of cash and shares of our common stock, we will deliver up to a specified dollar amount of cash per \$1,000 original principal amount of Exchange Notes, and will settle the remainder of our conversion obligation in shares of our common stock, in each case based on the daily conversion value calculated as provided in the indenture for the Exchange Notes. In addition, at any time on or prior to the 35th scheduled trading day prior to the maturity date of the Exchange Notes, we may make an irrevocable election to settle conversions of the Exchange Notes either solely in cash or in a combination of cash and shares of our common stock with a specified cash amount at least equal to the accreted principal amount of the Exchange Notes. This net share settlement election is in our sole discretion and does not require the consent of holders of the Exchange Notes. It is our current intent and policy to settle any conversion of the Exchange Notes as if we had elected to make the net share settlement election.

The Exchange Notes are our senior unsecured obligations and rank equally with all of our existing and future senior unsecured debt and prior to all future subordinated debt. The Exchange Notes are effectively subordinated to any future secured indebtedness to the extent of the collateral securing such indebtedness, and structurally subordinated to all indebtedness and other liabilities (including trade payables) of our subsidiaries.

Credit Agreement

In 2008, in connection with our acquisition of Third Wave, we entered into an amended and restated credit agreement (the Amended Credit Agreement) with Goldman Sachs Credit Partners L.P. and certain other lenders (collectively, the Lenders) and secured financing in an aggregate amount of up to \$800 million. The credit facility consisted of \$400 million under a senior secured tranche A term loan (Term Loan A); \$200 million under a senior secured tranche B term loan (Term Loan B); and \$200 million under a senior secured revolving credit facility (the Revolving Facility). We borrowed \$540 million under the term loans. During fiscal 2010, we paid

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off the remaining outstanding principal under the term loans. On June 24, 2010, we gave notice of the termination of the Amended Credit Agreement to the Lenders, as a result the Revolving Facility is no longer available.

Sale of Gestiva

On January 16, 2008, we entered into a definitive agreement to sell full U.S. and world-wide rights to our Gestiva pharmaceutical product to K-V Pharmaceutical Company (“KV”) upon approval of the pending Gestiva new drug application (the “Gestiva NDA”) by the FDA for a purchase price of \$82.0 million. The Gestiva product is a drug that, if approved by the FDA, could be used in the prevention of preterm births in pregnant women with a history of at least one spontaneous preterm birth. Under this agreement, we received \$9.5 million of the purchase price in fiscal 2008, and the balance was due upon final approval of the Gestiva NDA by the FDA on or before February 19, 2010 and the production of a quantity of Gestiva suitable to enable the commercial launch of the product. This \$9.5 million was recorded as a deferred gain within current liabilities in the Consolidated Balance Sheet. Either party had the right to terminate the agreement if FDA approval was not obtained by February 19, 2010. On January 8, 2010, the parties executed an amendment to the agreement eliminating the date by which FDA approval must be received and extending the term indefinitely. In consideration of executing this amendment, the purchase price was increased to \$199.5 million. We received \$70.0 million upon the signing of the amendment, which has been recorded as a deferred gain, and are due to receive an additional \$25.0 million upon FDA approval of the product and an additional \$95.0 million over a nine-month period beginning one year following FDA approval.

Under the arrangement, we are continuing our efforts to obtain FDA approval of the Gestiva NDA. All costs incurred in these efforts are being reimbursed by KV and recorded as a credit against research and development expenses. These reimbursed costs have not been material to date on an annual basis. We expect that the amounts recorded in deferred gain will be recognized upon the closing of the transaction following final FDA approval of the Gestiva NDA. We cannot assure that we will be able to obtain the requisite FDA approval, that the transaction will be completed or that we will receive the balance of the purchase price. Moreover, if KV terminates the agreement prior to the transfer of the rights to the Gestiva product as a result of a breach by us of a material representation, warranty, covenant or agreement, we will be required to return the funds previously received as well as expenses reimbursed by KV.

Contingent Earn-Out Payments.

As a result of the merger with Cytoc, we assumed the obligation to the former Adiana stockholders to make contingent earn-out payments tied to the achievement of milestones. The milestone payments include potential contingent payments of up to \$155 million based on worldwide sales of the Adiana System in the first year following FDA approval (“First Contingent Period”) and on annual incremental sales growth thereafter through December 31, 2012. We received FDA approval of the Adiana System on July 6, 2009, and we began accruing contingent consideration in the fourth quarter of fiscal 2009 based on the defined percentage of worldwide sales of the product. These amounts are being recorded as additional purchase price. The total accrued contingent consideration, net at September 25, 2010 is \$30.9 million, of which \$25.1 million was earned during the First Contingent Period. Under the terms of the agreement, the First Contingent Period payment was paid to the Adiana shareholders in October 2010, net of certain holdbacks. The agreement includes an indemnification provision that provides for the reimbursement of qualifying legal expenses in defense of the Adiana intellectual property, and we have the right to offset contingent consideration payments to the Adiana shareholders with these qualifying legal costs.

On August 5, 2010, we acquired Sentinelle Medical. In addition to the up-front cash payment of \$84.8 million, which was net of certain adjustments, we incurred the obligation to the former Sentinelle Medical stockholders to make contingent payouts over a two-year period of up to a maximum of \$250 million. The contingent payments are based on a multiple of incremental revenue growth during the two-year period following the completion of the acquisition. In accordance with U.S. generally accepted accounting principles, we recorded

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the acquisition date fair value of the contingent consideration obligation of \$29.5 million based on our estimates and assumptions of revenue growth. Of this amount, \$21.7 million is recorded as a current liability and \$7.8 million is recorded as a long-term liability.

The contractual obligations table below does not include the obligation to pay contingent consideration to the shareholders of Sentinelle Medical or Adiana.

Contractual Obligations

The following table summarizes our contractual obligations and commitments as of September 25, 2010:

Contractual Obligations	Payments Due by Period				Total
	Less than 1 year	1-3 years	3-5 years	More than 5 years	
Long-Term Debt Obligations (1)	\$ 1,362	\$ —	\$ 1,725,000	\$ —	\$ 1,726,362
Interest on Long-Term Debt Obligations	34,541	69,000	17,250	—	120,791
Operating Leases	18,123	29,829	21,095	40,267	109,314
Purchase Obligations	29,204	2,289	144	—	31,637
Financing Leases (2)	2,543	5,361	5,704	9,401	23,009
Long-Term Supply Contracts (3)	3,037	3,750	—	—	6,787
Pension Obligations (4)	337	728	809	7,219	9,093
Private Equity Investment (5)	674	—	—	—	674
Total Contractual Obligations	<u>\$89,821</u>	<u>\$ 110,957</u>	<u>\$ 1,770,002</u>	<u>\$ 56,887</u>	<u>\$ 2,027,667</u>

- (1) Our Convertible Notes can first be put to us on December 13, 2013 and we have assumed for purpose of the above table that they will be paid off in fiscal 2014. On November 18, 2010, we exchanged Exchange Notes in an aggregate principal amount of \$450.0 million for Original Notes in the aggregate principal amount of \$450.0 million. The first put date on the Exchange Notes is December 15, 2016. The above table does not reflect this exchange. See above under Convertible Notes for additional information.
- (2) We acquired the financing leases in connection with our acquisition of Cytyc in fiscal 2008. Cytyc had executed two leases for an office building and for a manufacturing facility, which were required to be recorded on our balance sheet under US GAAP. See Note 12 to our consolidated financial statements contained in Item 15 of this Annual Report for more information.
- (3) This represents certain non-cancelable supply contracts. For reasons of quality assurance, sole source availability or cost effectiveness, certain key components and raw materials are available only from a sole supplier. To assure continuity of supply while maintaining high quality and reliability, long-term supply contracts have been executed with these suppliers. In certain of these contracts, a minimum purchase commitment has been established.
- (4) Pension obligations do not include our obligation under the SERP of \$15.9 million, which is recorded as a current liability. The SERP benefits are generally paid out at retirement or termination of employment.
- (5) This represents a private equity investment commitment with a limited liability partnership, which could be paid over the succeeding two years.

The above table does not reflect our long-term liabilities associated with uncertain tax positions recorded under FIN 48 (codified primarily in ASC 740, *Income Taxes*) totaling \$18.5 million. Due to the complexity associated with tax uncertainties, we cannot reasonably make a reliable estimate of the period in which we expect to settle these non-current liabilities. See Note 8 to our consolidated financial statements contained in Item 15 of this Annual Report for more information on our unrecognized tax benefits. In addition, certain of our cost method equity investments give us the option to acquire the company in the future. Since it is not possible to estimate when, or even if, we will exercise our option to acquire these companies, we have not included these future potential payments in the table above.

Future Liquidity Considerations

We expect to continue to review and evaluate potential acquisitions of businesses, products or technologies, and strategic alliances that we believe will complement our current or future business. Subject to the Risk Factors set forth in Part I, Item 1A of this Annual Report and the general disclaimers set forth in our Special Note Regarding Forward-Looking Statements at the outset of this Report, we believe that cash flow from operations will provide us with sufficient funds in order to fund our expected operations over the next twelve months. Our longer-term liquidity is contingent upon future operating performance. We may also require additional capital in the future to fund capital expenditures, acquisitions or other investments, or to repay our convertible notes. The holders of the Original Notes in the principal amount of \$1.275 billion may require us to repurchase the notes on December 13, 2013, and on each of December 15, 2017, 2022, 2027 and 2032 at a repurchase price equal to 100% of their accreted principal amount, and the holders of the Exchange Notes in the principal amount of \$450.0 million may require us to repurchase the notes on December 15, 2016, December 15, 2020, December 15, 2025, December 13, 2030 and December 14, 2035. These capital requirements could be substantial. Our operating performance may also be affected by matters discussed under the above-referenced Risk Factors as elsewhere in this report. These risks, trends and uncertainties may also adversely affect our long-term liquidity.

Legal Contingencies

We are currently involved in certain legal proceedings and claims. In connection with these legal proceedings and claims, management periodically reviews estimates of potential costs to be incurred by us in connection with the adjudication or settlement, if any, of these proceedings. These estimates are developed in consultation with outside counsel and are based on an analysis of potential litigation outcomes and settlement strategies. In accordance with ASC 450, *Contingencies*, loss contingencies are accrued if, in the opinion of management, an adverse outcome is probable and such outcome can be reasonably estimated. It is possible that future results for any particular quarter or annual period may be materially affected by changes in our assumptions or the effectiveness of our strategies relating to these proceedings.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

The discussion and analysis of our financial condition and results of operations are based upon our consolidated financial statements, which have been prepared in accordance with U.S. generally accepted accounting principles. The preparation of these consolidated financial statements requires us to make estimates and judgments that affect the reported amounts of assets, liabilities, revenues and expenses, and related disclosure of contingent assets and liabilities. On an on-going basis, we evaluate our estimates, including those related to revenue recognition for multiple element arrangements, allowance for doubtful accounts, reserves for excess and obsolete inventories, valuations and purchase price allocations related to business combinations, expected future cash flows including growth rates, discount rates, terminal values and other assumptions used to evaluate the recoverability of long-lived assets and goodwill, estimated fair values of intangible assets and goodwill, amortization methods and periods, warranty reserves, certain accrued expenses, restructuring and other related charges, stock-based compensation, contingent liabilities, tax reserves and recoverability of our net deferred tax assets and related valuation allowance. We base our estimates on historical experience and various other assumptions that are believed to be reasonable under the circumstances. Actual results could differ from these estimates if past experience or other assumptions do not turn out to be substantially accurate. Any differences may have a material impact on our financial condition and results of operations.

The following is a discussion of what we believe to be the more significant critical accounting policies and estimates used in the preparation of our consolidated financial statements.

Inventory

Our inventories include material, labor and overhead, and are stated at the lower of cost (first-in, first-out) or market. As a developer and manufacturer of high technology medical equipment, we may be exposed to a number of economic and industry factors that could result in portions of our inventory becoming either obsolete

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or in excess of anticipated usage. These factors include, but are not limited to, technological changes in our markets, our ability to meet changing customer requirements, competitive pressures on products and prices, reliability and replacement of and the availability of key components from our suppliers. Our policy is to establish inventory reserves when conditions exist that suggest that our inventory may be in excess of anticipated demand or is obsolete based upon our assumptions about future demand for our products and market conditions. We regularly evaluate our ability to realize the value of our inventory based on a combination of factors including the following: historical usage rates, forecasted sales or usage, product expiration or end of life dates, estimated current and future market values and new product introductions. Assumptions used in determining our estimates of future product demand may prove to be incorrect, in which case the provision required for excess and obsolete inventory would have to be adjusted in the future. If inventory is determined to be overvalued, we would be required to recognize such costs as cost of goods sold at the time of such determination. Although considerable effort is made to ensure the accuracy of our forecasts of future product demand, any significant unanticipated changes in demand could have a significant negative impact on the value of our inventory and our reported operating results. Additionally, purchasing requirements and alternative usage avenues are explored within these processes to mitigate inventory exposure. When recorded, our reserves are intended to reduce the carrying value of our inventory to its net realizable value.

Provisions for excess or obsolete inventory are primarily based on our estimates of forecasted net sales and service usage levels. A significant change in the timing or level of demand for our products as compared to forecasted amounts may result in recording additional provisions for excess or expired inventory in the future. We record provisions for excess or obsolete inventory as cost of product revenue.

Accounts Receivable Reserves

We maintain allowances for doubtful accounts for estimated losses resulting from the inability of our customers to make required payments. We regularly evaluate the collectability of our trade receivables based on a combination of factors, including a dialogue with the customer to determine the cause of non-payment, and evaluation of the customer's current financial situation. In the event it is determined that the customer may not be able to meet its full obligation to us, we record a specific allowance to reduce the receivable to the amount that we expect to recover given all information present. We perform ongoing credit evaluations of our customers and adjust credit limits based upon payment history and our assessment of the customer's current credit worthiness. We continuously monitor collections from our customers and maintain a provision for estimated credit losses based upon our historical experience and any specific customer collection issues that we have identified. While such credit losses have historically been within our expectations and the provisions established, we cannot guarantee that we will continue to experience the same credit loss rates in the future. If the financial condition of our customers were to deteriorate, for example as a result of the recent financial and economic turmoil or otherwise, resulting in an impairment of their ability to make payments, additional allowances may be required.

We also record a provision for estimated sales returns and allowances on product and service related sales in the same period as the related revenues are recorded. These estimates are based on the specific facts and circumstances of particular orders, analysis of credit memo data and other known factors. If the data we use to calculate these estimates do not properly reflect reserve requirements, then a change in the allowances would be made in the period in which such a determination is made and revenues in that period could be adversely affected.

Valuation of Business Combinations

We record tangible and intangible assets acquired and liabilities assumed in business combinations under the purchase method of accounting. Amounts paid for each acquisition are allocated to the assets acquired and liabilities assumed based on their fair values at the dates of acquisition. As a result of our adoption of ASC 805 in fiscal 2010, contingent consideration is recorded at fair value as measured on the date of acquisition. The value recorded is based on estimates of future financial projections under various potential scenarios, which are probability weighted as to the outcome of each scenario. These cash flow projections are discounted with an

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appropriate risk adjusted rate. On an ongoing basis until such contingent amounts are earned, the fair value of the liability is reassessed at each reporting period and adjusted as a component of operating expenses based on changes to the underlying assumptions. The estimates used to determine the fair value of the contingent consideration liability are subject to significant judgment and actual results are likely to differ from the amounts originally recorded.

The fair value of identifiable intangible assets is based on detailed valuations that use information and assumptions provided by management. We allocate any excess purchase price over the fair value of the net tangible and intangible assets acquired and liabilities assumed to goodwill. The valuation of purchased research and development represents the estimated fair value at the date of acquisition related to in-process projects. Our purchased research and development represents the value of in-process projects that have not yet reached technological feasibility and have no alternative future uses as of the date of acquisition. As a result of our adoption of ASC 805, we capitalize these assets and record them in our consolidated balance sheet. Under ASC 805, in-process research and development assets are evaluated for impairment similar to goodwill and once the project is complete, if at all, the asset is amortized over its remaining useful life. Prior to the adoption of ASC 805, we expensed the value attributable to these in-process projects at the time of the acquisition. If the projects are not successful or completed in a timely manner, we may not realize the financial benefits expected for these projects or for the acquisitions as a whole and impairments may result.

We use the income approach to determine the fair values of our purchased research and development. This approach determines fair value by estimating the after-tax cash flows attributable to an in-process project over its useful life and then discounting these after-tax cash flows back to a present value. We base our revenue assumptions on estimates of relevant market sizes, expected market growth rates, expected trends in technology and expected product introductions by competitors. In arriving at the value of the in-process projects, we consider, among other factors, the in-process projects' stage of completion, the complexity of the work completed as of the acquisition date, the costs already incurred, the projected costs to complete, the contribution of core technologies and other acquired assets, the expected introduction date and the estimated useful life of the technology. We base the discount rate used to arrive at a present value as of the date of acquisition on the time value of money and medical technology investment risk factors. For the in-process projects we acquired in connection with our fiscal 2010 and 2008 acquisitions, we used risk-adjusted discount rates to discount our projected cash flows, ranging from 12.5% to 20%. We believe that the estimated purchased research and development amounts so determined represent the fair value at the date of acquisition and do not exceed the amount a third party would pay for the projects.

We have also used the income approach, as described above, to determine the estimated fair value of certain other identifiable intangible assets including developed technology, customer relationships and trade names. Developed technology represents patented and unpatented technology and know-how. Customer relationships represent established relationships with customers, which provide a ready channel for the sale of additional products and services. Trade names represent acquired product names that we intend to continue to utilize.

Intangible Assets and Goodwill

Intangible Assets

We amortize our intangible assets that have finite lives using either the straight-line method or, if reliably determinable, based on the pattern in which the economic benefit of the asset is expected to be consumed utilizing expected undiscounted future cash flows. Amortization is recorded over the estimated useful lives ranging from 2 to 30 years. We review our intangible assets subject to amortization to determine if any adverse conditions exist or a change in circumstances has occurred that would indicate impairment or a change in the remaining useful life. If the carrying value of an asset exceeds its undiscounted cash flows, we will write-down the carrying value of the intangible asset to its fair value in the period identified. In assessing fair value, we must make assumptions regarding estimated future cash flows and discount rates. If these estimates or related assumptions change in the future, we may be required to record impairment charges. We generally calculate fair

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value as the present value of estimated future cash flows to be generated by the asset using a risk-adjusted discount rate. If the estimate of an intangible asset's remaining useful life is changed, we will amortize the remaining carrying value of the intangible asset prospectively over the revised remaining useful life.

During the fourth quarter of fiscal 2010, in connection with our company-wide annual budgeting and strategic planning process, we determined that indicators of impairment existed in our MammoSite reporting unit, which is included in the Breast Health reportable segment, due to changing market conditions for the brachytherapy market, including downward pressure on procedure volumes due to the continuing adverse economic environment and current trends in breast cancer management, as well as competitive pricing pressures and competition from existing and alternative new technologies. These factors resulted in us lowering the financial projections for MammoSite. As a result, we performed the first step in the long-lived assets impairment test pursuant to ASC 360 and compared MammoSite's forecasted undiscounted cash flows to the carrying value of its net assets. These undiscounted cash flows were insufficient to recover MammoSite's carrying value. Therefore, we determined the fair value of MammoSite's long-lived assets, which are primarily intangible assets, using a discounted cash flow technique. The expected future cash flows are Level 3 inputs under ASC 820 and are those expected to be generated by the market participants, discounted at an appropriate risk-adjusted rate. Based on the fair value of the long-lived assets, we recorded an aggregate impairment charge of \$143.5 million to write these intangible assets down to their fair value. The charge was comprised of \$123.4 million related to developed technology, which was recorded in cost of product sales, \$11.8 million related to customer relationships and \$8.3 million related to trade names, which were recorded in impairment of intangible assets. In addition, under the annual goodwill impairment test, the Company recorded a goodwill impairment charge of \$76.7 million (see below for further discussion).

Goodwill

We test goodwill at the reporting unit level for impairment on an annual basis and between annual tests if events and circumstances indicate it is more likely than not that the fair value of a reporting unit is less than its carrying value. Events that would indicate impairment and trigger an interim impairment assessment include, but are not limited to current economic and market conditions, including a decline in market capitalization, a significant adverse change in legal factors, business climate or operational performance of the business, and an adverse action or assessment by a regulator. Our annual impairment test date is the first day of our fiscal fourth quarter.

In performing the test, we utilize the two-step approach prescribed under ASC 350. The first step requires a comparison of the carrying value of the reporting units, as defined, to the fair value of these units. We consider a number of factors to determine the fair value of a reporting unit, including an independent valuation to conduct this test. The valuation is based upon expected future discounted operating cash flows of the reporting unit as well as analysis of recent sales or offerings of similar companies. We base the discount rate used to arrive at a present value as the date of the impairment test on the weighted average cost of capital ("WACC") of market participants. If the carrying value of a reporting unit exceeds its fair value, we will perform the second step of the goodwill impairment test to measure the amount of impairment loss, if any. The second step of the goodwill impairment test compares the implied fair value of a reporting unit's goodwill to its carrying value.

We conducted our fiscal 2010 annual impairment test on the first day of the fourth quarter, consistent with our policy. We utilized discounted cash flow ("DCF") and market approaches to estimate the fair value of our reporting units as of June 27, 2010, and believe we have used reasonable estimates and assumptions about future revenue, cost projections, cash flows and market multiples. As a result of completing Step 1, all of the Company's reporting units, except MammoSite, had fair values exceeding their carrying values, and as such, Step 2 of the impairment test was not required for these reporting units. MammoSite's fair value has declined from fiscal 2009 primarily due to a reduction in its long-term growth rates. The changes in MammoSite's financial projections are a result of changing market conditions for the brachytherapy market, including downward pressure on procedure volumes due to the continuing adverse economic environment and current

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trends in breast cancer management, as well as competitive pricing pressures and competition from existing and alternative new technologies. The DCF calculation of fair value was positively impacted by a reduction in the discount rate to 11.0% from 12.5% used in the fiscal 2009 annual impairment test.

We performed the Step 2 analysis for MammoSite, consistent with the procedures described above, and recorded a \$76.7 million goodwill impairment charge. For illustrative purposes had the fair value of MammoSite been 10% lower, the charge would have been higher by \$2.5 million. If the fair value of the Company's other reporting units had been lower by 10%, one reporting unit would have failed Step 1 requiring a Step 2 analysis. This reporting unit is in the Breast Health reportable segment and had a fair value at the annual impairment measurement date that exceeded its carrying value by 4% with goodwill of \$256.5 million. The fair value of the reporting unit is determined by use of the DCF, and the key assumptions that drive the fair value in this model are the WACC, terminal values, growth rates, and the amount and timing of expected future cash flows. If the current economic environment were to deteriorate, this would likely result in a higher WACC because market participants would require a higher rate of return. In the DCF as the WACC increases, the fair value decreases. The other significant factor in the DCF is our projected financial information (i.e., amount and timing of expected future cash flows and growth rates) and if these assumptions were to be adversely impacted, this could result in a reduction of the fair value of this reporting unit. For our other reporting units with goodwill aggregating \$1.85 billion, we believe that these reporting units are not at risk of failing Step 1 of the goodwill impairment test.

During the first quarter of fiscal 2009, based upon a combination of factors, including the deteriorating macro-economic environment, declines in the stock market and the decline of our market capitalization significantly below the book value of our net assets, we concluded that potential goodwill impairment indicators existed as of December 27, 2008. As a result, we performed an interim goodwill impairment analysis as of December 27, 2008. Step 1 of the impairment analysis indicated that the carrying value of the net assets of certain reporting units, acquired in connection with the Cytyc acquisition, exceeded the estimated fair value of those reporting units. As a result, we were required to perform Step 2 of the goodwill impairment test to determine the amount, if any, of goodwill impairment charges for each of the applicable reporting units. The Step 2 analysis required us to perform a hypothetical purchase price allocation for each of these reporting units to determine the implied fair value of goodwill and to compare the implied fair value of goodwill to the recorded amount of goodwill by reporting unit. Due to the complexities and time involved in preparing the Step 1 analysis, we had not commenced the Step 2 analysis as of February 5, 2009, the date we filed our Form 10-Q for the quarter ended December 27, 2008. As a result of the fact that we had not commenced the Step 2 analysis and the complexity of the analysis required to complete the Step 2 analysis, we were unable to determine that an impairment loss, in accordance with ASC 450, was both probable and reasonably estimable at December 27, 2008. We completed the Step 2 analysis during our second quarter of fiscal 2009, which resulted in an aggregate goodwill impairment charge of \$2.34 billion. This impairment charge is comprised of \$1.17 billion for GYN Surgical, \$908.3 million for Diagnostics, and \$265.9 million for Breast Health related to our MammoSite reporting unit acquired from Cytyc. We believe that our procedures and related assumptions for estimating the reporting units' fair value are reasonable and consistent with the market conditions that existed at the time of the impairment test.

For illustrative purposes, had the fair values of each reporting unit for which we recorded goodwill impairment charges in the second quarter of fiscal 2009 been lower by 10% as of December 27, 2008, we would have recorded an additional impairment charge of \$435.5 million. Based on our estimates as of December 27, 2008, the impact of reducing our fair value estimates for our other reporting units, for which we did not record any goodwill impairment charges, by 10% would have had no impact on the goodwill assessment for those reporting units.

We conducted our annual impairment test as of the first day of the fourth quarter of fiscal 2009. In order to complete the annual impairment test, we updated our interim impairment test results and performed detailed analyses estimating the fair value of most of our reporting units utilizing our fiscal 2010 forecast with updated

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long-term growth assumptions. For one reporting unit, we utilized the results of our interim impairment test. Pursuant to ASC 350-20-35-29, we concluded that it met the required criteria to use the estimated fair value determined from its interim impairment analysis for this reporting unit because 1) the composition of the assets and liabilities of this reporting unit had not changed significantly since the most recent fair value determination, 2) the most recent fair value determination resulted in a fair value that exceeded the carrying value of the reporting unit by a substantial margin, and 3) management concluded, based on an analysis of current events that had occurred and circumstances that had changed since the most recent fair value determination, that it is remote that the current fair value of the reporting unit would not exceed their carrying amounts.

As a result of completing Step 1, all of our reporting units, except one, had a fair value exceeding their carrying value, and as such Step 2 of the impairment test was not required for these reporting units. For the reporting unit that failed Step 1, we completed Step 2 and determined that an impairment charge was not required due to the fair value of the implied goodwill exceeding the carrying value of the reporting unit's goodwill. For illustrative purposes, had the fair value of this reporting unit at June 28, 2009 been lower by 10%, the Company still would not have recorded any impairment charge. If the fair value of our other reporting units had been lower by 10%, two reporting units would have failed Step 1 requiring a Step 2 analysis. These reporting units, one in the Diagnostics reportable segment and one in the Skeletal Health reportable segment, had fair values at June 28, 2009 that exceeded their carrying values by 9% and 2%, respectively, and goodwill of \$236.0 million and \$8.2 million, respectively. We did not record goodwill impairment charges in fiscal 2010 for either of these reporting units.

The estimate of fair value requires significant judgment. Any loss resulting from an impairment test would be reflected in operating income (loss) in our Consolidated Statements of Operations. The annual impairment testing process is subjective and requires judgment at many points throughout the analysis. If these estimates or their related assumptions change in the future, we may be required to record impairment charges for these assets not previously recorded.

Revenue Recognition

We generate revenue from the sale of products, primarily medical imaging systems and diagnostic and surgical disposable products, and related services, which are primarily support and maintenance services on our medical imaging systems.

In September 2009, the FASB ratified ASC Update (ASU) No. 2009-13, *Multiple-Deliverable Revenue Arrangements* (ASU 2009-13). ASU 2009-13 amends existing revenue recognition accounting standards that are currently within the scope of ASC, Subtopic 605-25, which is the revenue recognition standard for multiple-element arrangements. ASU 2009-13 provides for three significant changes to the existing multiple element revenue recognition guidance as follows:

- 1) Removes the requirement to have objective and reliable evidence of fair value for undelivered elements in an arrangement. This may result in more deliverables being treated as separate units of accounting.
- 2) Modifies the manner in which the arrangement consideration is allocated to the separately identified deliverables. ASU 2009-13 requires an entity to allocate revenue in an arrangement using its best estimate of selling prices ("ESP") of deliverables if a vendor does not have vendor-specific objective evidence of selling price ("VSOE") or third-party evidence of selling price ("TPE"), if VSOE is not available. Each separate unit of accounting must have a selling price, which can be based on management's estimate when there is no other means (VSOE or TPE) to determine the selling price of that deliverable. The arrangement consideration is allocated based on the elements' relative selling prices.
- 3) Eliminates use of the residual method and requires an entity to allocate revenue using the relative selling price method, which results in the discount in the transaction being evenly allocated to the separate units of accounting.

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In September 2009, the FASB ratified ASU No. 2009-14, *Certain Revenue Arrangements that Include Software Elements* (ASU 2009-14). ASU 2009-14 amends the existing revenue recognition accounting standards to remove tangible products that contain software components and non-software components that function together to deliver the product's essential functionality from the scope of industry specific software revenue recognition guidance.

As permitted, we elected to early adopt these new accounting standards at the beginning of our first quarter of fiscal 2010 on a prospective basis for transactions originating or materially modified on or after September 27, 2009. These accounting standards generally do not change the units of accounting for our revenue transactions, and most products and services qualify as separate units of accounting. The impact of adopting these new accounting standards was not material to our financial statements for the year ended September 25, 2010, and if they were applied in the same manner to fiscal 2009 and 2008 would not have had a material impact to revenue recorded in fiscal 2009 or 2008, or any of the interim periods therein.

We recognize product revenue upon shipment provided that there is persuasive evidence of an arrangement, there are no uncertainties regarding acceptance, the sales price is fixed or determinable, no right of return exists and collection of the resulting receivable is reasonably assured. Generally, our product arrangements for capital equipment sales, primarily in our Breast Health and Skeletal Health reporting segments, are multiple-element arrangements, including services, such as installation and training, and multiple products. In accordance with ASC 605-25, based on the terms and conditions of the product arrangements, we believe that these services and undelivered products can be accounted for separately from the delivered product element as our delivered products have value to our customers on a stand-alone basis. Accordingly, services not yet performed at the time of product shipment are deferred and recognized as revenue as such services are performed. The relative selling price of any undelivered products is also deferred at the time of shipment and recognized as revenue when these products are delivered. There is no customer right of return in our sales agreements.

Service revenues primarily consist of amounts recorded under service and maintenance contracts and repairs not covered under warranty, installation and training, and shipping and handling costs billed to customers. Service and maintenance contract revenues are recognized ratably over the term of the contract. Other service revenues are recognized as the services are performed.

We typically determine the selling price of our products and services based on VSOE and determine VSOE based on our normal pricing and discounting practices for the specific product or service when sold on a stand-alone basis. In determining VSOE, our policy requires a substantial majority of selling prices for a product or service to be within a reasonably narrow range. We also consider the class of customer, method of distribution, and the geographies into which our products and services are sold when determining VSOE. We typically have had VSOE for our products and services.

If VSOE cannot be established, which may occur in instances when a product or service has not been sold separately, stand-alone sales are too infrequent, or product pricing is not within a narrow range, we attempt to establish the selling price based on TPE. TPE is determined based on competitor prices for similar deliverables when sold separately.

When we cannot determine VSOE or TPE, we use ESP in the allocation of arrangement consideration. The objective of ESP is to determine the price at which we would typically transact a stand-alone sale of the product or service. ESP is determined by considering a number of factors including our pricing policies, internal costs and gross margin objectives, method of distribution, information gathered from experience in customer negotiations, market research and information, recent technological trends, competitive landscape and geographies.

Some of our products have both software and non-software components that function together to deliver the product's essential functionality. Prior to the adoption of ASU 2009-14, we had determined that except for our CAD products and Dimensions 2D/3D full field digital mammography products ("Dimensions"), the software element in our other products was incidental in accordance with the software revenue recognition rules and were

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not within the scope of the software revenue recognition rules, ASC 985-605, *Software—Revenue Recognition*. We had determined that given the significance of the software component's functionality to our CAD systems and Dimensions products, which are in the Breast Health segment, these products were within the scope of the software revenue recognition rules.

ASC 985-605 generally requires revenue earned on software arrangements involving multiple elements to be allocated to each element based on their relative VSOE of fair value. If VSOE does not exist for a delivered element, the residual method is applied in which the arrangement consideration is allocated to the undelivered elements based on VSOE with the remaining consideration recognized as revenue for the delivered elements. For multiple-element software arrangements where VSOE of fair value of Post-Contract Customer Support ("PCS") has been established, we recognize revenue using the residual method at the time all other revenue recognition criteria have been met.

Upon the release of the Dimensions product in fiscal 2009, we completed an evaluation of the software component in accordance with the software revenue recognition rules. As a result, we had determined that the Dimensions product contained software that was more than incidental to the product as a whole and should be accounted for under the software revenue recognition rules.

In connection with the adoption of ASU 2009-14, we re-evaluated the appropriate revenue recognition treatment of our products and determined that the Dimensions products, which have both software and non-software components that function together to deliver the products' essential functionality (i.e., it is a tangible product), are scoped out of ASC 985-605, however, our CAD products will continue to be subject to ASC 985-605. Dimensions transactions entered into prior to the first quarter of fiscal 2010 will continue to be accounted for under ASC 985-605.

Under customer usage agreements, we install certain equipment (for example, a ThinPrep Processor or a ThinPrep Imaging System) at customer sites and customers commit to purchasing minimum quantities of disposable products at a stated price (generally including a usage fee for the equipment) over a defined contract term, which is typically between three and five years. Revenue is recognized over the term of the customer usage agreement as disposable products are delivered. We also rent certain equipment to customers and revenue from rental agreements is recorded over the term of the rental agreements.

Product Warranties

Products sold are generally covered by a warranty for a period of one year. We accrue a warranty reserve at the time of revenue recognition for estimated costs to provide warranty services. Our estimate of costs to service our warranty obligations is based on historical experience and expectation of future conditions. To the extent we experience increased or decreased warranty claim activity or increased or decreased costs associated with servicing those claims, our warranty accrual will increase or decrease, respectively, resulting in decreased or increased gross profit. Our warranty accrual was approximately \$2.8 million, \$5.6 million and \$9.1 million in fiscal 2010, 2009 and 2008, respectively.

Stock-Based Compensation

We recognize stock-based compensation expense associated with the fair value of stock options and restricted stock units that we issue to our employees. Determining the amount of stock-based compensation to be recorded requires us to develop estimates to be used in calculating the grant-date fair value of stock options. We use a binomial lattice model to determine the fair value of our stock options. We consider a number of factors to determine the fair value of stock options including the advice of an outside valuation advisor and the advisor's model. The model requires us to make estimates of the following assumptions:

Expected volatility—We are responsible for estimating volatility and have considered a number of factors, including third-party estimates, when estimating volatility. We currently use a combination of historical and implied volatility, which is weighted based on a number of factors.

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Expected term—We use historical employee exercise and option expiration data to estimate the expected term assumption. We believe that this historical data is currently the best estimate of the expected term of a new option, and that generally, all of our employees exhibit similar exercise behavior.

Risk-free interest rate—The yield on zero-coupon U.S. Treasury securities for a period that is commensurate with the expected term assumption is used as the risk-free interest rate.

The amount of stock-based compensation expense recognized during a period is based on the value of the portion of the awards that are ultimately expected to vest. ASC 718, *Stock Compensation*, requires forfeitures to be estimated at the time of grant and revised, if necessary, in subsequent periods if actual forfeitures differ from those estimates. Based on an analysis of historical forfeitures, we have determined a specific forfeiture rate for certain employee groups and have applied forfeiture rates ranging from 0% to 5% as of September 25, 2010 depending on the specific employee group. This analysis is re-evaluated periodically and the forfeiture rate is adjusted as necessary. Ultimately, the actual expense recognized over the vesting period will only be for those awards that vest.

We recognized \$34.2 million, \$32.9 million and \$25.7 million of stock-based compensation expense for employee equity awards in fiscal years 2010, 2009 and 2008, respectively. As of September 25, 2010, there was \$32.7 million and \$32.5 million of unrecognized compensation expense related to stock options and restricted stock units, respectively, that we expect to recognize over a weighted-average period of 3.3 years and 2.0 years, respectively.

Income Taxes

We use the asset and liability method for accounting for income taxes. Under this method, we determine deferred tax assets and liabilities based on the difference between financial reporting and taxes bases of our assets and liabilities. We measure deferred tax assets and liabilities using enacted tax rates and laws that will be in effect when we expect the differences to reverse.

We have recognized net deferred tax liabilities of \$882.8 million at September 25, 2010 and \$993.0 million at September 26, 2009. The liabilities primarily relate to deferred taxes associated with our acquisitions and the debt discount and original issuance discount on our Convertible Notes. The tax assets relate primarily net operating loss carryforwards, accruals and reserves, stock-based compensation, research credits and the payment we received on the sale of the Gestiva asset. We record a valuation allowance to reduce our deferred tax assets to the amount that is more likely than not to be realized. While we have considered future taxable income and ongoing prudent and feasible tax planning strategies in assessing the need for the valuation allowance, in the event we were to determine that we would be able to realize our deferred tax assets in the future in excess of the net recorded amount, an adjustment to the deferred tax asset would increase income in the period such determination was made. Likewise, should we determine that we would not be able to realize all or part of our net deferred tax asset in the future, an adjustment to the deferred tax asset would be charged to income in the period such determination was made.

On September 30, 2007, we adopted Financial Accounting Standards Board (FASB) Interpretation (FIN) No. 48, *Accounting for Uncertainty in Income Taxes—an interpretation of FASB Statement No. 109* (codified primarily in ASC 740, *Income Taxes*), which clarifies the accounting for uncertainty in income taxes recognized in an enterprise's financial statements. FIN 48 prescribes a recognition threshold and measurement criteria for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. FIN 48 also provides guidance on derecognition, classification, interest and penalties, accounting in interim periods, disclosure, and transition and defines the criteria that must be met for the benefits of a tax position to be recognized. As a result of our adoption of FIN 48, we recorded the cumulative effect of the change in accounting principle of \$0.5 million as a decrease to opening retained earnings.

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We had gross unrecognized tax benefits, including interest, of approximately \$33.5 million as of September 25, 2010 and \$29.2 million as of September 26, 2009. At September 25, 2010, \$33.5 million represents the amount of unrecognized tax benefits that, if recognized, would result in a reduction of the Company's effective tax rate. In the next twelve months, it is reasonably possible that we will reduce our unrecognized tax benefits by \$4.7 million due to expiration of statute of limitations and settlements with taxing authorities, of which \$3.5 million will reduce the Company's effective tax rate.

In the ordinary course of global business, there are many transactions and calculations where the ultimate tax outcome is uncertain. Judgment is required in determining our worldwide income tax provision. In our opinion, we have made adequate provisions for income taxes for all years subject to audit. Although we believe our estimates are reasonable, no assurance can be given that the final tax outcome of these matters will not be different than that which is reflected in our historical income tax provisions and accruals. In the event our assumptions are incorrect, the differences could have a material impact on our income tax provision and operating results in the period in which such determination is made.

Recent Accounting Pronouncements

In December 2007, the FASB issued ASC Topic 805, *Business Combinations* (formerly SFAS No. 141 (Revised 2007), *Business Combinations*). This Statement retains the fundamental requirements in SFAS 141 that the acquisition method of accounting (which SFAS 141 called the purchase method) be used for all business combinations and for an acquirer to be identified for each business combination. ASC 805 requires an acquirer to recognize the assets acquired, the liabilities assumed, and any noncontrolling interest in the acquiree at the acquisition date, measured at their fair values as of that date, with limited exceptions. ASC 805 replaces SFAS 141's cost-allocation process, which required the cost of an acquisition to be allocated to the individual assets acquired and liabilities assumed based on their estimated fair values. ASC 805 retains the guidance in SFAS 141 for identifying and recognizing intangible assets separately from goodwill. ASC 805 will now require acquisition costs to be expensed as incurred, and changes in deferred tax asset valuation allowances and income tax uncertainties after the acquisition date generally to affect income tax expense. ASC 805 applies prospectively to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after December 15, 2008. We adopted ASC 805 effective September 27, 2009. The impact of the adoption of ASC 805 is reflected in our fiscal 2010 consolidated financial statements and notes thereto.

In December 2007, the FASB issued SFAS No. 160, *Noncontrolling Interests in Consolidated Financial Statements—An amendment of ARB No. 51* (codified within ASC Topic 810, *Consolidation*). SFAS 160 amends Accounting Research Bulletin (ARB) No. 51 to establish accounting and reporting standards for the noncontrolling interest in a subsidiary and for the deconsolidation of a subsidiary. It clarifies that a noncontrolling interest in a subsidiary is an ownership interest in the consolidated entity that should be reported as equity in the consolidated financial statements. The amount of net income attributable to the noncontrolling interest will be included in consolidated net income on the face of the income statement. This accounting standard clarifies that changes in a parent's ownership interest in a subsidiary that do not result in deconsolidation are equity transactions if the parent retains its controlling financial interest. In addition, this Statement requires that a parent recognize a gain or loss in net income when a subsidiary is deconsolidated. This accounting guidance is effective for fiscal years, and interim periods within those fiscal years, beginning on or after December 15, 2008, which is our 2010 fiscal year. The adoption of this accounting guidance did not have a material impact on our consolidated financial statements.

In June 2009, the FASB issued SFAS No. 167, *Amendments to FASB Interpretation No. 46(R)* (SFAS 167) (codified in ASU 2009-17). SFAS 167 modifies how a company determines when an entity that is insufficiently capitalized or is not controlled through voting (or similar rights) should be consolidated. SFAS 167 clarifies that the determination of whether a company is required to consolidate an entity is based on, among other things, an entity's purpose and design and a company's ability to direct the activities of the entity that most significantly

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impact the entity's economic performance. SFAS 167 requires an ongoing reassessment of whether a company is the primary beneficiary of a variable interest entity. SFAS 167 also requires additional disclosures about a company's involvement in variable interest entities and any significant changes in risk exposure due to that involvement. SFAS 167 is effective for fiscal years beginning after November 15, 2009, which is our 2011 fiscal year. We have not completed our assessment of the impact SFAS 167, if any, will have on our financial condition, results of operations or cash flows.

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

Financial Instruments, Other Financial Instruments, and Derivative Commodity Instruments. ASC 825, *Financial Instruments*, requires disclosure about fair value of financial instruments. Financial instruments consist of cash equivalents, accounts receivable, cost-method investments, accounts payable and debt obligations. Except for our outstanding convertible note, the fair value of these financial instruments approximates their carrying amount. At September 25, 2010, we had \$1.725 billion of principal of Convertible Notes outstanding, which was recorded at \$1.45 billion, net of the unamortized debt discount. The fair value of our Convertible Notes was approximately \$1.62 billion as of September 25, 2010 based on the trading price as of that date.

Primary Market Risk Exposures. Our primary market risk exposure is in the areas of interest rate risk and foreign currency exchange rate risk. The return from cash and cash equivalents will vary as short-term interest rates change. A hypothetical 10% increase or decrease in interest rates, however, would not have a material adverse effect on our financial condition.

Foreign Currency Exchange Risk. Our international business is subject to risks, including, but not limited to: unique economic conditions, changes in political climate, differing tax structures, other regulations and restrictions, and foreign exchange rate volatility. Accordingly, our future results could be materially adversely impacted by changes in these or other factors.

We conduct business worldwide and maintain sales and service offices outside the United States as well as manufacturing facilities in Germany, Costa Rica and Canada. The expenses of our international offices are denominated in local currencies, except at our Costa Rica subsidiary, where the majority of the business is conducted in U.S. dollars. Our international sales are denominated in a number of currencies, primarily the Euro and U.S. dollar. Fluctuations in the foreign currency rates could affect our sales, cost of goods and operating margins and could result in exchange losses. In addition, currency devaluations can result in a loss if we hold deposits of that currency.

We believe that the operating expenses of our international subsidiaries that are incurred in local currencies will not have a material adverse effect on our business, results of operations or financial condition. Our operating results and certain assets and liabilities that are denominated in the Euro are affected by changes in the relative strength of the U.S. dollar against the Euro. Our expenses denominated in Euros are positively affected when the United States dollar strengthens against the Euro and adversely affected when the United States dollar weakens. However, we believe that the foreign currency exchange risk is not significant. A hypothetical 10% increase or decrease in foreign currencies that we transact in would not have a material adverse effect on our financial condition or results of operations. During fiscal 2010, 2009 and 2008, we incurred net foreign exchange losses of \$1.1 million, \$2.3 million and \$0.7 million, respectively.

Item 8. Financial Statements and Supplementary Data.

Our Consolidated Financial Statements and Supplementary Data are listed under Part IV, Item 15, in this report.

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

None.

Item 9A. Controls and Procedures.

Evaluation of Disclosure Controls and Procedures

We maintain disclosure controls and procedures that are designed to ensure that information required to be disclosed in our Securities Exchange Act reports is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms, and that such information is accumulated and communicated to our management, including our Chief Executive Officer and Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosure. In designing and evaluating the disclosure controls and procedures, management recognized that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired control objectives, as ours are designed to do, and management necessarily was required to apply its judgment in evaluating the cost-benefit relationship of possible controls and procedures.

As of September 25, 2010, we carried out an evaluation, under the supervision and with the participation of our management, including our Chief Executive Officer and Chief Financial Officer, of the effectiveness of the design and operation of our disclosure controls and procedures, as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934. Based upon that evaluation, our Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures are effective.

Report of Management on Internal Control over Financial Reporting

We are responsible for establishing and maintaining adequate internal control over financial reporting. Internal control over financial reporting is defined in Rule 13a-15(f) and 15d-15(f) under the Securities Exchange Act of 1934, as amended, as a process designed by, or under the supervision of our principal executive and principal financial officers and effected by our board of directors, management and other personnel 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 and includes those policies and procedures that:

- pertain to the maintenance of records that in reasonable detail accurately and fairly reflect the transactions and disposition of our assets;
- provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that our receipts and expenditures are being made only in accordance with authorization of our management and directors; and
- provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of our assets that could have a material effect on the financial statements.

Our internal control system was designed to provide reasonable assurance to our management and board of directors regarding the preparation and fair presentation of published financial statements. Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Projections of any evaluation of effectiveness to future periods are subject to the risks that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Management has assessed the effectiveness of our internal control over financial reporting as of September 25, 2010. In making this assessment, we used the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission ("COSO") in Internal Control-Integrated Framework.

Based on management's assessment, we believe that, as of September 25, 2010, our internal control over financial reporting is effective at a reasonable assurance level based on these criteria.

Ernst & Young LLP, an independent registered public accounting firm, has issued an attestation report on the effectiveness of our internal control over financial reporting. This report in which they expressed an unqualified opinion is included below.

Report of Independent Registered Public Accounting Firm

The Board of Directors and Shareholders of Hologic, Inc.:

We have audited Hologic Inc.'s (the "Company") internal control over financial reporting as of September 25, 2010, based on criteria established in Internal Control—Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (the COSO criteria). The Company'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 Report of Management 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.

In our opinion, Hologic, Inc. maintained, in all material respects, effective internal control over financial reporting as of September 25, 2010, 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 Hologic, Inc. as of September 25, 2010 and September 26, 2009 and the related consolidated statements of operations, stockholders' equity and other comprehensive loss and cash flows for each of the three years in the period ended September 25, 2010 of Hologic, Inc. and our report dated November 24, 2010 expressed an unqualified opinion thereon.

/s/ Ernst & Young LLP

Boston, Massachusetts
November 24, 2010

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Changes in Internal Control over Financial Reporting

During the quarter ended September 25, 2010, there have been no changes in our internal control over financial reporting that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

Item 9B. Other Information.

None.

PART III**Item 10. Directors, and Executive Officers and Corporate Governance.**

Pursuant to Section 406 of the Sarbanes-Oxley Act of 2002, we have adopted a Code of Ethics for Senior Financial Officers that applies to our principal executive officer and principal financial officer, principal accounting officer and controller, and other persons performing similar functions. Our Code of Ethics for Senior Financial Officers is publicly available on our website at www.hologic.com under Investor Relations. We intend to satisfy the disclosure requirement under Item 5.05 of Current Report on Form 8-K regarding an amendment to, or waiver from, a provision of this code by posting such information on our website, at the address specified above.

The additional information required by this item is incorporated by reference to our Definitive Proxy Statement for our annual meeting of stockholders to be filed with the Securities and Exchange Commission within 120 days after the close of our fiscal year.

Item 11. Executive Compensation.

The information required by this item is incorporated by reference to our Definitive Proxy Statement for our annual meeting of stockholders to be filed with the Securities and Exchange Commission within 120 days after the close of our fiscal year.

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

We maintain a number of equity compensation plans for employees, officers, directors and others whose efforts contribute to our success. The table below sets forth certain information as of the end of our fiscal year ended September 25, 2010 regarding the shares of our common stock available for grant or granted under stock option plans and equity incentives that (i) were approved by our stockholders, and (ii) were not approved by our stockholders.

Equity Compensation Plan Information

<u>Plan Category</u>	<u>Number of securities to be issued upon exercise of outstanding options, warrants and rights</u> (a)	<u>Weighted-average exercise price of outstanding options, warrants and rights</u> (b)	<u>Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a))</u> (c)
Equity compensation plans approved by security holders	18,778,182	\$ 13.73	11,290,731
Equity compensation plans not approved by security holders (1)	442,577	\$ 3.96	—
Total	<u>19,220,759</u>	<u>\$ 13.51</u>	<u>11,290,731</u>

- (1) Includes the following plans: 1997 Employee Equity Incentive Plan and 2000 Acquisition Equity Incentive Plan. A description of each of these plans is as follows:

1997 Employee Equity Incentive Plan. The purposes of the 1997 Employee Equity Incentive Plan (the "1997 Plan"), adopted by the Board of Directors in May 1997, were to attract and retain key employees, consultants and advisors, to provide an incentive for them to assist us in achieving long-range performance goals, and to enable such person to participate in our long-term growth. In general, under the 1997 Plan, all employees,

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consultants, and advisors who were not executive officers or directors were eligible to participate in the 1997 Plan. The 1997 Plan is administered by our Compensation Committee. Participants in the 1997 Plan are eligible to receive non-qualified stock options, stock appreciation rights, restricted stock and performance shares. A total of 4,400,000 shares of our common stock were reserved for issuance under the 1997 Plan. Of the shares reserved for issuance under the 1997 Plan, options to purchase 263,747 shares are outstanding as of September 25, 2010. In September 2005, our Compensation Committee determined that no further awards would be made under this plan and cancelled all remaining 332,168 shares available for issuance under the 1997 Plan that were not subject to outstanding stock option awards.

2000 Acquisition Incentive Plan. The purpose of the 2000 Acquisition Equity Incentive Plan (the “2000 Plan”), adopted by the Board of Directors in April 2001, was to attract and retain (a) employees, consultants and advisors, of newly acquired businesses who have been or were being hired as employees, consultants or advisors of our company or any of our consolidated subsidiaries, and (b) employees, consultants and advisors, of our company who have or were anticipated to provide significant assistance in connection with the acquisition of a newly acquired business or its integration with our company, and to provide such persons an incentive for them to achieve long-range performance goals, and to enable them to participate in our long-term growth. In general, under the 2000 Plan, only employees, consultants and advisors who were not officers or directors of our company were eligible to participate in the 2000 Plan. The 2000 Plan was administered by our Compensation Committee. Participants in the 2000 Plan were eligible to receive non-qualified stock options, stock appreciation rights, restricted stock and performance shares. A total of 3,200,000 shares of our common stock were reserved for issuance under the 2000 Plan. Of the shares reserved for issuance under the 2000 Plan, options to purchase 178,830 shares were outstanding as of September 25, 2010. In September 2005, our Compensation Committee determined that no further awards would be made under this plan and cancelled all remaining 835,408 shares, available for issuance under the 2000 Plan that were not subject to outstanding stock option awards.

The additional information required by this item is incorporated by reference to our Definitive Proxy Statement for our annual meeting of stockholders to be filed with the Securities and Exchange Commission within 120 days after the close of our fiscal year.

Item 13. Certain Relationships and Related Transactions.

The information required by this item is incorporated by reference to our Definitive Proxy Statement for our annual meeting of stockholders to be filed with the Securities and Exchange Commission within 120 days after the close of our fiscal year.

Item 14. Principal Accountant Fees and Services.

The information required by this item is incorporated by reference to our Definitive Proxy Statement for our annual meeting of stockholders to be filed with the Securities and Exchange Commission within 120 days after the close of our fiscal year.

PART IV**Item 15. Exhibits, Financial Statement Schedules.**

(a) The following documents are filed as part of this report:

(1) Financial Statements

Report of Independent Registered Public Accounting Firm on Consolidated Financial Statements

Consolidated Balance Sheets as of September 25, 2010 and September 26, 2009

Consolidated Statements of Operations for the years ended September 25, 2010, September 26, 2009 and September 27, 2008

Consolidated Statements of Stockholders' Equity and Comprehensive Loss for the years ended September 25, 2010, September 26, 2009 and September 27, 2008

Consolidated Statements of Cash Flows for the years ended September 25, 2010, September 26, 2009 and September 27, 2008

Notes to Consolidated Financial Statements

(2) Financial Statement Schedules

All schedules have been omitted because they are not required or because the required information is given in the Consolidated Financial Statements or Notes thereto.

(b) Listing of Exhibits

<u>Exhibit Number</u>	<u>Exhibit Description</u>	<u>Incorporated by Reference</u>	
		<u>Form</u>	<u>Filing Date/ Period End Date</u>
2.1	Agreement and Plan of Merger between Hologic, Nor'easter Corp. and Cytac dated May 20, 2007.	8-K	05/21/2007
2.2	Agreement and Plan of Merger, dated as of June 8, 2008, by and among Hologic, Thunder Tech Corp. and Third Wave Technologies, Inc.	8-K	06/09/2008
3.1	Certificate of Incorporation of Hologic.	S-1	01/24/1990
3.2	Amendment to Certificate of Incorporation of Hologic.	10-Q	03/30/1996
3.3	Certificate of Amendment to Certificate of Incorporation of Hologic.	10-K	09/24/2005
3.4	Certificate of Amendment to Certificate of Incorporation of Hologic.	8-K	10/22/2007
3.5	Certificate of Amendment to Certificate of Incorporation of Hologic.	8-K	03/11/2008
3.6	Second Amended and Restated By-laws of Hologic, as amended.	8-K	11/09/2009
3.7	Amended and Restated Certificate of Designations of Series A Junior Participating Preferred Stock of Hologic.	8-A	04/03/2008
4.1	Specimen Certificate for Shares of Hologic's Common Stock.	8-A	01/31/1990
4.2	Description of Capital Stock (Contained in Hologic's Certificate of Incorporation, as amended, filed as Exhibits 3.1, 3.2, 3.3, 3.4 and 3.5 hereto).		
4.3	Amended and Restated Rights Agreement dated April 2, 2008.	8-A	04/03/2008
4.4	Form of Rights Certificate.	8-K	09/26/2002

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<u>Exhibit Number</u>	<u>Exhibit Description</u>	<u>Incorporated by Reference</u>	
		<u>Form</u>	<u>Filing Date/ Period End Date</u>
4.5	Indenture, dated as of December 10, 2007, by and between Wilmington Trust Company, as Trustee, and Hologic.	8-K	12/10/2007
4.6	First Supplemental Indenture, dated December 10, 2007, by and between Wilmington Trust Company, as Trustee, and Hologic.	8-K	12/10/2007
4.7**	Second Supplemental Indenture, dated November 23, 2010, by and between Wilmington Trust Company, as Trustee, and Hologic.		
10.01*	Second Amended and Restated 1990 Non-Employee Director Stock Option Plan.	10-Q	03/30/1996
10.02*	1995 Combination Stock Option Plan.	10-Q	03/30/1996
10.03*	Second Amended and Restated 1999 Equity Incentive Plan.	10-Q	03/25/2006
10.04*	Amendment No. 1 to Second Amended and Restated 1999 Equity Incentive Plan.	S-8	10/23/2007
10.05*	Amendment No. 2 to Second Amended and Restated 1999 Equity Incentive Plan.	8-K	10/22/2007
10.06*	Amendment No. 3 to Second Amended and Restated 1999 Equity Incentive Plan.	8-K	12/12/2008
10.07	1997 Employee Equity Incentive Plan.	S-8	08/20/1997
10.08	2000 Acquisition Equity Incentive Plan.	10-K	09/29/2001
10.09*	Hologic 2008 Equity Incentive Plan.	8-K	03/11/2008
10.10*	Form of Employee Stock Option Award Agreement under 2008 Equity Incentive Plan.	8-K	11/17/2008
10.11*	Form of Employee Restricted Stock Unit Award Agreement Under 2008 Equity Incentive Plan.	8-K	11/17/2008
10.12*	Form of Special Retention Employee Restricted Stock Unit Award Agreement Under 2008 Equity Incentive Plan.	10-Q	06/26/2010
10.13*	Form of Independent Director Stock Option Award Agreement under 2008 Equity Incentive Plan.	8-K	12/12/2008
10.14*	Form of Independent Director Restricted Stock Unit Award Agreement Under 2008 Equity Incentive Plan.	8-K	12/12/2008
10.15*	Amended and Restated 2008 Employee Stock Purchase Plan.	10-K	09/26/2009
10.16*	Hologic 2010 Short-Term Incentive Plan.	8-K	11/17/2009
10.17*	Cytc Corporation 1995 Stock Plan.	S-8	10/23/2007
10.18*	Cytc Corporation 1995 Non-Employee Director Stock Option Plan.	S-8	10/23/2007
10.19*	Cytc Corporation 1998 Stock Plan of Pro Duct Health, Inc.	S-8	10/23/2007
10.20*	Cytc Corporation 2001 Non-Employee Director Stock Plan.	S-8	10/23/2007
10.21*	Cytc Corporation 2004 Omnibus Stock Plan.	S-8	10/23/2007

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<u>Exhibit Number</u>	<u>Exhibit Description</u>	<u>Incorporated by Reference</u>	
		<u>Form</u>	<u>Filing Date/ Period End Date</u>
10.22*	Form of Indemnification Agreement (as executed with each director of Hologic).	8-K	03/06/2009
10.23*	Amended and Restated Supplemental Executive Retirement Plan.	10-Q	12/27/2008
10.24*	Rabbi Trust Agreement.	10-K	09/30/2006
10.25*	Form of Officer Severance Agreement including list of officers to whom provided.	10-Q	03/25/2006
10.26*	Transition Agreement dated November 5, 2009, by and between Hologic and John W. Cumming.	8-K	11/09/2009
10.27*†	Form of Senior Vice President Change of Control Agreement including list of officers to whom provided.	10-Q	12/27/2008
10.28*	Form of Senior Executive Officer Change of Control Agreement including list of officers to whom provided.	8-K	11/17/2009
10.29*	Second Retention Agreement with Robert A. Cascella dated as of October 22, 2007.	8-K	10/22/2007
10.30*	Restricted Stock Grant Agreement with Robert A. Cascella dated as of October 22, 2007.	8-K	10/22/2007
10.31*	Executive Financial Services Program.	10-K	09/27/2008
10.32	Facility Lease (Danbury) dated as of December 30, 1995 by and among Melvin J. Powers and Mary P. Powers D/B/A M&N Realty and Lorad.	Trex Medical Corporation S-1	03/29/1996
10.33	Lease Agreement (Danbury and Bedford) by and between BONE (DE) QRS 15-12, INC., and Hologic dated as of August 28, 2002.	10-K	09/28/2002
10.34	First Amendment to Lease Agreement (Danbury and Bedford) by and between BONE (DE) QRS 15-12, INC., and Hologic dated as of October 29, 2007.	10-K	09/29/2007
10.35	Office Lease dated December 31, 2003 between Cytyc and Marlborough Campus Limited Partnership.	Cytyc Corporation 10-K	12/31/2003
10.36	Lease Agreement by and between Zona Franca Coyol S.A. and Cytyc Surgical Products Costa Rica S.A. dated April 23, 2007.	10-K	09/29/2007
10.37	Lease Agreement by and between 445 Simarano Drive, Marlborough LLC and Cytyc dated July 11, 2006.	10-K	09/29/2007
10.38	Lease Guaranty dated October 22, 2007 between Bel Marlborough I LLC and Hologic, as guarantor thereunder.	8-K	10/22/2007
10.39	Supply Agreement between Cytyc, Whatman, Inc. and Whatman SA dated as of December 31, 2000, as amended, October 16, 2001 and May 2, 2002.	Cytyc Corporation 10-K	12/31/2002
10.40	Form of Exchange Agreement.	8-K	11/18/2010

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<u>Exhibit Number</u>	<u>Exhibit Description</u>	<u>Incorporated by Reference</u>	
		<u>Form</u>	<u>Filing Date/ Period End Date</u>
12.1**	Ratio of Earnings to Fixed Charges.		
14.1	Code of Ethics for Senior Financial Officers.	8-K	10/22/2007
21.1**	Subsidiaries of Hologic.		
23.1**	Consent of Independent Registered Public Accounting Firm		
31.1**	Certification of Hologic's CEO pursuant to Item 601(b)(31) of Regulation S-K, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.		
31.2**	Certification of Hologic's CFO pursuant to Item 601(b)(31) of Regulation S-K, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.		
32.1***	Certification of Hologic's CEO 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 Hologic's CFO pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.		
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		
*	Indicates management contract or compensatory plan or arrangement.		
**	Filed herewith.		
***	Furnished herewith.		
****	Pursuant to applicable securities laws and regulations, the Company is deemed to have complied with the reporting obligation relating to the submission of interactive data files in such exhibits and is not subject to liability under any anti-fraud provisions of the federal securities laws as long as the Company has made a good faith attempt to comply with the submission requirements and promptly amends the interactive data files after becoming aware that the interactive data files fails to comply with the submission requirements. Users of this data are advised that, pursuant to Rule 406T, these interactive data files are deemed not filed and otherwise are not subject to liability.		
†	Exhibit 10.27 filed herewith contains an updated list of officers to whom this agreement is provided.		

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.

HOLOGIC, INC.

By: /s/ ROBERT A. CASCELLA

Robert A. Cascella
Chief Executive Officer

Date: November 24, 2010

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.

<u>Signature</u>	<u>Title</u>	<u>Date</u>
<u>/s/ ROBERT A. CASCELLA</u> ROBERT A. CASCELLA	Director, President and Chief Executive Officer (Principal Executive Officer)	November 24, 2010
<u>/s/ GLENN P. MUIR</u> GLENN P. MUIR	Director, Executive Vice President, Finance and Administration and Chief Financial Officer, (Principal Financial Officer)	November 24, 2010
<u>/s/ ROBERT H. LAVALLEE</u> ROBERT H. LAVALLEE	Senior Vice President, Chief Accounting Officer (Principal Accounting Officer)	November 24, 2010
<u>/s/ JOHN W. CUMMING</u> JOHN W. CUMMING	Chairman, Director and Executive Officer	November 24, 2010
<u>/s/ SALLY W. CRAWFORD</u> SALLY W. CRAWFORD	Director	November 24, 2010
<u>/s/ DAVID R. LAVANCE, JR.</u> DAVID R. LAVANCE, JR.	Lead Independent Director	November 24, 2010
<u>/s/ NANCY L. LEAMING</u> NANCY L. LEAMING	Director	November 24, 2010
<u>/s/ LAWRENCE M. LEVY</u> LAWRENCE M. LEVY	Director	November 24, 2010
<u>/s/ ELAINE S. ULLIAN</u> ELAINE S. ULLIAN	Director	November 24, 2010
<u>/s/ WAYNE WILSON</u> WAYNE WILSON	Director	November 24, 2010

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Hologic, Inc.

Consolidated Financial Statements

Years ended September 25, 2010, September 26, 2009 and September 27, 2008

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**Report of Independent Registered Public Accounting Firm
on Consolidated Financial Statements**

The Board of Directors and Stockholders of Hologic, Inc.:

We have audited the accompanying consolidated balance sheets of Hologic, Inc. as of September 25, 2010 and September 26, 2009, and the related consolidated statements of operations, stockholders' equity and comprehensive loss, and cash flows for each of the three years in the period ended September 25, 2010. 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 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 consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Hologic, Inc. at September 25, 2010 and September 26, 2009, and the consolidated results of its operations and cash flows for each of the three years in the period ended September 25, 2010, in conformity with U.S. generally accepted accounting principles.

As discussed in Note 3 to the consolidated financial statements, the Company changed its method of accounting for business combinations effective September 27, 2009.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the effectiveness of Hologic, Inc.'s internal control over financial reporting as of September 25, 2010, 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 24, 2010 expressed an unqualified opinion thereon.

/s/ Ernst & Young LLP

Boston, Massachusetts
November 24, 2010

Hologic, Inc.
Consolidated Balance Sheets
(In thousands, except per share data)

	September 25, 2010	September 26, 2009
Assets		
Current assets:		
Cash and cash equivalents	\$ 515,625	\$ 293,186
Restricted cash	942	916
Accounts receivable, less reserves of \$7,769 and \$7,279 respectively	283,103	263,231
Inventories	192,482	179,889
Deferred income tax assets	72,808	52,165
Prepaid income taxes	3,944	172
Prepaid expenses and other current assets	29,977	29,066
Total current assets	<u>1,098,881</u>	<u>818,625</u>
Property and equipment, at cost:		
Land	8,882	8,983
Buildings and improvements	57,350	57,214
Equipment and software	207,382	187,961
Equipment under customer usage agreements	147,736	133,946
Furniture and fixtures	11,346	11,112
Leasehold improvements	41,130	39,701
	<u>473,826</u>	<u>438,917</u>
Less—accumulated depreciation and amortization	222,128	160,540
	<u>251,698</u>	<u>278,377</u>
Intangible assets, net	2,118,948	2,422,564
Goodwill	2,108,847	2,108,963
Other assets	47,460	55,697
Total assets	<u>\$ 5,625,834</u>	<u>\$ 5,684,226</u>
Liabilities and Stockholders' Equity		
Current liabilities:		
Current portion of long-term debt	\$ 1,362	\$ 38,373
Accounts payable	57,480	46,589
Accrued expenses	183,054	137,284
Deferred revenue	120,516	97,544
Deferred gain	79,500	9,500
Total current liabilities	<u>441,912</u>	<u>329,290</u>
Long-term debt, net of current portion	—	139,955
Convertible notes (principal of \$1,725,000)	1,447,053	1,373,923
Deferred income tax liabilities	955,611	1,045,183
Deferred service obligations—long-term	10,011	11,364
Other long-term liabilities	72,698	58,534
Commitments and contingencies (Notes 12 and 15)		
Stockholders' equity		
Preferred stock, \$0.01 par value—1,623 shares authorized; 0 shares issued	—	—
Common stock, \$0.01 par value—750,000 shares authorized; 259,488 and 257,938 shares issued, respectively	2,595	2,579
Capital in excess of par value	5,224,399	5,182,060
Accumulated deficit	(2,527,070)	(2,464,257)
Accumulated other comprehensive income	143	7,028
Treasury stock, at cost—219 and 214 shares, respectively	(1,518)	(1,433)
Total stockholders' equity	<u>2,698,549</u>	<u>2,725,977</u>
Total liabilities and stockholders' equity	<u>\$ 5,625,834</u>	<u>\$ 5,684,226</u>

See accompanying notes.

Hologic, Inc.
Consolidated Statements of Operations
(In thousands, except per share data)

	Years ended		
	September 25, 2010	September 26, 2009	September 27, 2008
Revenues:			
Product sales	\$ 1,414,900	\$ 1,426,986	\$ 1,502,447
Service and other revenues	264,652	210,148	172,052
	<u>1,679,552</u>	<u>1,637,134</u>	<u>1,674,499</u>
Costs and expenses:			
Cost of product sales	487,057	463,066	528,531
Cost of product sales—amortization of intangible assets	171,447	155,519	95,310
Cost of product sales—impairment of intangible assets	123,350	4,065	—
Cost of service and other revenues	161,060	156,998	158,140
Research and development	104,305	102,453	88,184
Selling and marketing	247,374	238,977	261,524
General and administrative	148,340	140,700	140,642
Amortization of intangible assets	54,858	51,210	25,227
Impairment of goodwill	76,723	2,340,023	—
Impairment of intangible assets	20,117	—	2,900
Litigation-related settlement charges, net	11,403	—	—
Acquired in-process research and development	2,000	—	565,200
Restructuring and divestiture charges	1,581	797	6,383
	<u>1,609,615</u>	<u>3,653,808</u>	<u>1,872,041</u>
Income (loss) from operations	69,937	(2,016,674)	(197,542)
Interest income	1,278	1,161	4,528
Interest expense	(127,107)	(134,957)	(133,043)
Other income (expense), net	901	(3,660)	(1,215)
Loss before income taxes	(54,991)	(2,154,130)	(327,272)
Provision for income taxes	7,822	62,512	88,316
Net loss	<u>\$ (62,813)</u>	<u>\$ (2,216,642)</u>	<u>\$ (415,588)</u>
Basic net loss per common share	<u>\$ (0.24)</u>	<u>\$ (8.64)</u>	<u>\$ (1.69)</u>
Diluted net loss per common share	<u>\$ (0.24)</u>	<u>\$ (8.64)</u>	<u>\$ (1.69)</u>
Weighted average number of common shares outstanding:			
Basic	258,743	256,545	245,968
Diluted	<u>258,743</u>	<u>256,545</u>	<u>245,968</u>

See accompanying notes.

Hologic, Inc.
Consolidated Statements of Stockholders' Equity and Comprehensive Loss
(In thousands, except per share data)

	Common Stock		Capital in Excess of Par Value	Retained Earnings (Accumulated Deficit)	Accumulated Other Comprehensive Income (Loss)	Treasury Stock		Total Stockholders' Equity	Comprehensive Loss
	Number of Shares	Par Value				Number of Shares	Amount		
Balance at September 29, 2007	110,300	\$ 1,103	\$ 633,477	\$ 168,453	\$ 4,123	214	\$ (1,433)	\$ 805,723	
Issuance of common stock related to acquisitions	132,060	1,321	3,670,818	—	—	—	—	3,672,139	
Exercise of stock options	11,398	114	170,995	—	—	—	—	171,109	
Fair value of common stock issued in connection with conversion of Cytoc convertible debt	2,557	25	84,176	—	—	—	—	84,201	
Fair value of vested options exchanged related to acquisitions	—	—	256,941	—	—	—	—	256,941	
Issuance of common stock to employees upon vesting of restricted stock units, net of minimum tax withholdings	58	1	(1,343)	—	—	—	—	(1,342)	
Stock-based compensation expense	—	—	25,664	—	—	—	—	25,664	
Tax benefit related to exercise of stock options	—	—	13,109	—	—	—	—	13,109	
Allocation of equity component of Convertible Notes, net of taxes	—	—	283,638	—	—	—	—	283,638	
Cumulative effect of a change in accounting principle—FIN 48	—	—	—	(480)	—	—	—	(480)	
Net loss	—	—	—	(415,588)	—	—	—	(415,588)	\$ (415,588)
Translation adjustments	—	—	—	—	1,092	—	—	1,092	1,092
Adjustment to minimum pension liability, net	—	—	—	—	(270)	—	—	(270)	(270)
Comprehensive loss	—	—	—	—	—	—	—	—	\$ (414,766)
Balance at September 27, 2008	256,373	2,564	5,137,475	(247,615)	4,945	214	(1,433)	4,895,936	
Exercise of stock options	1,306	13	9,379	—	—	—	—	9,392	
Issuance of common stock to employees upon vesting of restricted stock units, net of minimum tax withholdings	138	1	(882)	—	—	—	—	(881)	
Issuance of common shares under the employee stock purchase plan	121	1	1,541	—	—	—	—	1,542	
Stock-based compensation expense	—	—	32,939	—	—	—	—	32,939	
Tax benefit related to exercise of stock options	—	—	1,608	—	—	—	—	1,608	
Net loss	—	—	—	(2,216,642)	—	—	—	(2,216,642)	\$ (2,216,642)
Translation adjustments	—	—	—	—	1,666	—	—	1,666	1,666
Adjustment to minimum pension liability, net	—	—	—	—	417	—	—	417	417
Comprehensive loss	—	—	—	—	—	—	—	—	\$ (2,214,599)
Balance at September 26, 2009	257,938	2,579	5,182,060	(2,464,257)	7,028	214	(1,433)	2,725,977	
Exercise of stock options	1,123	12	11,112	—	—	—	—	11,124	
Issuance of common stock to employees upon vesting of restricted stock units, net of minimum tax withholdings	331	3	(2,442)	—	—	5	(85)	(2,524)	
Issuance of common shares under the employee stock purchase plan	96	1	1,436	—	—	—	—	1,437	
Stock-based compensation expense	—	—	34,160	—	—	—	—	34,160	
Tax benefit related to exercise of stock options	—	—	757	—	—	—	—	757	
Purchase of non-controlling interest	—	—	(2,684)	—	—	—	—	(2,684)	
Net loss	—	—	—	(62,813)	—	—	—	(62,813)	\$ (62,813)
Translation adjustments	—	—	—	—	(4,763)	—	—	(4,763)	(4,763)
Adjustment to minimum pension liability, net	—	—	—	—	(2,122)	—	—	(2,122)	(2,122)
Comprehensive loss	—	—	—	—	—	—	—	—	\$ (69,698)
Balance at September 25, 2010	<u>259,488</u>	<u>\$ 2,595</u>	<u>\$5,224,399</u>	<u>\$ (2,527,070)</u>	<u>\$ 143</u>	<u>219</u>	<u>\$ (1,518)</u>	<u>\$ 2,698,549</u>	

See accompanying notes.

Hologic, Inc.
Consolidated Statements of Cash Flows
(In thousands)

	Years ended		
	September 25, 2010	September 26, 2009	September 27, 2008
Operating activities			
Net loss	\$ (62,813)	\$(2,216,642)	\$ (415,588)
Adjustments to reconcile net loss to net cash provided by operating activities:			
Depreciation	68,463	67,195	52,413
Amortization	226,305	206,729	120,537
Fair value write-up of inventory sold	732	1,167	46,258
Non-cash interest expense	86,638	83,197	68,672
Impairment of goodwill	76,723	2,340,023	—
Impairment of intangible assets	143,467	4,065	2,900
Acquired in-process research and development	2,000	—	565,200
Stock-based compensation expense	34,160	32,939	25,664
Excess tax benefit related to exercise of non-qualified stock options	(2,043)	(2,978)	(62,740)
Deferred income taxes	(121,726)	(26,991)	(28,525)
Impairment of cost-method investments	1,100	2,243	—
Loss on divestiture	341	—	—
Loss on disposal and impairment of property and equipment	3,765	4,430	1,740
Other non-cash activity	1,008	(1,660)	2,510
Changes in operating assets and liabilities, excluding the effect of acquisitions:			
Accounts receivable	(20,211)	57,581	(58,801)
Inventories	(5,247)	(14,336)	(29,007)
Prepaid income taxes	(3,772)	17,925	74,408
Prepaid expenses and other assets	(254)	(577)	(5,662)
Accounts payable	7,151	(12,881)	(10,189)
Accrued expenses and other liabilities	(348)	(10,613)	(14,596)
Deferred revenue	21,273	19,640	27,022
Net cash provided by operating activities	<u>456,712</u>	<u>550,456</u>	<u>362,216</u>
Investing activities			
Acquisition of businesses, net of cash acquired	(84,322)	—	(2,584,947)
Payment of additional acquisition consideration	—	(229)	(24,394)
Divestiture of business, net of cash transferred to the buyer	(1,035)	—	—
Deferred gain	70,000	—	9,500
Purchase of property and equipment	(28,010)	(31,357)	(53,536)
Increase in equipment under customer usage agreements	(18,648)	(26,877)	(25,349)
Purchase of licensed technology and other intangible assets	(500)	(6,238)	—
Proceeds from sale of intellectual property	3,000	2,250	3,000
Purchase of insurance contracts	(5,322)	(5,322)	(3,322)
Acquisition of in process research and development assets	(2,000)	—	—
Proceeds from sale of cost method investment	678	—	936
Purchases of cost method investments	(795)	(550)	—
Purchases of investment securities	—	—	(263)
Proceeds from sales and maturities of investment securities	—	—	2,638
(Increase) decrease in restricted cash	(26)	2,713	(1,332)
Net cash used in investing activities	<u>(66,980)</u>	<u>(65,610)</u>	<u>(2,677,069)</u>

Hologic, Inc.
Consolidated Statements of Cash Flows (continued)
(In thousands)

	Years ended		
	September 25, 2010	September 26, 2009	September 27, 2008
Financing activities			
Proceeds from issuance of convertible notes, net of issuance costs	—	—	1,688,974
Payments upon conversion of Cytoc convertible notes	—	(298)	(40,574)
Proceeds under credit agreements, net of issuance costs	—	—	2,855,609
Repayments under credit agreements	(174,167)	(290,833)	(2,425,000)
Proceeds from note payable	—	—	2,062
Repayments of notes payable	(2,837)	(10,127)	(2,895)
Purchase of non-controlling interest	(2,684)	—	—
Excess tax benefit related to exercise of non-qualified stock options	2,043	2,978	62,740
Net proceeds from issuance of common stock pursuant to employee stock plans	12,594	10,887	171,014
Financing costs on credit agreement	—	(350)	—
Payments of employee restricted stock tax withholdings	(2,524)	(881)	(851)
Net cash (used in) provided by financing activities	<u>(167,575)</u>	<u>(288,624)</u>	<u>2,311,079</u>
Effect of exchange rate changes on cash and cash equivalents	282	1,303	(968)
Net increase (decrease) in cash and cash equivalents	222,439	197,525	(4,742)
Cash and cash equivalents, beginning of year	293,186	95,661	100,403
Cash and cash equivalents, end of year	<u>\$ 515,625</u>	<u>\$ 293,186</u>	<u>\$ 95,661</u>

See accompanying notes.

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Hologic, Inc.

Notes to Consolidated Financial Statements
(all tabular amounts in thousands except per share data)

1. Operations

Hologic, Inc. (the “Company” or “Hologic”) develops, manufactures and distributes premium diagnostics, medical imaging systems and surgical products dedicated to serving the healthcare needs of women. The Company’s core business segments are focused on breast health, diagnostics, GYN surgical and skeletal health.

2. Summary of Significant Accounting Policies

Principles of Consolidation

The consolidated financial statements include the accounts of the Company and its wholly owned subsidiaries. All intercompany transactions and balances have been eliminated in consolidation. The Company’s fiscal year ends on the last Saturday in September. Fiscal 2010, 2009 and 2008 ended on September 25, 2010, September 26, 2009, and September 27, 2008, respectively, and each fiscal year presented included 52 weeks.

Adoption of New Accounting Standard

The Company adopted FASB Staff Position APB 14-1, *Accounting for Convertible Debt Instruments That May Be Settled in Cash Upon Conversion (Including Partial Cash Settlement)* (codified within Accounting Standards Codification (ASC) 470, *Debt*) (FSP APB 14-1) in the first quarter of fiscal 2010, and adjusted its Consolidated Financial Statements as of September 26, 2009 and for the years ended September 26, 2009 and September 27, 2008 to reflect the retrospective application of FSP APB 14-1. The adjusted consolidated financial statements were previously filed with the Securities and Exchange Commission under a Current Report on Form 8-K on March 19, 2010. See Note 5(a) for additional information pertaining to the adoption of FSP APB 14-1.

Reclassifications

The Company reclassified certain expenses of \$8.1 million and \$6.8 million, respectively, in fiscal 2009 and fiscal 2008 from general and administrative to research and development in its Consolidated Statements of Operations to conform to the current period presentation. The Company also reclassified certain expenses of \$7.2 million and \$6.6 million, respectively, in fiscal 2009 and fiscal 2008 from cost of product sales to cost of service and other revenues in its Consolidated Statements of Operations to conform to the current period presentation.

The Company reclassified certain Company manufactured equipment to property and equipment from inventory and other assets of \$2.9 million and \$3.8 million, respectively, in its Consolidated Balance Sheet as of September 26, 2009. As a result, the Company also reclassified certain amounts in its Consolidated Statement of Cash Flows for fiscal 2009 to reflect the above reclassification matter, and cash flows from operations increased to \$550.5 million from \$546.4 million previously reported and cash used in investing activities increased to \$65.6 million from \$61.5 million previously reported. The Company also reclassified certain amounts in its Consolidated Statement of Cash Flows for the year ended September 27, 2008 to reflect the above reclassification matter, and cash flows from operations increased to \$362.2 million from \$361.6 million previously reported and cash used in investing activities increased to \$2.677 billion from \$2.676 billion previously reported.

Management’s Estimates and Uncertainties

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make significant estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the

Hologic, Inc.

Notes to Consolidated Financial Statements (continued)
(all tabular amounts in thousands except per share data)

reported amounts of revenues and expenses during the reporting periods. Significant estimates and assumptions by management affect the Company's revenue recognition for multiple element arrangements, allowance for doubtful accounts, the net realizable value of inventory, estimated fair value of cost method investments, valuations and purchase price allocations related to business combinations, expected future cash flows including growth rates, discount rates, terminal values and other assumptions and estimates used to evaluate the recoverability of long-lived assets and goodwill, estimated fair values of intangible assets and goodwill, amortization methods and periods, warranty reserves, certain accrued expenses, restructuring and other related charges, stock-based compensation, contingent liabilities, tax reserves and recoverability of the Company's net deferred tax assets and related valuation allowance.

Although the Company regularly assesses these estimates, actual results could differ materially from these estimates. Changes in estimates are recorded in the period in which they become known. The Company bases its estimates on historical experience and various other assumptions that it believes to be reasonable under the circumstances.

The Company is subject to a number of risks similar to those of other companies of similar size in its industry, including, dependence on third party reimbursements to support the markets of the Company's products, early stage of development of certain products, rapid technological changes, recoverability of long-lived assets (including intangible assets and goodwill), competition, stability of world financial markets, ability to obtain regulatory approvals, changes in the regulatory environment, limited number of suppliers, customer concentration, integration of acquisitions, substantial indebtedness, government regulations, future sales or issuances of its common stock, management of international activities, protection of proprietary rights, patent and other litigation and dependence on key individuals.

Cash Equivalents

Cash equivalents are highly liquid investments with insignificant interest rate risk and maturities of three months or less at the time of acquisition. At September 25, 2010 and September 26, 2009, the Company's cash equivalents consisted of money market accounts.

Restricted Cash

Restricted cash at September 25, 2010 and September 26, 2009 is primarily comprised of various deposits for operating leases and duty taxes.

Concentrations of Credit Risk

Financial instruments that subject the Company to credit risk primarily consist of cash and cash equivalents, cost-method investments, and trade accounts receivable. The Company invests its cash and cash equivalents with high credit quality financial institutions.

The Company's customers are principally located in the United States, Europe and Asia. The Company performs ongoing credit evaluations of the financial condition of its customers and generally does not require collateral. Although the Company is directly affected by the overall financial condition of the healthcare industry, as well as global economic conditions, management does not believe significant credit risk exists as of September 25, 2010. The Company generally has not experienced any material losses related to receivables from individual customers or groups of customers in the health care industry. The Company maintains an allowance

Hologic, Inc.**Notes to Consolidated Financial Statements (continued)**
(all tabular amounts in thousands except per share data)

for doubtful accounts based on accounts past due and historical collection experience. The Company's losses related to collection of trade receivables have consistently been within management's expectations. Due to these factors, no additional credit risk beyond amounts provided for collection losses is believed by management to be probable.

There were no customers with balances greater than 10% of accounts receivable as of September 25, 2010 and September 26, 2009, nor customers that represented greater than 10% of total revenues for fiscal years 2010, 2009 and 2008.

Disclosure of Fair Value of Financial Instruments

The Company's financial instruments mainly consist of cash and cash equivalents, accounts receivable, cost-method investments, accounts payable and debt obligations. The carrying amounts of the Company's cash equivalents, accounts receivable and accounts payable approximate their fair value due to the short-term nature of these instruments. The Company repaid amounts outstanding under its Amended Credit Agreement in fiscal 2010 and had \$174.2 million outstanding at September 26, 2009. The amounts outstanding were subject to variable rates of interest based on current market rates, and the Company believed the carrying amounts of that obligation approximated its fair value.

The Company has \$1.725 billion of principal of Convertible Notes outstanding (See Note 5) as of September 25, 2010 and September 26, 2009, which are recorded net of unamortized debt discount in the Consolidated Balance Sheets. The fair value of these Convertible Notes was approximately \$1.62 billion and \$1.42 billion as of September 25, 2010 and September 26, 2009, respectively, based on the trading prices as of those dates.

Supplemental Cash Flow Statement Information

	Years ended		
	September 25, 2010	September 26, 2009	September 27, 2008
Cash paid during the period for income taxes	\$ 130,486	\$ 59,077	\$ 40,971
Cash paid during the period for interest	\$ 39,382	\$ 52,001	\$ 53,125
Non-Cash Investing Activities:			
Additional acquisition contingent consideration accrued	\$ 32,489	\$ 1,854	\$ 73
Non-Cash Financing Activities:			
Issuance of common stock upon conversion of Cytyc convertible notes	\$ —	\$ —	\$ 84,201
Issuance of note payable related to purchase of licensed technology	\$ —	\$ 3,900	\$ —
Business Acquisitions, Net of Cash Acquired:			
Fair value of tangible assets acquired	\$ 17,426	\$ —	\$ 695,113
Liabilities assumed	(7,434)	—	(301,441)
Fair value of options exchanged	—	—	(249,460)
Fair value of stock issued	—	—	(3,671,513)
Cost in excess of fair value of assets acquired (Goodwill)	48,906	—	4,071,767
Acquired identifiable intangible assets	67,600	—	2,579,500
Deferred tax liabilities, net	(12,247)	—	(982,630)
In-process research and development	—	—	565,200
	114,251	—	2,706,536
Less accrued contingent consideration	29,500	—	—
Less acquisition costs paid prior to September 29, 2007	—	—	6,400
Less cash and cash equivalents acquired	429	—	115,189
Net cash paid for business acquisition	\$ 84,322	\$ —	\$ 2,584,947

Hologic, Inc.

Notes to Consolidated Financial Statements (continued)
(all tabular amounts in thousands except per share data)

Inventories

Inventories are valued at the lower of cost or market on a first in, first out basis. Work-in-process and finished goods inventories consist of materials, labor and manufacturing overhead. The valuation of inventory requires management to estimate excess and obsolete inventory. The Company employs a variety of methodologies to determine the net realizable value of its inventory. Provisions for excess and obsolete inventory are primarily based on management's estimates of forecasted net sales and service usage levels. A significant change in the timing or level of demand for the Company's products as compared to forecasted amounts may result in recording additional provisions for excess and obsolete inventory in the future. The Company records provisions for excess and obsolete inventory as cost of product sales.

Inventories at September 25, 2010 and September 26, 2009 consisted of the following:

	<u>2010</u>	<u>2009</u>
Raw materials and work-in-process	\$ 124,303	\$ 116,983
Finished goods	68,179	62,906
	<u>\$ 192,482</u>	<u>\$ 179,889</u>

Property and Equipment

Property and equipment is recorded at cost less allowances for depreciation. The straight-line method of depreciation is used for all property and equipment. Repair and maintenance costs are expensed as incurred. Property and equipment are depreciated over the following estimated useful lives:

<u>Asset Classification</u>	<u>Estimated Useful Life</u>
Building and improvements	35–40 years
Equipment and software	3–10 years
Equipment under customer usage agreements	3–8 years
Furniture and fixtures	5–7 years
Leasehold improvements	Shorter of the Original Term of Lease or Estimated Useful Life

Equipment under customer usage agreements consists of diagnostic and medical imaging equipment located at customer sites but owned by the Company. Generally, the customer has the right to use it for a period of time provided they meet certain agreed to conditions.

The Company applies the provisions of ASC 350-40, *Internal-Use Software*. This accounting standard requires computer software costs associated with internal use software to be expensed as incurred until certain capitalization criteria are met, and it also defines which types of costs should be capitalized and which should be expensed. The Company capitalized \$1.8 million, \$1.6 million, and \$3.2 million during fiscal 2010, 2009 and 2008, respectively, related to company-wide Enterprise Resource Planning ("ERP") system implementation projects, as well as upgrades and enhancements that added significant functionality to the system and has included these amounts in equipment and software in the accompanying consolidated balance sheets. The Company amortizes such costs when the ERP system and new functionality become operational. The ERP system costs are being amortized over an estimated useful life of ten years and new functionality is amortized over the remaining useful life of the related system.

Hologic, Inc.

Notes to Consolidated Financial Statements (continued)
(all tabular amounts in thousands except per share data)

As a result of the merger with Cytac in fiscal 2008, the Company assumed two leases under which Cytac or the Company disbursed cash for property and equipment to build out and equip these leased facilities. Pursuant to the provisions of ASC 840, *Leases*, Subsection 40-15-5, the Company was deemed to be the owner of the facility during the construction periods and after completion of the construction periods. As a result, these leases are not classified as operating leases but have been recorded by the Company at fair value within property and equipment on its Consolidated Balance Sheets, with an offsetting increase to accrued expenses and other long-term liabilities. Please refer to Note 12, "Commitments and Contingencies", for further discussion regarding the Company's obligations under these lease agreements.

Long-Lived Assets

The Company reviews its long-lived assets, which includes property and equipment and identifiable intangible assets (see below for discussion of intangible assets), for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable in accordance with ASC 360-10-35-15, *Property, Plant and Equipment—Impairment or Disposal of Long-Lived Assets* (ASC 360). Recoverability of these assets is evaluated by comparing the carrying value of the assets to the undiscounted cash flows estimated to be generated by those assets over their remaining economic life. If the undiscounted cash flows are not sufficient to recover the carrying value of the assets, the assets are considered impaired. The impairment loss is measured by comparing the fair value of the assets to their carrying value. Fair value is determined by either a quoted market price, if any, or a value determined by a discounted cash flow technique. There were no material impairment charges related to property and equipment in fiscal 2010, 2009 and 2008. See below for discussion of impairment of intangible assets.

Valuation of Business Combinations and Acquisition of Intangible Assets

The Company records tangible and intangible assets acquired in business combinations under the purchase method of accounting. The Company accounts for acquisitions in accordance with ASC 805, *Business Combinations*. The Company adopted this standard effective September 27, 2009. Amounts paid for each acquisition are allocated to the assets acquired and liabilities assumed based on their fair values at the dates of acquisition. The Company allocates the purchase price in excess of the fair value of the net tangible assets acquired to identifiable intangible assets, including purchased research and development, based on detailed valuations that use information and assumptions provided by management. The Company allocates any excess purchase price over the fair value of the net tangible and intangible assets acquired to goodwill. The use of alternative valuation assumptions, including estimated cash flows and discount rates, and alternative useful life assumptions could result in different purchase price allocations and intangible asset amortization expense in current and future periods.

The valuation of purchased research and development represents the estimated fair value at the dates of acquisition related to in-process projects. The Company's purchased research and development represents the value of in-process projects that have not yet reached technological feasibility and have no alternative future uses as of the date of acquisition. The Company capitalizes the value attributable to these in-process projects at the time of the acquisition pursuant to ASC 805. Prior to the adoption of ASC 805, these in-process projects were expensed at the time of acquisition. Subsequent to acquisition, in-process research and development is evaluated as an indefinite-lived intangible asset, consistent with the accounting treatment of goodwill. No additional amounts are capitalized and once the project is completed the asset is amortized over its estimated useful life. If the projects are not successful or completed in a timely manner, the Company may not realize the financial benefits expected for these projects or for the acquisitions as a whole and impairments may result.

Hologic, Inc.

Notes to Consolidated Financial Statements (continued)
(all tabular amounts in thousands except per share data)

The Company uses the income approach to determine the fair values of its purchased research and development. This approach determines fair value by estimating the after-tax cash flows attributable to an in-process project over its useful life and then discounting these after-tax cash flows back to a present value. The Company bases its revenue assumptions on estimates of relevant market sizes, expected market growth rates, expected trends in technology and expected product introductions by competitors. In arriving at the value of the in-process projects, the Company considers, among other factors, the in-process projects' stage of completion, the complexity of the work completed as of the acquisition date, the costs already incurred, the projected costs to complete, the contribution of core technologies and other acquired assets, the expected introduction date and the estimated useful life of the technology. The Company bases the discount rate used to arrive at a present value as of the date of acquisition on the time value of money and medical technology investment risk factors. The Company believes that the estimated purchased research and development amounts so determined represent the fair value at the date of acquisition and do not exceed the amount a third party would pay for the projects.

The Company also uses the income approach, as described above, to determine the estimated fair value of certain other identifiable intangible assets including developed technology, customer relationships and trade names. Developed technology represents patented and unpatented technology and know-how. Customer relationships represent established relationships with customers, which provide a ready channel for the sale of additional products and services. Trade names represent acquired product names that the Company intends to continue to utilize.

Intangible Assets and Goodwill

Intangible Assets

Intangible assets are recorded at fair value and stated net of accumulated amortization and impairments. The Company amortizes its intangible assets that have finite lives using either the straight-line method, or if reliably determinable, based on the pattern in which the economic benefit of the asset is expected to be consumed utilizing expected undiscounted future cash flows. Amortization is recorded over the estimated useful lives ranging from 2 to 30 years. The Company evaluates the realizability of its definite lived intangible assets whenever events or changes in circumstances or business conditions indicate that the carrying value of these assets may not be recoverable based on expectations of future undiscounted cash flows for each asset group. If the carrying value of an asset or asset group exceeds its undiscounted cash flows, the Company estimates the fair of the assets, generally utilizing a discounted cash flow analysis based on the present value of estimated future cash flows to be generated by the assets using a risk-adjusted discount rate. To estimate the fair value of the assets, the Company uses market participant assumptions pursuant to ASC 820, *Fair Value Measurements*.

If the estimate of an intangible asset's remaining useful life is changed, the Company will amortize the remaining carrying value of the intangible asset prospectively over the revised useful life.

During the fourth quarter of fiscal 2010 in connection with the Company-wide annual budgeting and strategic planning process, the Company determined that indicators of impairment existed in its MammoSite reporting unit, which is included in the Breast Health reportable segment, due to changing market conditions for the breast brachytherapy market, including downward pressure on procedure volumes due to the continuing adverse economic environment and current trends in breast cancer management, as well as competitive pricing pressures and competition from existing and alternative new technologies. These factors resulted in the Company lowering its financial projections for MammoSite. As a result, the Company performed the first step in the long-lived assets impairment test pursuant to ASC 360 and compared MammoSite's forecasted undiscounted cash flows to the carrying value of its net assets, and these cash flows were insufficient to recover MammoSite's

Hologic, Inc.**Notes to Consolidated Financial Statements (continued)**
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carrying value. Therefore the Company determined the fair value of MammoSite's long-lived assets, which are primarily intangible assets, using a discounted cash flow technique. The expected future cash flows are Level 3 inputs under ASC 820 and are those expected to be generated by market participants. Based on the estimated fair value of the long-lived assets, the Company recorded an aggregate impairment charge of \$143.5 million to write down these intangible assets down to their fair value. The charge was comprised of \$123.4 million related to developed technology, which was recorded in cost of product sales in the Consolidated Statement of Operations, \$11.8 million related to customer relationships and \$8.3 million related to trade names, which were recorded in impairment of intangible assets in the Consolidated Statements of Operations. In addition, under the annual goodwill impairment test, the Company recorded a goodwill impairment charge of \$76.7 million (see below for further discussion).

During fiscal 2009, as a result of the Company's conclusion that an interim impairment test of goodwill was required as of December 27, 2008 (as discussed below), the Company performed an impairment test of certain long-lived assets as of December 27, 2008. The impairment evaluation was based on expectations of future undiscounted cash flows compared to the carrying value of the long-lived asset groups. The Company's cash flow estimates were based upon historical cash flows, as well as future projected cash flows derived from the Company-wide annual planning process and updated interim forecasting process. The Company believed that its procedures for estimating future cash flows were reasonable and consistent with market conditions at the time of estimation. The results of the Company's interim impairment testing indicated that there was no impairment of its long-lived assets as of December 27, 2008. In those instances where indicators of impairment were identified, the Company performed an impairment test consistent with the method described above.

During the second quarter of fiscal 2009, the Company decided to discontinue selling a certain product within the Diagnostic reporting segment as a result of communications from the FDA regarding the approval process. The Company believed that its decision was an indicator of impairment, and therefore, the Company performed an impairment test in accordance with ASC 360. The Company determined that the undiscounted cash flows to be generated by the asset group over its remaining estimated useful life would not be sufficient to recover the carrying value of the asset group. Due to the insufficient cash flows to be generated, the Company determined that the asset group's fair value was de minimus and recorded an impairment charge of \$4.1 million comprised of developed technology of \$2.6 million and capitalized license fees of \$1.5 million. This charge is reflected in cost of product sales in the Consolidated Statement of Operations.

During the fourth quarter of fiscal 2010, the Company acquired certain in-process research and development assets. Since these assets had not alternative future use, the Company recorded an in-process research and development charge of \$2.0 million. During the third quarter of fiscal 2009, the Company acquired certain developed technology of approximately \$5.4 million.

Intangible assets consist of the following:

Description	As of September 25, 2010		As of September 26, 2009	
	Gross Carrying Value	Accumulated Amortization	Gross Carrying Value	Accumulated Amortization
Developed Technology	\$ 2,047,613	\$ 410,801	\$ 2,137,711	\$ 267,259
In-process Research and Development	4,760	—	—	—
Customer Relationships	471,468	105,059	484,993	63,494
Trade Names	138,914	30,154	146,965	20,094
Patents	9,583	7,659	11,513	7,771
Non-competes	297	14	—	—
Totals	<u>\$2,672,635</u>	<u>\$553,687</u>	<u>\$2,781,182</u>	<u>\$ 358,618</u>

Hologic, Inc.

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Amortization expense related to developed technology and patents is classified as a component of cost of product sales—amortization of intangible assets in the Consolidated Statements of Operations. Amortization expense related to customer relationships, trade names and non-competes is classified as a component of amortization of intangible assets in the Consolidated Statements of Operations.

The estimated amortization expense at September 25, 2010 for each of the five succeeding fiscal years is as follows:

Fiscal 2011	\$ 225,964
Fiscal 2012	227,550
Fiscal 2013	216,372
Fiscal 2014	202,368
Fiscal 2015	186,453

Goodwill

In accordance with ASC 350, *Intangibles—Goodwill and Other* (ASC 350), the Company tests goodwill at the reporting unit level for impairment on an annual basis and between annual tests if events and circumstances indicate it is more likely than not that the fair value of a reporting unit is less than its carrying value. Events that would indicate impairment and trigger an interim impairment assessment include, but are not limited to, current economic and market conditions, including a decline in market capitalization, a significant adverse change in legal factors, business climate or operational performance of the business, and an adverse action or assessment by a regulator.

In performing the impairment test, the Company utilizes the two-step approach prescribed under ASC 350. The first step requires a comparison of the carrying value of each reporting unit to its estimated fair value. To estimate the fair value of its reporting units for Step 1, the Company primarily utilizes the income approach. The income approach is based on a discounted cash flow analysis (“DCF”) and calculates the fair value by estimating the after-tax cash flows attributable to a reporting unit and then discounting the after-tax cash flows to a present value using a risk-adjusted discount rate. Assumptions used in the DCF require significant judgment, including judgment about appropriate discount rates and terminal values, growth rates, and the amount and timing of expected future cash flows. The forecasted cash flows are based on the Company’s most recent budget and for years beyond the budget, the Company’s estimates are based on assumed growth rates. The Company believes its assumptions are consistent with the plans and estimates used to manage the underlying businesses. The discount rates, which are intended to reflect the risks inherent in future cash flow projections, used in the DCF are based on estimates of the weighted-average cost of capital (“WACC”) of market participants relative to each respective reporting unit. The market approach considers comparable market data based on multiples of revenue or earnings before taxes, depreciation and amortization (“EBITDA”). The Company believes its assumptions used to determine the fair value of its respective reporting units are reasonable. If different assumptions were used, particularly with respect to forecasted cash flows, WACCs, or market multiples, different estimates of fair value may result and there could be the potential that an impairment charge could result. Actual operating results and the related cash flows of the reporting units could differ from the estimated operating results and related cash flows.

If the carrying value of a reporting unit exceeds its estimated fair value, the Company is required to perform the second step of the goodwill impairment test to measure the amount of impairment loss, if any. The second step of the goodwill impairment test compares the implied fair value of a reporting unit’s goodwill to its carrying value. The implied fair value of goodwill is derived by performing a hypothetical purchase price allocation for

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each reporting unit as of the measurement date, allocating the reporting unit's estimated fair value to its assets and liabilities. The residual amount from performing this allocation represents the implied fair value of goodwill. To the extent this amount is below the carrying value of goodwill, an impairment charge is recorded.

The Company conducted its fiscal 2010 annual impairment test on the first day of the fourth quarter. The Company utilized DCF and market approaches to estimate the fair value of its reporting units as of June 27, 2010, and ultimately used the fair value determined by the DCF in making its impairment test conclusions. The Company believes it has used reasonable estimates and assumptions about future revenue, cost projections, cash flows and market multiples. In addition, using a DCF requires the use of a risk-adjusted discount rate for which the Company based its rate on the WACC of market participants. As a result of completing Step 1, all of the Company's reporting units, except MammoSite, had fair values exceeding their carrying values, and as such, Step 2 of the impairment test was not required for these reporting units. MammoSite's fair value has declined from fiscal 2009 primarily due to a reduction in its long-term growth rates. The changes in MammoSite's financial projections are a result of changing market conditions for the brachytherapy market, including downward pressure on procedure volumes due to the continuing adverse economic environment and current trends in breast cancer management, as well as competitive pricing pressures and competition from existing and alternative new technologies. The DCF calculation of fair value was positively impacted by a reduction in the discount rate to 11.0% from 12.5% used in the fiscal 2009 annual impairment test due to slight overall improvements in economic conditions and changes in the financial projections.

The Company performed the Step 2 analysis for MammoSite, consistent with the procedures described above, and recorded a \$76.7 million impairment charge. For illustrative purposes had the fair value of MammoSite been 10% lower, the charge would have been higher by \$2.5 million. If the fair value of the Company's other reporting units had been lower by 10%, one reporting unit would have failed Step 1 requiring a Step 2 analysis. This reporting unit is in the Breast Health reportable segment and had a fair value at the annual impairment measurement date that exceeded its carrying value by 4% with goodwill of \$256.5 million. The fair value of the reporting unit is determined by use of the DCF, and the key assumptions that drive the fair value in this model are the WACC, terminal values, growth rates, and the amount and timing of expected future cash flows. If the current economic environment were to deteriorate, this would likely result in a higher WACC because market participants would require a higher rate of return. In the DCF as the WACC increases, the fair value decreases. The other significant factor in the DCF is the projected financial information (i.e., amount and timing of expected future cash flows and growth rates) and if these assumptions were to be adversely impacted, this could result in a reduction of the fair value of this reporting unit. For the Company's other reporting units with goodwill aggregating \$1.85 billion, the Company believes that these reporting units are not at risk of failing Step 1 of the goodwill impairment test.

The Company conducted its fiscal 2009 annual impairment test for its reporting units as of the first day of the fourth quarter. In order to complete the annual impairment test, the Company updated its interim impairment test results (see below) and performed detailed analysis estimating the fair value of its reporting units utilizing its fiscal 2010 forecast with updated long-term growth assumptions. For one reporting unit, the Company utilized the results of its interim impairment test. The Company concluded that it met the required criteria to use the estimated fair value determined from its interim impairment analysis for this reporting unit because 1) the composition of the assets and liabilities of this reporting unit had not changed significantly since the most recent fair value determination, 2) the most recent fair value determination resulted in a fair value that exceeded the carrying value of the reporting unit by a substantial margin after consideration of the interim goodwill charge, and 3) management concluded, based on an analysis of current events that had occurred and circumstances that had changed since the most recent fair value determination, that it was remote that the current fair value of the reporting unit would not exceed its carrying amount.

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As a result of completing Step 1, all of the Company's reporting units, except one, had a fair value exceeding its carrying value, and as such, Step 2 of the impairment test was not required for these reporting units. For the reporting unit that failed Step 1, the Company completed Step 2, consistent with the procedures described above, and determined that an impairment charge was not required due to the fair value of the implied goodwill exceeding the carrying value of the reporting unit's goodwill. If the fair value of this reporting unit at June 28, 2009 had been lower by 10%, the Company still would not have recorded an impairment charge. If the fair value of the Company's other reporting units had been lower by 10%, two reporting units would have failed Step 1 requiring a Step 2 analysis. These reporting units, one in the Diagnostics reportable segment and one in the Skeletal Health reportable segment, had fair values at this date that exceeded their carrying values by 9% and 2%, respectively, and goodwill of \$236.0 million and \$8.2 million, respectively.

During the first quarter of fiscal 2009, based upon a combination of factors, including the deteriorating macro-economic environment, declines in the stock market and the decline of the Company's market capitalization significantly below the book value of the Company's net assets, the Company concluded that potential goodwill impairment indicators existed as of December 27, 2008. As a result, the Company performed an interim goodwill impairment analysis as of December 27, 2008 in accordance with ASC 350. The Company utilized DCF and market approaches to estimate the fair value of its reporting units as of December 27, 2008 and believes it has used reasonable estimates and assumptions about future revenue, cost projections, cash flows and market multiples. In addition, using a DCF requires the use of a risk-adjusted discount rate for which the Company based its rate on the WACC of market participants. The Company performed a peer company analysis and considered the industry weighted average return on debt and equity from a market participant perspective for its reporting units. Given the disruptions in the credit and equity markets, the WACCs for each reporting unit increased between the Company's annual test performed on the first day of its fourth quarter of fiscal 2008 and the interim test performed as of December 27, 2008. The long-term growth rates were largely consistent with those applied in the fiscal 2008 annual test, except for MammoSite, in which the long-term growth rate declined due to competitive pressures on the reporting unit's products, as well as regulatory and reimbursement changes. The Step 1 impairment analysis indicated that the carrying value of the net assets of three of the Company's reporting units, acquired in connection with the Cytoc acquisition, exceeded the estimated fair value of those reporting units. As a result, the Company was required to perform Step 2 of the goodwill impairment test to determine the amount, if any, of goodwill impairment charges for each of the applicable reporting units. Due to the complexities and time involved in preparing the Step 1 analysis, the Company had not commenced the Step 2 analysis as of February 5, 2009, the date it filed its Form 10-Q for the quarter ended December 27, 2008. As a result of the fact that the Company had not commenced the Step 2 analysis and the complexity of the analysis required to complete the Step 2 analysis, the Company was unable to determine that an impairment loss, in accordance with ASC 450, *Contingencies*, was both probable and reasonably estimable at December 27, 2008.

The Company completed the Step 2 analysis during its second quarter of fiscal 2009, which resulted in an aggregate goodwill impairment charge of \$2.34 billion. This impairment charge was comprised of \$1.17 billion for GYN Surgical, \$908.3 million for Diagnostics, and \$265.9 million for Breast Health. The impairment charges for GYN Surgical and Diagnostics were primarily attributable to the assumption of higher discount rates compared to those used in the annual impairment test performed as of the first day of the fourth quarter of fiscal 2008 (the July 2008 valuation) and the assumption that the reporting units would be purchased or sold in a taxable transaction. The impairment charge for MammoSite was a result of a combination of a higher discount rate and lower projected future cash flows compared to those used in the July 2008 valuation. The higher discount rates for the three reporting units, which range from 10% to 13.5% compared to 9% to 10% used in the July 2008 valuation, reflected an increase in the risks inherent in the estimated future cash flows and the higher rate of return a market participant would require based on the macro-economic environment at the measurement

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date. The reduction in forecasted cash flows for the MammoSite reporting unit was due to competitive pressure on the reporting unit's products as well as regulatory and reimbursement changes that occurred during fiscal 2009.

The Company also evaluated the aggregate fair value of its reporting units compared to its market capitalization noting an implied control premium of approximately 16% at December 27, 2008. The Company used an average of its market capitalization over the 30 calendar days preceding the impairment testing date as being more reflective of its market value than a single day, point-in-time market price. The Company concluded that its implied control premium was reasonable when compared to industry specific information.

For illustrative purposes, had the fair values of each reporting unit for which the Company has recorded goodwill impairment charges in the second quarter of fiscal 2009 been lower by 10% as of December 27, 2008, the Company would have recorded an additional impairment charge of \$435.5 million. Based on the Company's estimates as of December 27, 2008, the impact of reducing the Company's fair value estimates for its other reporting units, for which the Company did not record any goodwill impairment charges, by 10% would have had no impact on the Company's goodwill assessment for those reporting units.

The Company believes that the procedures performed and the estimates and assumptions used in the Step 1 and Step 2 analyses for each reporting unit are reasonable and in accordance with the guidelines for acquisition accounting under U.S. generally accepted accounting principles. The estimate of fair value requires significant judgment. The impairment testing process is subjective and requires judgment at many points throughout the analysis. If these estimates or their related assumptions change in the future, the Company may be required to record impairment charges for these assets not previously recorded.

In prior years, the Company conducted its annual impairment test of goodwill for certain of its reporting units (its historical reporting units prior to the merger with Cytyc) as of the last day of the second quarter. In the fourth quarter of fiscal 2008, the Company changed the measurement date from the last day of its second quarter to the first day of its fourth quarter, in order to provide additional time to determine the fair value of its reporting units and to evaluate the results of the impairment testing. This change did not delay, accelerate or avoid an impairment charge. In addition, this change did not have any effect on the Company's financial performance or results of operations, nor was there any impact on prior periods' financial statements under the requirements of ASC 250, *Accounting Changes and Error Corrections*. The retrospective application as required under this accounting guidance was not necessary as no impairment charges had been recorded in any previously recorded financial statements nor did the change in measurement date cause any impairments.

As a result of the change in the measurement date for the Company's annual goodwill impairment test for its historical reporting units from the last day of the second quarter to the first day of the fourth quarter, the Company evaluated, in accordance with ASC 350-20-35-9, whether the detailed determination of fair value of its historical reporting units as of March 29, 2008 could be carried forward to the first day of its fiscal fourth quarter of 2008 or if a new test of goodwill impairment was required to be performed for these historical reporting units. In its evaluation, the Company noted that the assets and liabilities of the reporting units had not changed significantly, there was sufficient margin between the carrying amount and fair value determination for each reporting unit and no events or circumstances related to these reporting units would suggest that a current fair value determination of reporting units would result in a valuation lower than the carrying amount of the reporting units. Based on this evaluation, the Company believed it sufficiently met the requirements to carry forward its estimate of fair value for these reporting units.

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The Company conducted its fiscal 2008 annual impairment test of goodwill for its new reporting units as a result of the Company's acquisition of Cytoc Corporation as of the first day of the fourth quarter of fiscal 2008. The fair value of each reporting unit was determined to be in excess of each reporting unit's carrying value and as a result the second step of the impairment test was not required.

A rollforward of goodwill activity from September 27, 2008 to September 25, 2010 is as follows:

Balance as of September 27, 2008	\$ 4,450,496
Impairment of goodwill	(2,340,023)
Cytoc purchase price adjustments	(2,930)
Third Wave purchase price adjustments	1,450
Contingent consideration related to Adiana	1,854
Other adjustments and foreign currency translation adjustment	(1,884)
Balance as of September 26, 2009	2,108,963
Impairment of goodwill	(76,723)
Sentinelle Medical acquisition	48,906
Contingent consideration related to Adiana	32,489
Other adjustments, including taxes	(3,850)
Foreign currency translation adjustment	(938)
Balance as of September 25, 2010	<u>\$ 2,108,847</u>

Accumulated goodwill impairment losses at September 25, 2010 are \$2.42 billion. The allocation of goodwill by reporting segment consists of the following:

<u>Reporting Segment</u>	<u>Balance as of September 25, 2010</u>	<u>Balance as of September 26, 2009</u>
Breast Health	\$ 633,393	\$ 662,735
Diagnostics	577,205	578,290
GYN Surgical	890,098	859,739
Skeletal Health	8,151	8,199
	<u>\$ 2,108,847</u>	<u>\$ 2,108,963</u>

Other Assets

As of September 25, 2010 and September 26, 2009, other assets were comprised primarily of Company owned life insurance contracts, deferred financing costs, and cost-method investments.

The Company owned life insurance contracts were purchased in connection with the Company's Supplemental Executive Retirement Plan ("SERP") and were valued at \$18.2 million and \$11.6 million as of September 25, 2010 and September 26, 2009, respectively (See Note 11 for further discussion).

As of September 25, 2010 and September 26, 2009, other assets included \$15.6 million and \$29.0 million, respectively, of deferred financing costs related to the Company's Convertible Notes and the Company's Amended Credit Agreement (See Note 5). The Company was initially amortizing deferred financing costs related to the Amended Credit Agreement, which was executed in 2008, to interest expense over a five year period; however, as the Company repaid principal early, it had accelerated amortization of the deferred financing costs.

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No deferred financing amounts remain related to the Amended Credit Agreement because the loans have been repaid in full. The Company is amortizing amounts related to the Convertible Notes using the effective interest rate method over the period of earliest redemption, which is a six year period.

Other assets also include certain other cost-method investments in non-publicly traded equity securities aggregating \$7.0 million and \$7.6 million for fiscal 2010 and 2009, respectively. These investments are generally carried at cost as the Company owns less than 20% of the voting equity and does not have the ability to exercise significant influence over these companies. The Company regularly evaluates the carrying value of its cost-method investments for impairment and whether any events or circumstances are identified that would significantly harm the fair value of the investment. The primary indicators the Company utilizes to identify these events and circumstances are the investee's ability to remain in business, such as the investee's liquidity and rate of cash use, and the investee's ability to secure additional funding and the value of that additional funding. In the event a decline in fair value is judged to be other-than-temporary, the Company will record an other-than-temporary impairment charge in other income (expense), net in the Consolidated Statements of Operations. During fiscal 2010 and 2009, the Company recorded other-than-temporary impairment charges of \$1.1 million and \$2.2 million, respectively, related to certain of its cost method investments to adjust their carrying amounts to fair value.

Research and Software Development Costs

Costs incurred for the research and development of the Company's products are expensed as incurred. Nonrefundable advance payments for goods or services to be received in the future by the Company for use in research and development activities are deferred and capitalized. The capitalized amounts are expensed as the related goods are delivered or the services are performed. If the Company's expectations change such that it does not expect it will need the goods to be delivered or the services to be rendered, capitalized nonrefundable advance payments are recorded to expense in that period.

The Company accounts for the development costs of software embedded in the Company's products for which revenues are recognized pursuant to ASC 985-605, *Software Revenue Recognition*, in accordance with ASC 985, *Software*. Costs incurred in the research, design and development of software embedded in products to be sold to customers are charged to expense until technological feasibility of the ultimate product to be sold is established. Software development costs incurred after the establishment of technological feasibility and until the product is available for general release are capitalized, provided recoverability is reasonably assured. Software development costs eligible for capitalization have not been significant to date.

Foreign Currency Translation

The financial statements of the Company's foreign subsidiaries are translated in accordance with ASC 830, *Foreign Currency Matters*. The reporting currency for the Company is the U.S. dollar. With the exception of its Costa Rica subsidiary, whose functional currency is the U.S. dollar, the functional currency of the Company's foreign subsidiaries is their local currency. Accordingly, assets and liabilities of these subsidiaries are translated at the exchange rate in effect at each balance sheet date. Before translation, the Company re-measures foreign currency denominated assets and liabilities, including inter-company accounts receivable and payable, into the functional currency of the respective entity, resulting in unrealized gains or losses recorded in other income (expense), net in the Consolidated Statement of Operations. Revenues and expenses are translated using average exchange rates during the respective period. Foreign currency translation adjustments are accumulated as a component of other comprehensive income as a separate component of stockholders' equity. Gains and losses arising from transactions denominated in foreign currencies are included in other income (expense), net on the Consolidated Statements of Operations and to date have not been material.

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Comprehensive (Loss) Income

ASC 220, *Comprehensive Income*, requires the financial statements to include the reporting of comprehensive (loss) income, which includes net (loss) income and certain transactions that have generally been reported in the statement of shareholders' equity. Comprehensive (loss) income is disclosed in the Consolidated Statements of Stockholders' Equity and Comprehensive Loss.

Accumulated other comprehensive income, net of tax, consists of the following as of September 25, 2010 and September 26, 2009:

	<u>2010</u>	<u>2009</u>
Foreign currency translation adjustment	\$ (94)	\$4,669
Minimum pension liability, net of tax of \$102 and \$1,011, respectively	<u>237</u>	<u>2,359</u>
	<u>\$ 143</u>	<u>\$ 7,028</u>

Revenue Recognition

The Company generates revenue from the sale of its products, primarily medical imaging systems and diagnostic and surgical disposable products, and related services, which are primarily support and maintenance services on its medical imaging systems.

In September 2009, the FASB ratified ASC Update (ASU) No. 2009-13, *Multiple-Deliverable Revenue Arrangements* (ASU 2009-13). ASU 2009-13 amends existing revenue recognition accounting standards that are currently within the scope of ASC, Subtopic 605-25, which is the revenue recognition standard for multiple-element arrangements. ASU 2009-13 provides for three significant changes to the existing multiple element revenue recognition guidance as follows:

- 1) Removes the requirement to have objective and reliable evidence of fair value for undelivered elements in an arrangement. This may result in more deliverables being treated as separate units of accounting.
- 2) Modifies the manner in which the arrangement consideration is allocated to the separately identified deliverables. ASU 2009-13 requires an entity to allocate revenue in an arrangement using its best estimate of selling prices ("ESP") of deliverables if a vendor does not have vendor-specific objective evidence of selling price ("VSOE") or third-party evidence of selling price ("TPE"), if VSOE is not available. Each separate unit of accounting must have a selling price, which can be based on management's estimate when there is no other means (VSOE or TPE) to determine the selling price of that deliverable. The arrangement consideration is allocated based on the elements' relative selling prices.
- 3) Eliminates use of the residual method and requires an entity to allocate revenue using the relative selling price method, which results in the discount in the transaction being evenly allocated to the separate units of accounting.

In September 2009, the FASB ratified ASU No. 2009-14, *Certain Revenue Arrangements that Include Software Elements* (ASU 2009-14). ASU 2009-14 amends the existing revenue recognition accounting standards to remove tangible products that contain software components and non-software components that function together to deliver the product's essential functionality from the scope of industry specific software revenue recognition guidance.

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As permitted, the Company elected to early adopt these new accounting standards at the beginning of its first quarter of fiscal 2010 on a prospective basis for transactions originating or materially modified on or after September 27, 2009. These accounting standards generally do not change the units of accounting for the Company's revenue transactions, and most products and services qualify as separate units of accounting. The impact of adopting these new accounting standards was not material to the Company's financial statements for the year ended September 25, 2010, and if they were applied in the same manner to fiscal 2009 and 2008 would not have had a material impact to revenue recorded in fiscal 2009 or 2008 or any interim period therein.

The Company recognizes product revenue upon shipment provided that there is persuasive evidence of an arrangement, there are no uncertainties regarding acceptance, the sales price is fixed or determinable, no right of return exists and collection of the resulting receivable is reasonably assured. Generally, the Company's product arrangements for capital equipment sales, primarily in its Breast Health and Skeletal Health reporting segments, are multiple-element arrangements, including services, such as installation and training, and multiple products. Based on the terms and conditions of the product arrangements, the Company believes that these services and undelivered products can be accounted for separately from the delivered product element as the Company's delivered products have value to its customers on a stand-alone basis. Accordingly, services not yet performed at the time of product shipment are deferred and recognized as revenue as such services are performed. The relative selling price of any undelivered products is also deferred at the time of shipment and recognized as revenue when these products are delivered. There is no customer right of return in the Company's sales agreements.

Service revenues primarily consist of amounts recorded under service and maintenance contracts and repairs not covered under warranty, installation and training, and shipping and handling costs billed to customers. Service and maintenance contract revenues are recognized ratably over the term of the contract. Other service revenues are recognized as the services are performed.

The Company typically determines the selling price of its products and services based on VSOE. The Company determines VSOE based on its normal pricing and discounting practices for the specific product or service when sold on a stand-alone basis. In determining VSOE, the Company's policy requires a substantial majority of selling prices for a product or service to be within a reasonably narrow range. The Company also considers the class of customer, method of distribution, and the geographies into which its products and services are sold when determining VSOE. The Company typically has had VSOE for its products and services.

If VSOE cannot be established, which may occur in instances when a product or service has not been sold separately, stand-alone sales are too infrequent, or product pricing is not within a narrow range, the Company attempts to establish the selling price based on TPE. TPE is determined based on competitor prices for similar deliverables when sold separately.

When the Company cannot determine VSOE or TPE, it uses ESP in its allocation of arrangement consideration. The objective of ESP is to determine the price at which the Company would typically transact a stand-alone sale of the product or service. ESP is determined by considering a number of factors including Company pricing policies, internal costs and gross margin objectives, method of distribution, information gathered from experience in customer negotiations, market research and information, recent technological trends, competitive landscape and geographies.

Some of the Company's products have both software and non-software components that function together to deliver the product's essential functionality. Prior to the adoption of ASU 2009-14, the Company had determined that except for its computer-aided detection ("CAD") products and Dimensions 2D/3D full field digital mammography products ("Dimensions"), the software element in its other products was incidental in accordance

Hologic, Inc.

Notes to Consolidated Financial Statements (continued)
(all tabular amounts in thousands except per share data)

with the software revenue recognition rules and were not within the scope of the software revenue recognition rules, ASC 985-605, *Software—Revenue Recognition*. The Company had determined that given the significance of the software component's functionality to its CAD systems and Dimensions products, which are in the Breast Health segment, these products were within the scope of the software revenue recognition rules.

ASC 985-605 generally requires revenue earned on software arrangements involving multiple elements to be allocated to each element based on their relative VSOE of fair value. If VSOE does not exist for a delivered element, the residual method is applied in which the arrangement consideration is allocated to the undelivered elements based on VSOE with the remaining consideration recognized as revenue for the delivered elements. For multiple-element software arrangements where VSOE of fair value of Post-Contract Customer Support ("PCS") has been established, the Company recognizes revenue using the residual method at the time all other revenue recognition criteria have been met.

Upon the release of the Dimensions product in fiscal 2009, the Company completed an evaluation of the software component in accordance with the software revenue recognition rules. As a result, the Company had determined that the Dimensions product contained software that was more than incidental to the product as a whole and should be accounted for under the software revenue recognition rules.

In connection with its adoption of ASU 2009-14, the Company re-evaluated the appropriate revenue recognition treatment of its products and determined that the Dimensions products, which have both software and non-software components that function together to deliver the products' essential functionality (i.e., it is a tangible product), are scoped out of ASC 985-605, however, its CAD products will continue to be subject to ASC 985-605. Dimensions transactions entered into prior to the first quarter of fiscal 2010 will continue to be accounted for under ASC 985-605.

Under customer usage agreements, the Company installs certain equipment (for example, a ThinPrep Processor or a ThinPrep Imaging System) at customer sites and customers commit to purchasing minimum quantities of disposable products at a stated price (generally including a usage fee for the equipment) over a defined contract term, which is typically between three and five years. Revenue is recognized over the term of the customer usage agreement as disposable products are delivered. The Company also rents certain equipment to customers. Revenues from rental agreements are recorded over the term of the rental agreements.

Accounts Receivable and Reserves

The Company records reserves for doubtful accounts based upon a specific review of all outstanding invoices, known collection issues and historical experience. The Company regularly evaluates the collectability of its trade accounts receivables and performs ongoing credit evaluations of its customers and adjusts credit limits based upon payment history and its assessment of the customer's current credit worthiness. These estimates are based on specific facts and circumstances of particular orders, analysis of credit memo data and other known factors.

Hologic, Inc.**Notes to Consolidated Financial Statements (continued)**
(all tabular amounts in thousands except per share data)

Accounts receivable reserve activity for the fiscal years 2010, 2009 and 2008 is as follows:

Period Ended:	Balance at Beginning of Period	Other Adjustments	Charged to Costs and Expenses	Write- offs and Payments	Balance at End of Period
September 25, 2010	\$7,279	\$ —	\$ 1,895	\$(1,405)	\$7,769
September 26, 2009	\$6,326	\$ —	\$ 2,334	\$(1,381)	\$7,279
September 27, 2008	\$4,598	\$ (206)	\$ 2,109	\$ (175)	\$6,326

Cost of Service and Other Revenues

Cost of service and other revenues primarily represents payroll and related costs associated with the Company's professional services' employees, consultants, infrastructure costs and overhead allocations, including depreciation and rent and materials consumed in providing the service.

Stock-Based Compensation

The Company accounts for share-based payments in accordance with ASC 718, *Stock Compensation*. As such, all share-based payments to employees, including grants of stock options and restricted stock units, are recognized in the consolidated statement of operations based on their fair values as the date of grant.

Net Loss Per Share

Basic net (loss) income per share is computed by dividing net (loss) income by the weighted average number of common shares outstanding. Diluted net (loss) income per share is computed by dividing net (loss) income by the weighted average number of common shares and potential common shares from outstanding stock options, restricted stock units and convertible debt determined by applying the treasury stock method. In accordance with ASC 718, the assumed proceeds under the treasury stock method include the average unrecognized compensation expense of in-the-money stock options and restricted stock units. Since the Company has a loss for all periods presented there is no dilutive effect of common stock equivalents.

The Company applies the provisions of ASC 260, *Earnings Per Share*, Subsection 10-45-44, to determine diluted weighted average shares outstanding as it relates to its outstanding Convertible Notes, and due to the type of debt instrument issued, the dilutive impact of the Company's Convertible Notes is based on the difference between the Company's current stock price and the conversion price of the Convertible Notes, provided there is a premium. Pursuant to this accounting standard, there is no dilution from the accreted principal of the Convertible Notes. Accordingly, the Company uses the treasury stock method to determine dilutive weighted average shares related to its Convertible Notes and not the if-converted method.

Hologic, Inc.

Notes to Consolidated Financial Statements (continued)
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A reconciliation of basic and diluted share amounts for fiscal years 2010, 2009, and 2008 is as follows:

	September 25, 2010	September 26, 2009	September 27, 2008
Numerator:			
Net loss	\$ (62,813)	\$ (2,216,642)	\$ (415,588)
Denominator:			
Basic weighted average common shares outstanding	258,743	256,545	245,968
Weighted average common stock equivalents from assumed exercise of stock options and restricted stock units	—	—	—
Diluted weighted average common shares outstanding	258,743	256,545	245,968
Basic net loss per common share	\$ (0.24)	\$ (8.64)	\$ (1.69)
Diluted net loss per common share	\$ (0.24)	\$ (8.64)	\$ (1.69)
Weighted-average anti-dilutive shares related to:			
Outstanding stock options	13,260	13,489	7,303
Restricted stock units	1,427	1,575	132

Since the Company has a net loss for all periods presented, anti-dilutive shares comprise the impact of those number of shares that would have been dilutive had the Company had net income plus the number of common stock equivalents that would be anti-dilutive had the Company had net income.

Product Warranties

The Company generally offers a one-year warranty for its products. The Company provides for the estimated cost of product warranties at the time product revenue is recognized. Factors that affect the Company's warranty reserves include the number of units sold, historical and anticipated rates of warranty repairs and the cost per repair. The Company periodically assesses the adequacy of the warranty reserve and adjusts the amount as necessary. The warranty reserve has decreased in fiscal 2010 from fiscal 2009 and 2008 primarily due to improved quality of the Company's digital detectors in its full field digital mammography systems resulting in lower failure rates and lower repair costs per failure.

Product warranty activity for the years ended September 25, 2010 and September 26, 2009 is as follows:

Period end:	Balance at Beginning of Period	Provisions	Acquired	Settlements/ adjustments	Balance at End of Period
September 25, 2010	\$ 5,602	\$3,994	\$ 99	\$ (6,865)	\$ 2,830
September 26, 2009	\$ 9,109	\$7,491	\$ —	\$ (10,998)	\$ 5,602

Restructuring Charges and Accrual

In the fourth quarter of fiscal 2010, the Company terminated the employment of certain employees in connection with completing the Sentinelle Medical acquisition. As a result, the Company recorded severance and related benefits of \$0.9 million. Certain employees will also receive stay bonuses, which are being recorded over the required service period. The terminations occurred prior to September 25, 2010.

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Notes to Consolidated Financial Statements (continued)
(all tabular amounts in thousands except per share data)

In the fourth quarter of fiscal 2009, the Company closed its manufacturing facility in Shanghai, China. This facility, which manufactured organic photoconductor drum coatings, was acquired in connection with the AEG acquisition in 2006. The Company recorded restructuring charges for severance benefits of \$0.4 million and other costs of \$0.4 million in the fourth quarter of fiscal 2009. These severance benefits were paid to the employees as of September 26, 2009. In connection with this action, the Company ceased production during the fourth quarter of 2009 and recorded impairment charges of \$0.7 million in cost of product sales for manufacturing equipment that had no further utility. In the first quarter of fiscal 2010, the Company recorded an additional net charge of \$0.5 million of costs related to the clean-up and closure of this facility, including stay bonuses. In the second quarter of fiscal 2010, the Company completed the sale of the capital stock of this manufacturing operation for a net sales price of \$3.8 million resulting in a loss on divestiture of \$0.3 million. As a result of this disposition, certain accrued amounts were reversed resulting in a net credit of \$0.1 million in the second quarter of fiscal 2010, and no amounts remained accrued. The Company received \$2.7 million in fiscal 2010 and the remainder of the sales price of \$1.1 million was received in the first quarter of fiscal 2011.

In fiscal 2008, the Company recorded a restructuring charge of \$6.4 million related to the resignation of its former Chairman of the Board of Directors, which is not included in the table below. On May 20, 2008, the Company entered into a Separation and Release Agreement (the "Separation Agreement") with Patrick J. Sullivan, Chairman of the Board of Directors of the Company. The Separation Agreement required the Company to pay Mr. Sullivan a total of \$4.4 million and continue to pay Mr. Sullivan's premiums for COBRA continuation coverage under the Company's group medical plan for eighteen months following the effective date of the separation. In addition, the Separation Agreement provided that Mr. Sullivan's approximately 46,000 restricted stock units granted on October 22, 2007 would become fully vested, and the time period to exercise all of his outstanding stock options, all of which were fully vested, would be extended so as to remain exercisable until August 31, 2009. The acceleration of the restricted stock units and modification of stock options resulted in a stock-based compensation charge of \$1.9 million.

In fiscal 2008, as a result of the merger with Cytyc, the Company assumed previous Cytyc management approved restructuring plans designed to reduce future operating expenses by consolidating its Mountain View, California operations into its existing operations in Costa Rica and Massachusetts as well as restructuring plans relating to Cytyc's historical acquisitions completed in March 2007. In connection with these plans, the Company assumed a total liability of approximately \$4.7 million. The Company assumed an arrangement in which Cytyc had sub-leasing all of its Mountain View facility to a third party for a term of approximately five years, a period of time equivalent to the remainder of the Company's lease of this facility. The sub-lease commenced on July 1, 2007, and the sub-lease income under this arrangement exceeded the related lease obligation. The Company did not incur any additional restructuring costs related to these plans, and these costs were paid in full during fiscal 2009.

The Company also recorded a liability of \$2.8 million related to the merger with Cytyc in accordance with EITF Issue No. 95-3 (EITF 95-3), *Recognition of Liabilities in Connection with a Purchase Business Combination*, primarily related to the termination of certain employees, minimum inventory purchase commitments, and other contractual obligations for which business activities had been discontinued.

In fiscal 2008 as a result of the Third Wave acquisition, the Company assumed previous Third Wave management approved restructuring plans designed to reduce future operating expenses. In connection with these plans, the Company assumed a total liability related to termination benefits of approximately \$7.5 million. The Company did not incur any additional restructuring costs related to retention costs for these employees.

Hologic, Inc.**Notes to Consolidated Financial Statements (continued)**
(all tabular amounts in thousands except per share data)

Changes in the restructuring accrual are as follows:

	<u>Other</u>	<u>Termination Benefits</u>
Balance at September 29, 2007	\$ —	\$ 105
Cytc balance, acquired October 22, 2007	—	4,658
Third Wave balance acquired, July 24, 2008	261	7,029
Provided under EITF No. 95-3	1,820	1,020
Adjustments	(382)	(270)
Payments	(817)	(11,233)
Balance at September 27, 2008	882	1,309
Current period charges	377	420
Adjustments	(754)	(479)
Payments	(130)	(1,202)
Balance at September 26, 2009	375	48
Current period charges, net	(328)	1,568
Adjustments	(47)	—
Payments	—	(1,556)
Balance at September 25, 2010	<u>\$ —</u>	<u>\$ 60</u>

Advertising Costs

Advertising costs are charged to operations as incurred. The Company does not have any direct-response advertising. Advertising costs, which include trade shows and conventions, were approximately \$12.1 million, \$12.4 million and \$15.3 million for fiscal 2010, 2009 and 2008, respectively, and were included in selling and marketing expense in the Consolidated Statements of Operations.

Recently Issued Accounting Pronouncements

In December 2007, the FASB issued ASC Topic 805, *Business Combinations* (formerly SFAS No. 141 (Revised 2007), *Business Combinations*). This Statement retains the fundamental requirements in SFAS 141 that the acquisition method of accounting (which SFAS 141 called the purchase method) be used for all business combinations and for an acquirer to be identified for each business combination. ASC 805 requires an acquirer to recognize the assets acquired, the liabilities assumed, and any noncontrolling interest in the acquiree at the acquisition date, measured at their fair values as of that date, with limited exceptions. ASC 805 replaces SFAS 141's cost-allocation process, which required the cost of an acquisition to be allocated to the individual assets acquired and liabilities assumed based on their estimated fair values. ASC 805 retains the guidance in SFAS 141 for identifying and recognizing intangible assets separately from goodwill. ASC 805 will now require acquisition costs to be expensed as incurred, and changes in deferred tax asset valuation allowances and income tax uncertainties after the acquisition date generally to affect income tax expense. ASC 805 applies prospectively to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after December 15, 2008. The Company adopted ASC 805 effective September 27, 2009. The impact of the adoption of ASC 805 is reflected in the Company's fiscal 2010 consolidated financial statements and note thereto.

In December 2007, the FASB issued SFAS No. 160, *Noncontrolling Interests in Consolidated Financial Statements—An amendment of ARB No. 51* (codified within ASC Topic 810, *Consolidation*). SFAS 160 amends

Hologic, Inc.

Notes to Consolidated Financial Statements (continued)
(all tabular amounts in thousands except per share data)

Accounting Research Bulletin No. 51 to establish accounting and reporting standards for the noncontrolling interest in a subsidiary and for the deconsolidation of a subsidiary. It clarifies that a noncontrolling interest in a subsidiary is an ownership interest in the consolidated entity that should be reported as equity in the consolidated financial statements. The amount of net income attributable to the noncontrolling interest will be included in consolidated net income on the face of the income statement. This accounting standard clarifies that changes in a parent's ownership interest in a subsidiary that do not result in deconsolidation are equity transactions if the parent retains its controlling financial interest. In addition, this Statement requires that a parent recognize a gain or loss in net income when a subsidiary is deconsolidated. This accounting standard is effective for fiscal years, and interim periods within those fiscal years, beginning on or after December 15, 2008, which is the Company's 2010 fiscal year. The adoption of this accounting guidance did not have a material impact on the Company's consolidated financial statements.

In June 2009, the FASB issued SFAS No. 167, *Amendments to FASB Interpretation No. 46(R)* (SFAS 167)(codified in ASU 2009-17). SFAS 167 modifies how a company determines when an entity that is insufficiently capitalized or is not controlled through voting (or similar rights) should be consolidated. SFAS 167 clarifies that the determination of whether a company is required to consolidate an entity is based on, among other things, an entity's purpose and design and a company's ability to direct the activities of the entity that most significantly impact the entity's economic performance. SFAS 167 requires an ongoing reassessment of whether a company is the primary beneficiary of a variable interest entity. SFAS 167 also requires additional disclosures about a company's involvement in variable interest entities and any significant changes in risk exposure due to that involvement. SFAS 167 is effective for fiscal years beginning after November 15, 2009, which is the Company's 2011 fiscal year. The Company has not completed its assessment of the impact SFAS 167, if any, will have on its financial condition, results of operations or cash flows.

3. Business Combinations

Fiscal 2010 Acquisition:

Acquisition of Sentinelle Medical

On August 5, 2010, the Company completed its acquisition of 100% of the equity interests in Sentinelle Medical Inc. ("Sentinelle Medical"), a privately held company located in Toronto, Canada, pursuant to a definitive agreement dated July 6, 2010. Sentinelle Medical develops, manufactures and markets magnetic resonance imaging ("MRI") breast coils, tables and visualization software. Sentinelle Medical is dedicated to developing advanced imaging technologies used in high-field strength MRI systems. The Company believes Sentinelle Medical's products will enhance and broaden its portfolio of product offerings in the areas of breast cancer detection and intervention.

The Company concluded that the acquisition of Sentinelle Medical did not represent a material business combination and therefore no pro forma financial information has been provided herein. Subsequent to the acquisition date, the Company's results of operations include the results of Sentinelle Medical, which is a component of the Company's Breast Health reporting segment. The Company adopted ASC 805, *Business Combinations*, effective September 27, 2009 and has accounted for the Sentinelle Medical acquisition as a purchase of a business under this business combination accounting standard.

The purchase price is comprised of an \$84.8 million cash payment, which was net of certain adjustments, plus a two-year contingent earn out up to a maximum of \$250.0 million in cash. The contingent earn out will be based on a multiple of incremental revenue growth during the two-year period following the completion of the

Hologic, Inc.**Notes to Consolidated Financial Statements (continued)**
(all tabular amounts in thousands except per share data)

acquisition. As required by ASC 805, the Company has recorded its estimate of the fair value of the contingent consideration liability based on future revenue projections of the Sentinelle Medical business under various potential scenarios and weighted probability assumptions of these outcomes. These cash flow projections have been discounted using a rate of 16.5%. This analysis resulted in an initial contingent consideration liability of \$29.5 million, which will be adjusted periodically as a component of operating expenses based on changes in fair value of the liability, primarily driven by assumptions pertaining to the achievement of the defined revenue growth milestones. This fair value measurement is based on significant inputs not observable in the market and thus represents a Level 3 measurement as defined in ASC 820. As of September 25, 2010, there were no significant changes in the estimated outcomes for the contingent consideration recognized.

The Company did not issue any equity awards in connection with this acquisition. The Company incurred third-party transaction costs of \$1.2 million, which have been expensed in fiscal 2010 and are included within general and administrative expenses.

The purchase price is as follows:

Cash portion of consideration	\$ 84,751
Contingent consideration	29,500
Total purchase price	<u>\$ 114,251</u>

The allocation of the preliminary purchase price is based on estimates of the fair value of assets acquired and liabilities assumed as of August 5, 2010. The components and allocation of the purchase price consists of the following approximate amounts:

Cash	\$ 429
Inventory, including fair value adjustments	9,975
Other tangible assets	7,022
Accounts payable and accrued expenses	(5,378)
Deferred revenue, including fair value adjustments	(2,056)
Developed technology	60,900
In-process research and development	4,800
Trade names	1,600
Non-compete agreements	300
Deferred taxes, net	(12,247)
Goodwill	48,906
Estimated Purchase Price	<u>\$ 114,251</u>

As part of the purchase price allocation, the Company determined that the separately identifiable intangible assets are developed technology, in-process research and development, trade names and non-compete agreements. The fair value of the intangible assets was determined through the application of the income approach, and the cash flow projections have been discounted using rates of 15% to 16%. Developed technology represents currently marketable purchased products that the Company will continue to sell as well as utilize to enhance and incorporate into the Company's existing products. In determining the allocation of the purchase price to existing technology, consideration was only given to products that had been approved by the FDA. The trade names relate to both the Sentinelle Medical name as well as product names.

Hologic, Inc.

Notes to Consolidated Financial Statements (continued)
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The amount allocated to acquired in-process research and development represented the estimated fair value of in-process projects based on risk-adjusted cash flows utilizing a discount rate of 17%. These in-process projects had not yet reached technological feasibility and had no future alternative uses as of the date of the acquisition. The primary basis for determining the technological feasibility of these projects was obtaining regulatory approval to market the underlying products. The acquired in-process research and development assets are not subject to amortization until such time the projects are complete at which time, they will be amortized over their estimated remaining useful lives ranging from 10 to 20 years. These projects relate to a prostrate MRI coil and certain software, and the projects are expected to be completed in fiscal 2011 at a cost of approximately \$1.0 million.

The developed technology assets will be amortized over a weighted average life of approximately 19 years, and trade names will be amortized over a weighted average life of approximately 9 years. Non compete agreements will be amortized over 3 years.

The excess of the purchase price over the fair value of the tangible net assets and intangible assets acquired has been recorded to goodwill. The goodwill recognized is attributable to expected synergies that the Company will realize from this acquisition. None of the goodwill is expected to be deductible for income tax purposes. As of September 25, 2010, there have been no changes in the recognized amounts of goodwill resulting from the acquisition of Sentinelle Medical.

Fiscal 2008 Acquisitions:

Acquisition of Third Wave Technologies, Inc.

On July 24, 2008, the Company completed its acquisition of Third Wave Technologies, Inc. ("Third Wave") pursuant to a definitive agreement dated June 8, 2008. The Company concluded that the acquisition of Third Wave did not represent a material business combination and therefore no pro forma financial information has been provided herein. Subsequent to the acquisition date, the Company's results of operations include the results of Third Wave, which is a component of the Company's Diagnostics reporting segment.

Third Wave, located in Madison, Wisconsin, develops and markets molecular diagnostic reagents for a wide variety of DNA and RNA analysis applications based on its proprietary Invader chemistry. Third Wave's current clinical diagnostic offerings consist of products for conditions such as Cystic Fibrosis, cardiovascular risk and other diseases. In March 2009, Third Wave received approval from the U.S. Food and Drug Administration ("FDA") for two human papillomavirus ("HPV") tests; Cervista HPV High Risk ("HR") and Cervista HPV 16/18.

The Company paid \$11.25 per share of Third Wave, for an aggregate purchase price of approximately \$591.1 million (subject to adjustment) consisting of \$575.4 million in cash in exchange for stock and warrants; approximately 668,000 of fully vested stock options granted to Third Wave employees in exchange for their vested Third Wave stock options, with an estimated fair value of \$8.1 million; and \$7.6 million for acquisition related fees and expenses. There are no potential contingent consideration arrangements payable to the former shareholders in connection with this transaction. Additionally, the Company granted approximately 315,000 unvested stock options in exchange for unvested Third Wave stock options, with an estimated fair value of \$5.1 million, which is being recognized as compensation expense over the vesting period.

The Company determined the fair value of the options issued in connection with the acquisition in accordance with EITF Issue No. 99-12, *Determination of the Measurement Date for the Market Price of Acquirer*

Hologic, Inc.**Notes to Consolidated Financial Statements (continued)**
(all tabular amounts in thousands except per share data)

Securities Issued in a Purchase Business Combination). The Company determined the measurement date to be July 24, 2008, the date the transaction was completed, as the number of shares to be issued according to the exchange ratio was not fixed until this date. The Company valued the securities based on the average market price for two days before the measurement date and the measurement date itself. The weighted average stock price was determined to be \$23.54.

The purchase price is as follows:

Cash portion of consideration	\$ 575,400
Fair value of vested options exchanged	8,100
Direct acquisition costs	7,600
Total purchase price	<u>\$ 591,100</u>

The fair value of vested Hologic common stock options exchanged for vested Third Wave options was included in the purchase price as such options were fully vested. The Company estimated the fair value of these stock options using the Binomial Option Pricing Model assuming no expected dividends and the following weighted-average assumptions:

Expected life	1.48 years
Expected volatility	42.16%
Risk free interest rate	2.33%
Fair value per share determined in accordance with EITF 99-12	\$ 23.54

The allocation of the purchase price was based on estimates of the fair value of assets acquired and liabilities assumed as of July 24, 2008. The components and allocation of the purchase price consists of the following approximate amounts:

Net tangible assets acquired as of July 24, 2008	\$ 87,300
Increase in inventory to fair value	5,100
Increase in property and equipment to fair value	800
In-process research and development	195,200
Developed technology	92,300
Deferred taxes	(33,100)
Goodwill	243,500
Estimated Purchase Price	<u>\$ 591,100</u>

The preliminary purchase price allocation resulted in goodwill of \$241.8 million as of July 24, 2008. During fiscal 2009, the Company increased goodwill approximately \$1.5 million primarily related to a \$3.6 million decrease in the estimated net operating loss offset by net increases of \$1.7 million in the estimate of other tax attributes. At September 26, 2009, goodwill related to the Third Wave acquisition was \$242.9 million.

Subsequent to the close of the Third Wave acquisition, stock options originally issued by Third Wave and converted into options to purchase Hologic common stock were exercised. The Company recorded the estimated tax benefit related to the exercise of these options as a reduction to goodwill. Such amounts are immaterial to all fiscal years presented.

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Notes to Consolidated Financial Statements (continued)
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Identifiable Intangible Assets

As part of the purchase price allocation, the Company determined that the only separately identifiable intangible asset was developed technology. The fair value of the developed technology intangible assets was determined through the application of the income approach. Developed technology represented currently marketable purchased products that the Company continues to sell as well as utilize to enhance and incorporate into the Company's existing products.

Acquired In-Process Research and Development

As part of the purchase price allocation, \$195.2 million was allocated to acquired in-process research and development projects. The amount allocated to acquired in-process research and development represented the estimated fair value of in-process projects based on risk-adjusted cash flows utilizing a discount rate of 20%. These in-process projects had not yet reached technological feasibility and had no future alternative uses as of the date of the merger. The primary basis for determining the technological feasibility of these projects was obtaining regulatory approval to market the underlying products. The fair value attributable to these in-process projects was expensed at the time of the acquisition. If the projects are not successful or completed in a timely manner, the Company may not realize the financial benefits expected for these projects or for the transaction as a whole.

The most significant acquired in-process technology related to Cervista HPV HR, for which the Company estimated a value of \$151.2 million. At the time of, and subsequent to the acquisition, the Company sold HPV reagents that detect certain HPV HR types as Analyte Specific Reagents ("ASRs"). In 2006, Third Wave began clinical trials for PMA submissions to the FDA for Cervista HR and submitted the PMAs in April 2008. During March 2009, the FDA approved the Company's PMAs for both the Cervista HPV HR and Cervista HPV 16/18 tests. Since receiving FDA approval, the Company has begun to transition to only selling HPV In Vitro Diagnostics ("IVDs"), which has not yet been completed. The HPV in-process research and development related only to the HPV IVDs, and the HPV ASRs were valued as developed technology.

The estimated cost to complete Third Wave's remaining in-process research and development projects in the aggregate as of September 25, 2010 is approximately \$2.8 million.

The net deferred income taxes primarily relates to the tax effect of acquired identifiable intangible assets and fair value adjustments to acquired inventory and property and equipment, as such amounts are not deductible for tax purposes.

Cytoc Corporation Merger

On October 22, 2007, the Company completed its merger with Cytoc Corporation ("Cytoc") pursuant to the Agreement and Plan of Merger ("Merger Agreement") executed on May 20, 2007. Under the terms and conditions of the Merger Agreement, at the effective time of the merger, Cytoc became a wholly-owned subsidiary of the Company and each share of common stock of Cytoc, issued and outstanding immediately prior to the closing, was cancelled and converted into the right to receive (i) 1.04 shares of common stock of the Company (as adjusted for the stock split effected on April 2, 2008) and (ii) \$16.50 in cash. In accordance with Statement of Financial Accounting Standards (SFAS) No. 141, *Business Combinations*, and based on the terms of the merger, the Company was deemed to be the accounting acquirer. This conclusion was based on the facts that Hologic board members and senior management control and represented a majority of the board of directors and senior management of the combined company, as well as the terms of the merger consideration, pursuant to

Hologic, Inc.**Notes to Consolidated Financial Statements (continued)**
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which the Cytyc stockholders received a premium over the fair market value of their shares on such date and cash of \$16.50 per share (or approximately 35% of the merger consideration). There were no preexisting relationships between the two companies.

Cytyc, headquartered in Marlborough, Massachusetts, is a diversified diagnostic and medical device company that designs, develops, manufactures, and markets innovative and clinically effective diagnostics and surgical products. Cytyc products cover a range of cancer and women's health applications, including cervical cancer screening, prenatal diagnostics, treatment of excessive menstrual bleeding and radiation treatment of early-stage breast cancer.

Upon the close of the merger, Cytyc shareholders received an aggregate of 132 million shares of Hologic common stock and \$2.1 billion in cash. In connection with the close of the merger, the Company entered into a credit agreement relating to a senior secured credit facility (the "Credit Agreement") with Goldman Sachs Credit Partners L.P. and certain other lenders, in which the lenders committed to provide, in the aggregate, senior secured financing of up to approximately \$2.55 billion to pay for the cash portion of the merger consideration, repayment of existing debt of Cytyc, expenses relating to the merger and working capital following the completion of the merger. As of the closing of the merger, the Company borrowed \$2.35 billion under this Credit Agreement. See Note 5 for further discussion.

The aggregate purchase price of approximately \$6.16 billion included \$2.1 million in cash; 132 million shares of Hologic common stock at an estimated fair value of \$3.67 billion; 16.5 million of fully vested stock options granted to Cytyc employees in exchange for their vested Cytyc stock options, with an estimated fair value of approximately \$241.4 million; the fair value of Cytyc's outstanding convertible notes assumed in the merger of \$125.0 million; and approximately \$24.2 million of direct acquisition costs. There were no potential contingent consideration arrangements payable to the former Cytyc shareholders in connection with this transaction.

The Company measured the fair value of the 132 million shares of the Company common stock issued as consideration in connection with the merger under EITF 99-12. The Company determined the measurement date to be May 20, 2007, the date the transaction was announced, as the number of shares to be issued according to the exchange ratio was fixed without subsequent revision. The Company valued the securities based on the average market price a few days before and after the measurement date. The weighted average stock price was determined to be \$27.81.

(i) Purchase price

The purchase price is as follows:

Cash portion of consideration	\$ 2,094,800
Fair value of securities issued	3,671,500
Fair value of vested options exchanged	241,400
Fair value of Cytyc's outstanding convertible notes	125,000
Direct acquisition costs	24,200
Total estimated purchase price	<u>\$6,156,900</u>

Hologic, Inc.**Notes to Consolidated Financial Statements (continued)**
(all tabular amounts in thousands except per share data)

The fair value of vested Hologic common stock options exchanged for vested Cytoc options was included in the purchase price as such options were fully vested. The Company estimated the fair value of these stock options using the Binomial Option Pricing Model assuming no expected dividends and the following weighted-average assumptions:

Expected life	2.50 years
Expected volatility	35.10%
Risk free interest rate	4.82%
Fair value per share determined in accordance with EITF 99-12	\$ 27.81

(ii) Purchase Price Allocation

The allocation of the purchase price is based upon estimates of the fair value of assets acquired and liabilities assumed as of October 22, 2007. As a result of the merger, the Company assumed Cytoc's obligation to the former stockholders of Adiana, Inc. to make contingent earn-out payments based on the achievement of certain milestones. The Company concluded that this contingent consideration represented additional purchase price. As a result, goodwill will be increased by the amount of additional consideration as it is earned. The milestone to begin accrual of the additional consideration was achieved in the fourth quarter of fiscal 2009, and the Company has recorded a total of \$34.3 million as additional goodwill through September 25, 2010. See Note 12 for additional discussion.

The Company had formulated and undertook a plan to restructure certain of Cytoc's activities. The Company recorded a liability of \$2.8 million in accordance with EITF 95-3 primarily related to the termination of certain employees, minimum inventory purchase commitments and other contractual obligations for which the related business activities have been discontinued.

The components and allocation of the purchase price consist of the following approximate amounts:

Book value of net assets acquired as of October 22, 2007	\$ 1,158,600
Less: write-off of existing deferred financing costs, goodwill and intangible assets, including related deferred taxes	(787,900)
Adjusted book value of assets acquired	370,700
Remaining allocation:	
Increase inventory to fair value	42,300
Increase property and equipment to fair value	5,100
Increase in liabilities recorded in accordance with EITF 95-3	(2,800)
Decrease deferred revenue to fair value	400
Identifiable intangible assets at fair value	2,486,600
Acquired in-process research and development	370,000
Deferred taxes	(943,400)
Goodwill	3,828,000
Total purchase price	<u>\$6,156,900</u>

(iii) Valuation of Intangible Assets and Goodwill

The purchase price for the merger with Cytoc was allocated to assets acquired and liabilities assumed based on management's estimate of their fair values. Management determined the identifiable intangible assets,

Hologic, Inc.

Notes to Consolidated Financial Statements (continued)
(all tabular amounts in thousands except per share data)

including in-process research and development, based upon a detailed valuation that relies on information and assumptions further described below. The excess purchase price over the fair value of the net tangible and intangible assets acquired and liabilities assumed was allocated to goodwill.

Identifiable Intangible Assets

As part of the purchase price allocation, the Company determined that Cytyc's identifiable intangible assets included existing technology, customer relationships and trade names. Cytyc's existing technology relates to patents, patent applications and know-how with respect to the technologies embedded in its currently marketed products. In determining the allocation of the purchase price to existing technology, consideration was only given to patent and patent applications that relate to products that had been approved by the FDA. Cytyc's customer relationship assets relate to relationships that Cytyc's sales force had developed with obstetricians/gynecologists and gynecological surgeons, breast surgeons, radiation oncologists, clinical laboratories and other physicians. The trade names related to both the Cytyc name as well as key product names.

The Company used the income approach to value the existing technology and marketing based intangibles. This approach calculates fair value by discounting the after-tax cash flows back to a present value. The baseline data for this analysis was the cash flow estimates used to price the transaction. Cash flows were forecasted for each intangible asset, then discounted based on an appropriate discount rate. The discount rates applied, which ranged between 10.5% and 13.5%, were benchmarked with reference to the implied rate of return from the transaction model as well as Cytyc's weighted average cost of capital based on the capital asset pricing model.

In estimating the useful life of the acquired assets, the Company considered ASC 350-30-35, which lists the pertinent factors to be considered when estimating the useful life of an intangible asset. These factors included a review of the expected use by the combined company of the assets acquired, the expected useful life of another asset (or group of assets) related to the acquired assets, legal, regulatory or other contractual provisions that may limit the useful life of an acquired asset or may enable the extension of the useful life of an acquired asset without substantial cost, the effects of obsolescence, demand, competition and other economic factors, and the level of maintenance expenditures required to obtain the expected future cash flows from the asset. The Company is amortizing these intangible assets over their estimated useful lives using a method that is based on estimated future cash flows as the Company believes this will approximate the pattern in which the economic benefits of the assets will be utilized or on a straight-line basis if it was deemed that the cash flows were not reliably determinable.

Acquired In-Process Research and Development

As part of the purchase price allocation, \$370.0 million was allocated to acquired in-process research and development projects. The amount allocated to acquired in-process research and development represented the estimated fair value, based on risk-adjusted cash flows, related to in-process projects that had not yet reached technological feasibility and had no future alternative uses as of the date of the merger. The primary basis for determining the technological feasibility of these projects was obtaining regulatory approval to market the underlying products. The fair value attributable to these in-process projects was expensed at the time of the merger. If the projects are not successful or completed in a timely manner, the Company may not realize the financial benefits expected for these projects or for the transaction as a whole.

The fair value assigned to acquired in-process research and development was determined by estimating the costs to develop the acquired technology into commercially viable products, estimating the resulting net cash

Hologic, Inc.

Notes to Consolidated Financial Statements (continued)
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flows from the projects, and discounting the net cash flows to their present value. The revenue projections used to value the acquired in-process research and development were based on estimates of relevant market sizes and growth factors, expected trends in technology, and the nature and expected timing of new product introductions by the Company and its competitors. The resulting net cash flows from such projects were based on management's estimates of cost of sales, operating expenses, and income taxes from such projects.

The rates utilized to discount the net cash flows to their present value of 12.5% to 13.5% were based on estimated cost of capital calculations and the implied rate of return from the transaction model plus a risk premium. Due to the nature of the forecasts and the risks associated with the developmental projects, appropriate risk-adjusted discount rates were used for the in-process research and development projects. The discount rates are based on the stage of completion and uncertainties surrounding the successful development of the purchased in-process technology projects.

The acquired in-process research and development related to the following research and development projects: Adiana Complete TransCervical Sterilization System, which the Company subsequently renamed the Adiana Permanent Contraception System, and expanded labeling of the NovaSure System, Gestiva, the ThinPrep Imaging System, the ThinPrep Processor and the Helica Thermal Coagulator System ("Helica").

The most significant acquired in-process technology related to the Adiana Permanent Contraception System for which the Company had estimated a value of \$220.0 million. The Adiana Permanent Contraception System includes an incisionless trans-cervical permanent sterilization device intended to be used during an office or hospital based procedure. The system consists of three different parts: a disposable applicator, an implantable polymer matrix and a radio frequency controller. The Company completed this in-process project during the third quarter of fiscal 2009 and received FDA approval on July 6, 2009.

Cytoc's other in-process research and development projects were at different stages of development, ranging from the early stages of development to Phase IIb prototype building, ongoing clinical trials and submission to the FDA of Pre-Market Approval ("PMA") and drug applications. FDA approval or clearance had not been granted for any of the products classified as in-process research and development, nor had Cytoc received any foreign approvals or clearances for any of these products. All products classified as in-process research and development require various levels of in-house and external testing, clinical trials and approvals from the FDA before these future products could be marketed. As of September 25, 2010, the estimated cash requirements in the aggregate to complete these remaining products were expected to be approximately \$2.4 million. Certain of these projects that have been discontinued or delayed are not included in this estimate as their cost to complete and timing of completion are unknown at this time. Certain of the projects included in this estimated cash requirement have been delayed to fiscal 2010 and the estimated costs for these projects have been increased accordingly.

The successful development of new products and product enhancements is subject to numerous risks and uncertainties, both known and unknown, including, unanticipated delays, access to capital, budget overruns, technical problems and other difficulties that could result in the abandonment or substantial change in the design, development and commercialization of these new products and enhancements, including, for example changes requested by the FDA in connection with PMA applications for products or 510(k) notification. Given the uncertainties inherent with product development and introduction, there can be no assurance that any of the Company's product development efforts will be successful on a timely basis or within budget, if at all. The failure of the Company to develop new products and product enhancements on a timely basis or within budget could harm the Company's results of operations and financial condition.

Hologic, Inc.**Notes to Consolidated Financial Statements (continued)**
*(all tabular amounts in thousands except per share data)**Goodwill*

The preliminary purchase price allocation resulted in goodwill of approximately \$3.84 billion as of October 22, 2007, the date of the merger. During the first quarter of fiscal 2009, the Company reduced goodwill in the purchase price allocation by \$1.9 million primarily due to a decrease in the valuation allowance related to certain tax assets acquired where the Company has determined that it is more likely than not that these assets will be realized. Subsequent to the one year allocation period from the date of acquisition, the Company recorded additional adjustments to goodwill of \$1.0 million for revisions to certain tax assets. The Company had previously reduced this goodwill in the amount of approximately \$14.2 million from the date of acquisition through September 27, 2008. The reduction was primarily related to a \$16.8 million increase in the preliminary valuation of assets acquired (primarily related to deferred tax assets acquired), an \$1.8 million increase in the preliminary valuation of certain tangible assets and a \$1.7 million increase in the preliminary valuation of certain intangible assets which were partially offset by a \$5.9 million increase in the preliminary estimate of liabilities assumed (primarily related to current tax liabilities) and a \$0.2 million increase in the preliminary estimate of acquisition costs and expenses.

The factors contributing to the recognition of this amount of goodwill were based upon several strategic and synergistic benefits that were expected to be realized from the combination. These benefits included the expectation that the Company's complementary products and technologies would create a leading women's healthcare company with an enhanced presence in hospitals, private practices and healthcare organizations. The Company also expected to realize substantial synergies through the use of Cytoc's OB/GYN and breast surgeon sales channel to cross-sell the Company's existing and future products. The merger provided the Company broader channel coverage within the United States and expanded geographic reach internationally, as well as increased scale and scope for further expanding operations through product development and complementary strategic transactions.

Subsequent to the close of the merger with Cytoc, vested stock options originally issued by Cytoc and converted into options to purchase Hologic common stock were exercised. The Company recorded the estimated excess tax benefit of \$49.3 million related to the exercise of these options as a reduction to goodwill in fiscal 2008 and \$1.0 million in both fiscal 2009 and 2010.

Supplemental Pro-forma Information

The following unaudited pro-forma information presents the consolidated results of operations of the Company and Cytoc for fiscal 2008 as if the transaction had occurred at the beginning of fiscal 2007, with pro-forma adjustments to give effect to amortization of intangible assets, an increase in interest expense on acquisition financing, subsequent refinancing and certain other adjustments together with related tax effects:

	September 27, 2008
Revenue	\$ 1,711,405
Net income	\$ 186,460
Net income per common share:	
Basic	\$ 0.73
Diluted	\$ 0.71

The \$370.0 million charge for acquired in-process research and development, the fair value of the inventory step-up of \$42.3 million, stock-based compensation of \$60.0 million, direct acquisition fees and expenses of

Hologic, Inc.

Notes to Consolidated Financial Statements (continued)
(all tabular amounts in thousands except per share data)

\$28.0 million and change of control payments of \$18.6 million that were a direct result of the transaction are excluded from the unaudited pro forma information above. The unaudited pro forma results are not necessarily indicative of the results that the Company would have attained had the merger with Cytyc occurred at the beginning of the periods presented. The \$195.2 million charge for acquired in-process research and development and the fair value of the inventory step-up of \$3.9 million that were a direct result of the acquisition of Third Wave have been excluded from the unaudited pro forma information above. The Company has not reflected any other pro forma adjustments related to Third Wave as it was not considered a material acquisition.

Prior to the close of the merger, the Board of Directors of Cytyc approved a modification to certain outstanding equity awards for Cytyc employees, which was consented to by Hologic. The modification provided for the acceleration of vesting upon the close of the merger for those awards that did not provide for acceleration upon a change of control as part of the original terms of the award. This modification was consented to by the Company so that the Company would not incur stock-based compensation charges that it otherwise would have if the awards had continued to vest under their original terms.

4. Sale of Gestiva

On January 16, 2008, the Company entered into a definitive agreement to sell full U.S. and world-wide rights to its Gestiva pharmaceutical product to K-V Pharmaceutical Company ("KV") upon approval of the pending Gestiva new drug application (the "Gestiva NDA") by the FDA for a purchase price of \$82.0 million. The Gestiva product is a drug that, if approved by the FDA, could be used in the prevention of preterm births in pregnant women with a history of at least one spontaneous preterm birth. Under this agreement, the Company received \$9.5 million of the purchase price in fiscal 2008, and the balance was due upon final approval of the Gestiva NDA by the FDA on or before February 19, 2010 and the production of a quantity of Gestiva suitable to enable the commercial launch of the product. The Company recorded the \$9.5 million as a deferred gain within current liabilities in the Consolidated Balance Sheet. Either party had the right to terminate the agreement if FDA approval was not obtained by February 19, 2010. On January 8, 2010, the parties executed an amendment to the agreement eliminating the date by which FDA approval must be received and extending the term indefinitely. In consideration of executing this amendment, the purchase price was increased to \$199.5 million. The Company received \$70.0 million upon the signing of the amendment, which has also been recorded as a deferred gain, and is due to receive an additional \$25.0 million upon FDA approval of the product and an additional \$95.0 million over a nine-month period beginning one year after FDA approval.

Under the arrangement, the Company is continuing its efforts to obtain FDA approval of the Gestiva NDA. All costs incurred in these efforts are being reimbursed by KV and recorded as a credit against research and development expenses. These reimbursed costs have not been material to date on an annual basis. The Company expects that the amounts recorded in deferred gain will be recognized upon the closing of the transaction following final FDA approval of the Gestiva NDA. The Company cannot assure that it will be able to obtain the requisite FDA approval, that the transaction will be completed or that it will receive the balance of the purchase price. Moreover, if KV terminates the agreement prior to the transfer of the rights to the Gestiva product as a result of a breach by the Company of a material representation, warranty, covenant or agreement, the Company will be required to return the funds previously received as well as expenses reimbursed by KV.

Hologic, Inc.**Notes to Consolidated Financial Statements (continued)**
*(all tabular amounts in thousands except per share data)***5. Borrowings and Credit Arrangements**

The Company had total debt with carrying values of \$1.45 billion at September 25, 2010 and \$1.55 billion at September 26, 2009. The Company's borrowings consisted of the following at September 25, 2010 and September 26, 2009:

	<u>2010</u>	<u>2009</u>
Current debt obligations:		
Term Loan A	\$ —	\$ 28,789
Term Loan B	—	6,785
AEG debt	—	1,500
Other	1,362	1,299
Total current debt obligations	<u>1,362</u>	<u>38,373</u>
Long-term debt obligations:		
Term Loan A	—	95,929
Term Loan B	—	42,664
Other	—	1,362
	—	139,955
Convertible Notes (principal of \$1,725,000)	<u>1,447,053</u>	<u>1,373,923</u>
Total long-term debt obligations	<u>1,447,053</u>	<u>1,513,878</u>
Total debt obligations	<u>\$1,448,415</u>	<u>\$1,552,251</u>

As of September 25, 2010, the earliest date of redemption for the Convertible Notes is December 13, 2013, which is the first quarter of its fiscal 2014.

(a) Convertible Notes

On December 10, 2007, the Company issued and sold \$1.725 billion aggregate original principal of 2.00% Convertible Senior Notes due 2037 (the "Convertible Notes"). The Convertible Notes are the Company's senior unsecured obligations and rank equally with all of the Company's existing and future senior unsecured debt and prior to all future subordinated debt. The Convertible Notes are effectively subordinated to any future secured indebtedness to the extent of the collateral securing such indebtedness, and structurally subordinated to all indebtedness and other liabilities (including trade payables) of the Company's subsidiaries. Net proceeds from the offering were \$1.69 billion, after deducting the underwriters' discounts of \$34.5 million and estimated offering expenses of \$1.5 million, were used to repay certain of the Company's outstanding senior secured indebtedness incurred in connection with the merger with Cytoc as discussed below. At September 25, 2010, the Company has recorded the Convertible Notes at \$1.45 billion, which is net of the unamortized debt discount as required by U.S. generally accepted accounting principles.

In May 2008, the FASB issued FSP APB 14-1, *Accounting for Convertible Debt Instruments That May Be Settled in Cash upon Conversion (Including Partial Cash Settlement)* (codified within ASC 470, *Debt*). This accounting standard applies to certain convertible debt instruments that may be settled in cash (or other assets), or partially in cash, upon conversion. The liability and equity components of convertible debt instruments within the scope of this accounting standard must be separately accounted for in a manner that reflects the entity's nonconvertible debt borrowing rate when interest expense is subsequently recognized. The excess of the principal amount of the debt over the amount allocated to the liability component is recognized as the value of the

Hologic, Inc.**Notes to Consolidated Financial Statements (continued)**
(all tabular amounts in thousands except per share data)

embedded conversion feature and is recorded within additional-paid-in capital in stockholders' equity and amortized to interest expense using the effective interest method. This accounting standard has been applied retrospectively to all periods presented.

On September 27, 2009, the Company adopted this accounting standard, which is applicable to its Convertible Notes because its terms include cash or partial cash settlement. Accordingly, the Company is required to account for the liability and equity components of its Convertible Notes separately to reflect its nonconvertible debt borrowing rate. The consolidated financial statements have been adjusted to reflect the adoption of this accounting standard from the date of issuance of the Convertible Notes. The Company estimated the fair value of its Convertible Notes without the conversion feature as of the date of issuance ("liability component"). The estimated fair value of the liability component of \$1.256 billion was determined using a discounted cash flow technique. Key inputs used to estimate the fair value of the liability component included the Company's estimated nonconvertible debt borrowing rate as of December 10, 2007 (the date the Convertible Notes were issued), the amount and timing of cash flows, and the expected life of the Convertible Notes. The estimated effective interest rate of 7.62% was estimated by comparing other companies' debt issuances that had features similar to the Company's debt excluding the conversion feature and who had similar credit ratings during the same annual period as the Company.

The excess of the gross proceeds received over the estimated fair value of the liability component totaling \$468.9 million has been allocated to the conversion feature ("equity component") as an increase to capital in excess of par value with a corresponding offset recognized as a discount to reduce the net carrying value of the Convertible Notes. The discount is being amortized to interest expense over a six-year period ending December 18, 2013 (the expected life of the liability component) using the effective interest method. In addition, transaction costs are required to be allocated to the liability and equity components based on their relative percentages. As such, the adoption of this accounting standard results in a portion of the deferred financing costs being allocated to the equity component and recorded as a reduction to capital in excess of par value.

As of September 25, 2010 and September 26, 2009, the Convertible Notes and equity component (recorded in capital in excess of par value, net of income tax benefit) associated with the adoption of this accounting standard consisted of the following:

	September 25, 2010	September 26, 2009
Convertible notes principal amount	\$ 1,725,000	\$ 1,725,000
Unamortized discount	(277,947)	(351,077)
Net carrying amount	\$ 1,447,053	\$ 1,373,923
Equity component, net of taxes	\$ 283,638	\$ 283,638

Holders may require the Company to repurchase the Convertible Notes on December 13, 2013, and each of December 15, 2017, 2022, 2027 and 2032 at a repurchase price equal to 100% of their accreted principal amount, plus accrued and unpaid interest. The Company may redeem any of the Convertible Notes beginning December 18, 2013, by giving holders at least 30 days' notice. The Company may redeem the Convertible Notes either in whole or in part at a redemption price equal to 100% of their principal amount, plus accrued and unpaid interest, including contingent interest and liquidated damages, if any, to, but excluding, the redemption date.

The Convertible Notes bear interest at a rate of 2.00% per year on the principal amount, payable semi-annually in arrears in cash on June 15 and December 15 of each year, beginning June 15, 2008 and ending on December 15, 2013. The Convertible Notes will accrete principal from December 15, 2013 at a rate that provides

Hologic, Inc.**Notes to Consolidated Financial Statements (continued)**
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holders with an aggregate annual yield to maturity of 2.00% per year. Beginning with the six month interest period commencing December 15, 2013, the Company will pay contingent interest during any six month interest period to the holders of Convertible Notes if the “trading price”, as defined, of the Convertible Notes for each of the five trading days ending on the second trading day immediately preceding the first day of the applicable six month interest period equals or exceeds 120% of the accreted principal amount of the Convertible Notes. Interest expense under the Convertible Notes for fiscal 2010, 2009 and 2008 was comprised as follows:

	Years ended		
	September 25, 2010	September 26, 2009	September 27, 2008
2.00% accrued interest	\$ 34,500	\$ 34,269	\$ 27,696
Amortization of debt discount	73,130	67,673	50,103
Amortization of deferred financing costs	4,092	3,786	2,803
Non-cash interest expense	77,222	71,459	52,906
	<u>\$ 111,722</u>	<u>\$ 105,728</u>	<u>\$ 80,602</u>

The holders of the Convertible Notes may convert the notes into shares of the Company’s common stock at a conversion price of approximately \$38.60 per share, subject to adjustment, prior to the close of business on September 15, 2037 under any of the following circumstances: (1) during any calendar quarter if the last reported sale price of the Company’s common stock exceeds 130% of the conversion price for at least 20 trading days in the 30 consecutive trading days ending on the last trading day of the preceding calendar quarter; (2) during the five business day period after any five consecutive trading day period in which the trading price per note for each day of such period was less than 98% of the product of the last reported sale price of the Company’s common stock and the conversion rate on each such day; (3) if the notes have been called for redemption; or (4) upon the occurrence of specified corporate events. None of these triggering events had occurred as of September 25, 2010.

In lieu of delivery of shares of the Company’s common stock in satisfaction of the Company’s obligation upon conversion of the Convertible Notes, the Company may elect to deliver cash or a combination of cash and shares of the Company’s common stock. If the Company elects to satisfy its conversion obligation in a combination of cash and shares of the Company’s common stock, the Company is required to deliver up to a specified dollar amount of cash per \$1,000 original principal amount of Convertible Notes, and will settle the remainder of its conversion obligation in shares of its common stock. It is the Company’s current intent and policy to settle any conversion of the Convertible Notes as if the Company had elected to make the net share settlement election.

If an event of default, as defined, relates to the Company’s failure to comply with the reporting obligations in the Convertible Notes, if the Company so elects, the sole remedy of the holders of the Convertible Notes for the first 90 days following such event of default consists exclusively of the right to receive an extension fee on the notes in an amount equal to 0.25% of the accreted principal amount of the Convertible Notes.

Based on the Company’s evaluation of the Convertible Notes in accordance with ASC 815, *Derivatives and Hedging*, Subsection 40, *Contracts in Entity’s Own Equity*, the Company determined that the Convertible Notes contained a single embedded derivative, comprising both the contingent interest feature and the filing failure penalty payment requiring bifurcation as the features were not clearly and closely related to the host instrument. The Company has determined that the value of this embedded derivative was nominal as of September 25, 2010 and September 26, 2009.

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Notes to Consolidated Financial Statements (continued)
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As of September 25, 2010, upon conversion, including the potential premium that could be payable on a fundamental change (as defined), the Company would issue a maximum of approximately 56 million common shares to the Convertible Note holders.

On November 18, 2010, the Company entered into separate, privately-negotiated exchange agreements with certain holders of the 2.00% Senior Convertible Notes due 2037 (“Original Notes”) under which the Company retired \$450.0 million in aggregate principal of such notes for \$450.0 million in aggregate principal of new 2.00% Convertible Exchange Senior Notes due 2037 (“Exchange Notes”). Following these transactions, \$1.275 billion in principal amount of the Original Notes remain outstanding.

Under the Exchange Notes, the dates the holders of the Exchange Notes may require the Company to repurchase the notes were extended by three years (as compared to such dates under the Original Notes) to December 15, 2016, December 15, 2020, December 15, 2025, December 13, 2030 and December 14, 2035. The Company may redeem the Exchange Notes beginning December 19, 2016 by giving holders at least 30 days’ notice. The price at which the holders of the Exchange Notes may convert the Exchange Notes into shares of the Company’s common stock was reduced to \$23.03. In addition, the cash coupon rate of 2% will be payable semi-annually through December 15, 2016 (three years later than under the Original Notes) after which date such interest will accrete to principal. Similarly, the date on which the Company may be required to pay contingent interest was extended by three years (as compared to such date under the Original Notes) to December 15, 2016. The accounting for this transaction will be determined in the first quarter of fiscal 2011.

(b) Credit Agreement

On October 22, 2007, the Company and certain of its domestic subsidiaries entered into a senior secured credit agreement (the “Credit Agreement”) with Goldman Sachs Credit Partners L.P. and certain other lenders, (collectively, the “Lenders”). Pursuant to the terms and conditions of the Credit Agreement, the Lenders committed to provide senior secured financing in an aggregate amount of up to \$2.55 billion. As of the closing of the merger with Cytyc, the Company borrowed \$2.35 billion under the credit facilities. The Company used the proceeds from the credit facilities to pay the cash consideration of the merger with Cytyc, and to pay fees, commissions and expenses incurred by the Company in connection with the merger with Cytyc and the Credit Agreement. In addition, the Company used the proceeds of the credit facilities, together with the Company’s available cash, to pay the cash due upon conversion of Cytyc’s 2.25% Senior Convertible Notes due 2024 that were outstanding after the closing of the merger with Cytyc.

The credit facilities under the Credit Agreement consisted of:

- \$600.0 million senior secured Term Loan A (the “Term Loan A facility”) with a final maturity date of September 30, 2012;
- \$250.0 million senior secured Term Loan B-1 and \$250.0 million senior secured Term Loan B-2 (collectively, the “Term Loan B facility”) with a final maturity date of March 31, 2013;
- \$1.25 billion senior secured capital markets term loan (the “Term Loan X facility”) with a final maturity date of April 22, 2009;
- \$200.0 million senior secured revolving credit facility (the “revolving facility”) with a final maturity date of October 22, 2012.

The Company applied the net proceeds from its Convertible Notes offering described above to repay amounts outstanding under the Credit Agreement, including all of the remaining amounts outstanding under

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Term Loan X of \$1.1 billion and Term Loan B-2 of \$250.0 million. The Company also repaid a pro rata portion of the Company's Term Loan A in the amount of \$251.0 million and Term Loan B-1 in the amount of \$104.0 million. During fiscal 2008, the Company also made voluntary prepayments of the remaining principal under its Term Loan X, Term Loan A and Term Loan B-1 of \$150.0 million, \$349.0 million and \$146.0 million, respectively. There were no amounts outstanding under these term notes as of September 26, 2009.

Borrowings outstanding under the Credit Agreement from initial drawdown through final repayment in June 2008 had a weighted average interest rate of 6.72%. Interest expense under these credit facilities totaled \$40.2 million during fiscal 2008, which included non-cash interest expense of \$12.3 million related to the amortization of the capitalized deferred financing costs related to the Amended Credit Agreement. As of September 27, 2008, all of the deferred financing costs had been amortized, with the exception of \$3.5 million of remaining deferred financing costs allocated to the revolving credit facility, as all Term Loan borrowings had been fully repaid.

In connection with the acquisition of Third Wave, on July 17, 2008, the Company entered into an amended and restated credit agreement with certain of the Lenders (the "Amended Credit Agreement"). The Amended Credit Agreement amended and restated the Company's existing credit agreement with Goldman Sachs Credit Partners L.P. and the lenders named therein, dated as of October 22, 2007. Pursuant to the terms and conditions of the Amended Credit Agreement, the Lenders committed to provide senior secured financing in an aggregate amount of up to \$800.0 million. The credit facilities under the Amended Credit Agreement consisted of \$400.0 million senior secured tranche A term loan ("Term Loan A"); \$200.0 million senior secured tranche B term loan ("Term Loan B"); \$200.0 million senior secured revolving credit facility (the "revolving facility").

In order to complete the acquisition of Third Wave, the Company borrowed \$540.0 million under the credit facilities on July 17, 2008, consisting of \$400.0 million under the Term Loan A and \$140.0 million under the Term Loan B. As of September 25, 2010, no amounts were outstanding and as of September 26, 2009, the Company had an aggregate principal outstanding of \$174.2 million under this credit facility. The final maturity dates for the credit facility were September 30, 2012 for the Term Loan A and Revolving Facility and March 31, 2013 for the Term Loan B. The Company had been making voluntary prepayments throughout the term of the loan, and paid off the outstanding principal during the third quarter of fiscal 2010. The Company gave notice of the termination of the Amended Credit Agreement to the Lenders and the Revolving Facility is no longer available. No early termination penalties were incurred.

Borrowings outstanding under the Amended Credit Agreement in fiscal 2010, 2009 and 2008 had a weighted average interest rate of 2.8%, 3.81%, and 5.24%, respectively. Interest expense under the Amended Credit Agreement totaled \$8.2 million, \$23.9 million and \$8.1 million, respectively, in fiscal 2010, 2009 and 2008, which includes non-cash interest expense of \$6.4 million, \$10.8 million and \$2.7 million, respectively, related to the amortization of the deferred financing costs. As of September 25, 2010, no deferred financing costs remain capitalized in the Consolidated Balance Sheet.

Interest expense under the Amended Credit Agreement for the Revolving Facility totaled \$3.6 million, \$1.9 million and \$1.7 million in fiscal 2010, 2009 and 2008, respectively, consisting of commitment fees on the unused portion of this facility and non-cash interest expense of \$3.0 million, \$1.0 million, and \$0.8 million, respectively, related to the amortization of deferred financing costs. Included in the non-cash interest expense for fiscal 2010 was a \$2.2 million write-off of the remaining deferred financing costs due to the termination of the Revolving Facility.

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(all tabular amounts in thousands except per share data)

(c) AEG Debt

The Company's AEG subsidiary had \$1.5 million outstanding under certain debt agreements at September 26, 2009. Those amounts were paid off in fiscal 2010 and no amounts remain outstanding at September 25, 2010. Interest expense related to these loans were not significant in any period presented.

6. Fair Value Measurements

Effective September 28, 2008 (first day of fiscal 2009), the Company adopted ASC 820, *Fair Value Measurements and Disclosures*, for its financial assets and financial liabilities that are re-measured and reported at fair value at each reporting period and its nonfinancial assets and nonfinancial liabilities that are re-measured and reported at fair value at least annually. As permitted, the Company elected to defer implementation of ASC 820 as it related to its nonfinancial assets and nonfinancial liabilities that are recognized and disclosed at fair value in the financial statements on a non-recurring basis until fiscal 2010. The impact of adoption to non-financial assets and liabilities was not material.

ASC 820 establishes a three-level valuation hierarchy for disclosure of fair value measurements. Financial assets and financial liabilities are categorized within the valuation hierarchy based upon the lowest level of input that is significant to the measurement of fair value. The three levels of the hierarchy are defined as follows:

- Level 1—Inputs to the valuation methodology are quoted market prices for identical assets or liabilities.
- Level 2—Inputs to the valuation methodology are other observable inputs, including quoted market prices for similar assets or liabilities and market-corroborated inputs.
- Level 3—Inputs to the valuation methodology are unobservable inputs based on management's best estimate of inputs market participants would use in pricing the asset or liability at the measurement date, including assumptions about risk.

Recurring Measurements

As of September 25, 2010 and September 26, 2009, the Company's financial assets that are re-measured at fair value on a recurring basis consisted of \$0.3 million in money market mutual funds that are classified as cash and cash equivalents in the Consolidated Balance Sheets. As there are no withdrawal restrictions, they are classified within Level 1 of the fair value hierarchy and are valued using quoted market prices for identical assets. In addition, the Company has recorded a contingent consideration liability at fair value of \$29.5 million in connection with its acquisition of Sentinelle Medical. The fair value of this liability is based on Level 3 inputs and is discussed in Note 3.

Nonrecurring Measurements

The Company remeasures the fair value of certain assets and liabilities upon the occurrence of certain events. Such assets include cost-method investments, and long-lived assets, including intangible assets and goodwill. During fiscal 2010, the Company recorded impairment charges in its Consolidated Statement of Operations of \$143.5 million and \$76.7 million for intangible assets and goodwill, respectively, related to its MammoSite reporting unit. For additional information pertaining to these charges, refer to Note 2.

The Company holds certain minority cost-method equity investments in non-publicly traded securities aggregating \$7.0 million and \$7.6 million at September 25, 2010 and September 26, 2009, respectively, which

Hologic, Inc.**Notes to Consolidated Financial Statements (continued)**
(all tabular amounts in thousands except per share data)

are included in other long-term assets on the Company's Consolidated Balance Sheets. These investments are generally carried at cost. As the inputs utilized for the Company's periodic impairment assessment are not based on observable market data, these cost method investments are classified within Level 3 of the fair value hierarchy on a non-recurring basis. To determine the fair value of these investments, the Company uses all available financial information related to the entities, including information based on recent or pending third-party equity investments in these entities. In certain instances, a cost method investment's fair value is not estimated as there are no identified events or changes in circumstances that may have a significant adverse effect on the fair value of the investment and to do so would be impractical. During fiscal 2010 and 2009, the Company recorded other-than-temporary impairment charges of \$1.1 million and \$2.2 million, respectively, related to certain of its cost method investments to adjust their carrying amounts to fair value.

The following chart depicts the level of inputs within the fair value hierarchy used to estimate the fair value of the MammoSite intangible assets and goodwill and a cost-method equity investment measured on a nonrecurring basis for which the Company recorded impairment charges in fiscal 2010:

	Fair Value	Fair Value Measurements Using			Total Gains (Losses)
		Quoted Prices in Active Market for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	
Intangible assets	\$24,290			\$ 24,290	\$ (143,467)
Goodwill	5,826			5,826	(76,723)
Cost method equity investment	—			—	(1,100)
					<u>\$ (221,290)</u>

7. Pension and Other Employee Benefits

The Company has certain defined benefit pension plans covering the employees of its AEG German subsidiary (the "Pension Benefits"). As of September 25, 2010 and September 26, 2009, the Company's pension liability is \$9.1 million and \$6.7 million, respectively, which is primarily recorded as a component of long-term liabilities in the Consolidated Balance Sheets. Under German law, there are no rules governing investment or statutory supervision of the pension plan. As such, there is no minimum funding requirement imposed on employers. Pension benefits are safeguarded by the Pension Guaranty Fund, a form of compulsory reinsurance that guarantees an employee will receive vested pension benefits in the event of insolvency.

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Notes to Consolidated Financial Statements (continued)
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The tables below provide a reconciliation of benefit obligations, plan assets, funded status, and related actuarial assumptions of the Company's German Pension Benefits.

<u>Change in Benefit Obligation</u>	<u>Pension Benefits</u>		
	<u>September 25, 2010</u>	<u>September 26, 2009</u>	<u>September 27, 2008</u>
Benefit obligation at beginning of year	\$ (6,736)	\$ (7,323)	\$ (7,627)
Service cost	—	—	—
Interest cost	(401)	(469)	(424)
Plan participants' contributions	—	—	—
Actuarial gain (loss)	(2,814)	764	665
Foreign exchange	541	(28)	(229)
Benefits paid	317	320	292
Benefit obligation at end of year	(9,093)	(6,736)	(7,323)
Plan assets	—	—	—
Funded status	\$ (9,093)	\$ (6,736)	\$ (7,323)

The tables below outline the components of the net periodic benefit cost and related actuarial assumptions of the Company's German Pension Benefits plan.

<u>Components of Net Periodic Benefit Cost</u>	<u>Pension Benefits</u>		
	<u>2010</u>	<u>2009</u>	<u>2008</u>
Service cost	\$ —	\$ —	\$ —
Interest cost	401	469	424
Expected return on plan assets	—	—	—
Amortization of prior service cost	—	—	—
Recognized net actuarial gain	(217)	(169)	(93)
Net periodic benefit cost	\$ 184	\$ 300	\$ 331

<u>Weighted-Average Net Periodic Benefit Cost Assumptions</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>
Discount rate	4.35%	6.6%	6.5%
Expected return on plan assets	0%	0%	0%
Rate of compensation increase	0%	0%	0%

The projected benefit obligation for the German Pension Benefits plans with projected benefit obligations in excess of plan assets was \$9.1 million and \$6.7 million at September 25, 2010 and September 26, 2009, respectively, and the accumulated benefit obligation for the German Pension Benefits plans was \$9.1 million and \$6.7 million at September 25, 2010 and September 26, 2009, respectively.

The Company is also obligated to pay long-term service award benefits. The projected benefit obligation for long-term service awards was \$0.7 million and \$0.6 million at September 25, 2010 and September 26, 2009, respectively.

Hologic, Inc.

Notes to Consolidated Financial Statements (continued)
(all tabular amounts in thousands except per share data)

The table below reflects the total Pension Benefits expected to be paid as of September 26, 2009 from the plans.

	Pension Benefits
2011	\$ 337
2012	354
2013	374
2014	396
2015	413
2016 to 2019	2,271

The Company also maintains additional contractual pension benefits for its top German executive officers in the form of a defined contribution plan. These contributions were insignificant in fiscal 2010, 2009 and 2008.

8. Income Taxes

The Company accounts for income taxes using the liability method as required by ASC 740, *Income Taxes*. Under this method, deferred income taxes are recognized for the future tax consequences of differences between the tax and financial accounting bases of assets and liabilities at the end of each reporting period. Deferred income taxes are based on enacted tax laws and statutory tax rates applicable to the periods in which the differences are expected to affect taxable income. A valuation allowance is established when necessary to reduce deferred tax assets to the amounts expected to be realized.

The Company's loss before income taxes consisted of the following:

	Years ended		
	September 25, 2010	September 26, 2009	September 27, 2008
Domestic	\$ (70,750)	\$ (2,161,264)	\$ (323,222)
Foreign	15,759	7,134	(4,050)
	<u>\$ (54,991)</u>	<u>\$ (2,154,130)</u>	<u>\$ (327,272)</u>

The provision for income taxes consisted of the following:

	Years ended		
	September 25, 2010	September 26, 2009	September 27, 2008
Federal:			
Current	\$ 105,664	\$ 74,311	\$ 102,212
Deferred	(108,002)	(18,462)	(27,681)
	<u>(2,338)</u>	<u>55,849</u>	<u>74,531</u>
State:			
Current	18,334	9,804	10,411
Deferred	(11,501)	(8,351)	(1,049)
	<u>6,833</u>	<u>1,453</u>	<u>9,362</u>
Foreign:			
Current	5,550	5,388	4,218
Deferred	(2,223)	(178)	205
	<u>3,327</u>	<u>5,210</u>	<u>4,423</u>
	<u>\$ 7,822</u>	<u>\$ 62,512</u>	<u>\$ 88,316</u>

Hologic, Inc.

Notes to Consolidated Financial Statements (continued)
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A reconciliation of income taxes at the U.S. federal statutory rate to the Company's effective tax rate is as follows:

	Years ended		
	September 25, 2010	September 26, 2009	September 27, 2008
Income tax provision at federal statutory rate	(35.0)%	(35.0)%	(35.0)%
Increase (decrease) in tax resulting from:			
Goodwill impairment	48.7	37.9	—
Section 199 manufacturing deduction	(11.6)	(0.3)	(2.0)
State income taxes, net of federal benefit	2.7	0.2	1.7
Permanent differences	3.1	0.1	0.5
Executive compensation	6.1	0.1	0.4
Tax credits	(6.9)	(0.2)	(0.5)
In-process research and development	—	—	60.7
State law change	—	(0.1)	0.7
Unrecognized tax benefits	7.2	0.1	0.4
Change in valuation allowance	(0.6)	0.1	—
Other	0.5	—	0.1
	<u>14.2%</u>	<u>2.9%</u>	<u>27.0%</u>

Significant components of the Company's deferred tax assets and liabilities are as follows:

	September 25, 2010	September 26, 2009
Deferred tax assets		
Net operating loss carryforwards	\$ 78,779	\$ 93,870
Nondeductible accruals	14,869	18,533
Nondeductible reserves	9,038	9,773
Stock-based compensation	26,236	18,926
Research and other credits	12,141	10,550
Convertible Notes issuance costs	1,410	2,144
Deferred gain	29,396	3,513
Other temporary differences	4,500	1,908
	<u>176,369</u>	<u>159,217</u>
Less: valuation allowance	(19,212)	(22,124)
	<u>\$ 157,157</u>	<u>\$ 137,093</u>
Deferred tax liabilities		
Depreciation and amortization	\$ (782,770)	\$ (903,017)
Debt discount on Convertible Notes	(106,410)	(134,357)
Original issue discount	(146,101)	(89,628)
Investment in subsidiary	(4,679)	(3,109)
	<u>\$(1,039,960)</u>	<u>\$(1,130,111)</u>
	<u>\$ (882,803)</u>	<u>\$ (993,018)</u>

Hologic, Inc.**Notes to Consolidated Financial Statements (continued)**
(all tabular amounts in thousands except per share data)

The effective tax rate for fiscal 2010 was significantly impacted by the goodwill impairment charge recorded in the fourth quarter of fiscal 2010, substantially all of which was not deductible for tax purposes. In addition, the Company recorded provision to return adjustments and additional reserve needs partially offset by the reversal of reserves no longer required. The reserves no longer required principally related to the sale of the Company's manufacturing operation in Shanghai, China in the second quarter of fiscal 2010, and the expiration of the statute of limitations in several jurisdictions. The effective tax rate for fiscal 2009 was significantly impacted by the goodwill impairment charge recorded in the second quarter of fiscal 2009, substantially all of which was not deductible for tax purposes. In addition, the tax provision for fiscal 2009 included a reversal for a charge recorded in fiscal 2008 for approximately \$2.3 million related to a clarification in Massachusetts tax law on apportionment for affiliates of manufacturing companies. The Company also recorded an additional \$1.3 million in anticipation of losing its tax holiday status due to the closure of its manufacturing facility in Shanghai, China. The effective tax rate for fiscal 2008 was significantly impacted by the acquired in-process research and development charge related to the merger with Cytoc and Third Wave acquisition, which was not tax deductible.

Under ASC 740, the Company can only recognize a deferred tax asset for the future benefit of its tax loss and credit carryforwards to the extent that it is "more likely than not" that these assets will be realized. After considering all available positive and negative evidence, the Company has established a valuation allowance against a portion of its remaining deferred tax assets because it is more likely than not that a portion of its tax loss carryforward will not be realized. In determining the realizability of these assets, the Company considered numerous factors, including historical profitability, estimated future taxable income and the industry in which it operates. The valuation allowance decreased \$2.9 million in fiscal 2010 from fiscal 2009 primarily due to the transfer of certain fully reserved tax attributes in conjunction with the sale of the Company's manufacturing operations in Shanghai, China and the expiration of certain federal net operating losses.

During fiscal 2010, the Company recorded a \$0.8 million increase to capital in excess of par and a \$1.1 million decrease to goodwill related to the excess tax benefit of stock options exercised in fiscal 2010. During fiscal 2009, the Company recorded a \$1.6 million increase to capital in excess of par and a \$1.1 million decrease to goodwill related to the excess tax benefit of stock options exercised in fiscal 2009.

As of September 25, 2010, the Company had gross federal, state and foreign net operating losses of \$137.5 million, \$4.9 million and \$32.8 million respectively, and federal, state and foreign credit carryforwards of \$5.9 million, \$8.7 million and \$0.3 million respectively, that it believes are more likely than not that they will be realized. The \$137.5 million federal net operating losses exclude \$9.5 million of net operating losses, which the Company believes will expire unutilized. The \$4.9 million state net operating losses exclude \$23.3 million of net operating losses, which the Company believes will expire unutilized. The following table summarizes the expiration periods of the net operating losses and credit carryforwards:

	Period of Expiration					Total
	2010-2016	2017-2021	2022-2026	2027-2031	No expiration	
Federal net operating losses	966	29,310	46,789	60,438	—	137,503
State net operating losses	279	9	1,146	3,445	—	4,879
Foreign net operating losses	—	271	17,779	—	14,794	32,844
Federal R&D credits	139	2,580	2,965	254	299	6,237
CA credits	—	—	—	—	1,959	1,959
CT credits	—	1,265	1,839	—	—	3,104
MA credits	—	600	1,238	—	506	2,344
IN credits	926	410	—	—	—	1,336

Hologic, Inc.**Notes to Consolidated Financial Statements (continued)**
(all tabular amounts in thousands except per share data)

On September 30, 2007, the Company adopted Financial Accounting Standards Board (FASB) Interpretation (FIN) No. 48, *Accounting for Uncertainty in Income Taxes—an interpretation of FASB Statement No. 109* (codified within ASC 740-10), and recorded the cumulative effect of the change in accounting principle of \$0.5 million as a decrease to opening retained earnings.

The Company has gross unrecognized tax benefits, including interest, of \$33.5 million as of September 25, 2010 and \$29.2 million as of September 26, 2009. At September 25, 2010, \$33.5 million represents the amount of unrecognized tax benefits that, if recognized, would result in a reduction of the Company's effective tax rate. In the next twelve months it is reasonably possible that the Company will reduce the balance of its unrecognized tax benefits by \$4.7 million due to expiration of statute of limitations and settlements with taxing authorities, of which \$3.5 million will reduce the Company's effective tax rate.

The Company's unrecognized income tax benefits are as follows:

	September 25, 2010	September 26, 2009
Balance at beginning of fiscal year	\$ 28,073	\$ 19,447
Tax positions related to current year:		
Additions	2,364	2,532
Reductions	—	—
Tax positions related to prior years:		
Additions related to change in estimate	3,682	1,391
Reductions	(675)	—
Settlements	(193)	(405)
Lapses in statutes of limitations	(1,461)	(492)
Acquired tax positions:		
Additions related to reserves acquired from Third Wave	—	5,600
Balance as of the end of the fiscal year	<u>\$ 31,790</u>	<u>\$ 28,073</u>

The Company's policy is to recognize accrued interest and penalties related to unrecognized tax benefits and income tax liabilities, when applicable, as part of income tax expense in its Consolidated Statements of Operations. As of September 25, 2010 and September 26, 2009, accrued interest was \$1.7 million and \$1.2 million, respectively, net of federal benefit. As of September 25, 2010, no penalties have been accrued.

The Company and its subsidiaries are subject to United States federal income tax, as well as income tax in multiple state and foreign jurisdictions. The current tax returns are open for audit through fiscal 2014. The Company is currently under audit by the United States Internal Revenue Service (the "IRS") for fiscal years 2007 and 2008. The audit has not been completed and the IRS has not issued a report on its audit. The Company has a tax holiday in Costa Rica that currently does not materially impact its effective tax rate and is scheduled to expire in 2015.

The Company intends to reinvest, indefinitely, approximately \$26.8 million of unremitted foreign earnings. It is not practical to estimate the amount of additional taxes that might be payable upon repatriation of foreign earnings.

Hologic, Inc.

Notes to Consolidated Financial Statements (continued)
(all tabular amounts in thousands except per share data)

9. Stockholders' Equity and Stock-Based Compensation

Common Shares Authorization

On October 22, 2007, the Company's certificate of incorporation was amended to increase the number of authorized shares of the Company's common stock thereunder from 180 million to 600 million. At the Company's March 11, 2008 Annual Meeting of Stockholders, an increase in the number of authorized shares of common stock from 600 million to 750 million was approved.

Rights Agreement

On April 2, 2008, the Company entered into an Amended and Restated Rights Agreement (the "Amended and Restated Rights Agreement") between the Company and American Stock Transfer & Trust Company as Rights Agent (the "Rights Agent"). The Amended and Restated Rights Agreement amends and restates the Company's rights agreement, dated as of September 17, 2002, as amended on May 21, 2007, between the Company and the Rights Agent.

On April 2, 2008, the Company effected a two-for-one stock split in the form of a stock dividend to stockholders as of March 21, 2008. Pursuant to the Amended and Restated Rights Agreement, the Company amended the terms of the rights issued and issuable under the agreement ("Rights"), effective as of April 3, 2008 (after the stock dividend), to reset the Rights such that each share of Common Stock is entitled to receive one Right, to retain the purchase price of each Right at \$60 per Right, and to provide that each Right will entitle the holder to purchase one twenty-five thousandth of a share of Series A Junior Participating Preferred Stock (the "Series A Preferred Stock"). Conforming changes have also been made to the Company's certificate of designation for the Series A Preferred Stock to provide that each share of Series A Preferred Stock carries 25,000 times the dividend, liquidation and voting rights of the Company's Common Stock. Other modifications have also been made in the Amended and Restated Rights Agreement to update the agreement for certain developments, including the recent amendments to the Company's by-laws permitting stockholders to hold and transfer shares of the Company's capital stock in book entry form. The expiration date of the Rights has remained unchanged at January 1, 2013.

Stock-Based Compensation

Equity Compensation Plans

The Company has one share-based compensation plan pursuant to which awards are currently being made—the 2008 Equity Incentive Plan. The Company has four share-based compensation plans pursuant to which outstanding awards have been made, but from which no further awards can or will be made—i) the 1995 Combination Stock Option Plan; ii) the 1997 Employee Equity Incentive Plan; iii) the 1999 Equity Incentive Plan; and iv) the 2000 Acquisition Equity Incentive Plan.

At the Company's March 11, 2008 Annual Meeting of Stockholders, the Company's 2008 Equity Incentive Plan (the "2008 Equity Plan") was approved. In connection with this approval, the Company's 1999 Second Amended and Restated Equity Incentive Plan was terminated. The purpose of the 2008 Equity Plan is to provide stock options, stock issuances and other equity interests in the Company to employees, officers, directors, consultants and advisors of the Company and its parents and subsidiaries, and any other person who is determined by the Board of Directors to have made (or is expected to make) contributions to the Company. The 2008 Equity Plan is administered by the Board of Directors of the Company, and a total of 20 million shares were reserved for issuance under this Plan. As of September 25, 2010, the Company had approximately 11.3 million shares available for future grant under this plan.

Hologic, Inc.**Notes to Consolidated Financial Statements (continued)**
(all tabular amounts in thousands except per share data)

The Company has assumed certain other plans in connection with the Cytyc merger and Third Wave acquisition, and no shares are available for future grant under these plans.

Grant-Date Fair Value

Effective with the adoption of ASC 718, the Company elected to use a binomial lattice model to determine the fair value of its stock options. The Company considers a number of factors to determine the fair value of options including the assistance of an outside valuation advisor. Information pertaining to stock options granted during fiscal 2010, 2009 and 2008 and related assumptions are noted in the following table:

	Years ended		
	September 25, 2010	September 26, 2009	September 27, 2008
Options granted	2,858	3,007	3,224
Weighted-average exercise price	\$ 15.65	\$ 14.43	\$ 32.84
Weighted-average grant date fair value	\$ 5.87	\$ 5.40	\$ 10.61
Assumptions:			
Risk-free interest rates	1.8%	2.0%	2.7% to 4.0%
Expected life (in years)	3.9	4.0	3.8 to 4.6
Expected volatility	47%	46%	36% to 38%
Dividend yield	—	—	—

The risk-free interest rate is based on a treasury instrument whose term is consistent with the expected life of the stock options. In projecting expected stock price volatility, the Company uses a combination of historical stock price volatility and implied volatility from observable market prices of similar equity instruments. The Company estimated the expected life of stock options based on historical experience using employee exercise and option expiration data.

Stock-Based Compensation Expense

The Company uses the straight-line attribution method to recognize stock-based compensation expense for stock options and restricted stock units ("RSU"). The vesting term of stock options is generally five years with annual vesting of 20% per year on the anniversary of the grant date, and RSUs generally either cliff vest at the end of three years or vest over four years with annual vesting at 25% per year on the anniversary of the grant date. The amount of stock-based compensation recognized during a period is based on the value of the portion of the awards that are ultimately expected to vest. ASC 718 requires forfeitures to be estimated at the time granted and revised, if necessary, in subsequent periods if actual forfeitures differ from those estimates. Based on an analysis of historical forfeitures, the Company has determined a specific forfeiture rate for certain employee groups and has applied forfeiture rates ranging from 0% to 5% as of September 25, 2010 depending on the specific employee group. This analysis is re-evaluated annually and the forfeiture rate will be adjusted as necessary. Ultimately, the actual stock-based compensation expense recognized will only be for those stock options and RSUs that vest.

Hologic, Inc.**Notes to Consolidated Financial Statements (continued)**
(all tabular amounts in thousands except per share data)

Stock-based compensation expense from the issuance of stock options and RSUs in fiscal 2010, 2009 and 2008 is as follows:

	<u>2010</u>	<u>2009</u>	<u>2008</u>
Cost of revenues	\$ 4,332	\$ 3,522	\$ 2,293
Research and development	4,011	3,960	2,806
Selling and marketing	5,313	5,161	3,487
General and administrative	20,504	20,296	15,137
Restructuring charge	—	—	1,941
	<u>\$34,160</u>	<u>\$32,939</u>	<u>\$25,664</u>

Stock-based compensation expense related to stock options was \$13.3 million, \$13.8 million, and \$14.0 million in fiscal years 2010, 2009 and 2008, respectively. Stock compensation expense related to RSUs was \$20.9 million, \$19.1 million, and \$11.7 million in fiscal years 2010, 2009 and 2008, respectively. The related tax benefit recorded in the Consolidated Statements of Operations was \$9.9 million, \$9.8 million and \$8.4 million in fiscal years 2010, 2009 and 2008, respectively. At September 25, 2010, there was \$32.7 million and \$32.5 million of unrecognized compensation expense related to stock options and RSUs, respectively, to be recognized over a weighted average period of 3.3 years and 2.0 years, respectively.

Included in stock-based compensation expense for fiscal 2008 was \$2.7 million as a result of the acceleration of vesting for certain outstanding Hologic stock options upon the close of the merger with Cytyc. The original terms of these employee stock options provided for acceleration of vesting upon a change of control. In addition, stock-based compensation expense includes a total of \$3.5 million related to option modifications during fiscal 2008. During this period, the Company recorded \$0.8 million related to a modification of certain options to extend the period of time to exercise upon termination from 90 days to August 31, 2009 upon termination of the Company's Chairman of the Board of Directors (See Note 2). The Company also recorded \$2.3 million of stock-based compensation as a result of a modification of certain Hologic stock options in connection with the merger with Cytyc Agreement in May 2007. The modification provided for acceleration of vesting of the unvested options upon a termination as a result of a change of control, as well as an extension of the period to exercise vested options from 90 days to December 31, 2009, which occurred upon the close of the merger with Cytyc. Additionally, stock-based compensation expense included \$0.5 million related to certain former Third Wave executives who were terminated.

In fiscal 2008, stock-based compensation included \$0.6 million as a result of the acceleration of vesting for certain outstanding Hologic restricted stock units upon the close of the merger with Cytyc. The original terms of these restricted stock units provided for acceleration of vesting upon a change of control. Fiscal 2008 stock-based compensation also included \$1.2 million related to the acceleration of certain restricted stock units related to a separation agreement with the Company's Chairman of the Board of Directors.

Prior to the close of the merger the Board of Directors of both Hologic and Cytyc approved a modification to certain outstanding equity awards for Cytyc employees. The modification provided for the acceleration of vesting upon the close of Merger for those awards that did not provide for acceleration upon a change of control as part of the original terms of the award. This modification was made so that the Company would not incur stock based compensation charges that it otherwise would have if the awards had continued to vest under their original terms.

Hologic, Inc.**Notes to Consolidated Financial Statements (continued)**
*(all tabular amounts in thousands except per share data)**Option Exchange Program*

On December 22, 2008, the Board of Directors approved, subject to stockholder approval, a stock option exchange program (the "Option Exchange Program"). The Option Exchange Program was approved at the Annual Meeting of Stockholders held on March 4, 2009. The Option Exchange Program permitted eligible employees to exchange their outstanding options issued on January 16, 2008 at an exercise price per share of \$33.31 for a lesser number of new options ("New Options"), with such number of New Options issuable upon exchange calculated pursuant to an exchange ratio based on the original exercise price of the surrendered option. The exchange offer expired on April 5, 2009. Pursuant to the Option Exchange Program, the New Options have an exercise price of \$14.87, which is 110% of the last reported closing sales price of the Company's common stock as of the date of the new grant, which was April 5, 2009. The total number of stock options eligible to be exchanged of approximately 784,000 was exchanged for 406,000 New Options.

On the date of exchange, the estimated fair value of the New Options approximated the estimated fair value of the exchanged stock options calculated immediately prior to the exchange. As such, there is no incremental fair value of the New Options, and the Company will not record additional compensation expense related to the exchange. The Company will continue to recognize the remaining compensation expense related to the exchanged options over the remaining vesting period of the original options. The New Options become exercisable over a period of four years, with 25% vesting on the first anniversary of the date the New Options were granted and 25% vesting on each anniversary thereafter, so long as the option holder continues to be employed by the Company.

Share Based Payment Activity

The following table summarizes all stock option activity under the Company's stock option plans for the year ended September 25, 2010:

	Number of Shares	Weighted- Average Exercise Price	Weighted- Average Remaining Contractual Life in Years	Aggregate Intrinsic Value
Options outstanding at September 26, 2009	14,553			
Granted	2,858	\$ 15.65		
Cancelled/forfeited	(743)	17.26		
Exercised	(1,123)	9.91		\$ 7,282
Options outstanding at September 25, 2010	15,545	\$ 16.70	4.45	\$45,218
Options exercisable at September 25, 2010	9,425	\$ 15.81	3.68	\$37,452
Options vested and expected to vest at September 25, 2010 (1)	15,166	\$ 16.71	4.41	\$ 44,720

- (1) This represents the number of vested stock options as of September 25, 2010 plus the unvested outstanding options at September 25, 2010 expected to vest in the future, adjusted for estimated forfeitures.

During fiscal 2009 and 2008, the total intrinsic value of options exercised (i.e., the difference between the market price on the date of exercise and the price paid by the employee to exercise the options) was \$10.5 million and \$197.0 million, respectively.

Hologic, Inc.**Notes to Consolidated Financial Statements (continued)**
(all tabular amounts in thousands except per share data)

A summary of the Company's RSU activity during the year September 25, 2010 is presented below:

<u>Non-vested Shares</u>	<u>Number of Shares</u>	<u>Weighted-Average Grant-Date Fair Value</u>
Non-vested at September 26, 2009	2,770	\$21.96
Granted.	1,619	15.27
Vested	(487)	15.47
Forfeited	(226)	21.49
Non-vested at September 25, 2010	3,676	\$ 19.90

The number of RSUs vested includes shares withheld on behalf of employees to satisfy minimum statutory tax withholding requirements. During fiscal 2010, 2009 and 2008 the total fair value of RSUs vested was \$7.5 million, \$5.0 million and \$2.0 million, respectively.

Employee Stock Purchase Plan

At the Company's March 11, 2008 Annual Meeting of Stockholders, the Company's 2008 Employee Stock Purchase Plan (the "ESPP") was approved. The plan meets the criteria set forth in ASC 718's definition of a non-compensatory plan and does not give rise to stock-based compensation expense. Employees who have completed three consecutive months, or two years, whether or not consecutive, of employment with the Company or any of its participating subsidiaries are eligible to participate in the ESPP. The ESPP plan period is semi-annual and allows participants to purchase the Company's common stock at 95% of the closing price of the stock on the last day of the plan period. A total of 400,000 shares may be issued under the ESPP. During fiscal 2010 and 2009, the Company issued approximately 96,000 and 121,000 shares under the ESPP, respectively.

10. Profit Sharing 401(k) Plan

The Company has a qualified profit sharing plan covering substantially all of its employees. Contributions to the plan are at the discretion of the Company's Board of Directors. The Company made contributions of \$5.9 million, \$5.7 million and \$5.3 million for fiscal years 2010, 2009 and 2008, respectively.

11. Supplemental Executive Retirement Plan

Effective March 15, 2006, the Company adopted a SERP to provide non-qualified retirement benefits to a select group of executive officers, senior management and highly compensated employees of the Company. Eligible employees may elect to contribute up to 75% of their annual base salary and 100% of their annual bonus to the SERP and such employee contributions are 100% vested. In addition, the Company may elect to make annual discretionary contributions on behalf of participants in the SERP. Each Company contribution is subject to a three year vesting schedule, such that each contribution vests one third annually. Employee contributions are recorded within accrued expenses in the Consolidated Balance Sheets.

Upon enrollment into the SERP, employees make investment elections for both their voluntary contributions and discretionary contributions, if any, made by the Company. Earnings and losses on contributions based on these investment elections are recorded as a component of compensation expense in the period earned.

Hologic, Inc.

Notes to Consolidated Financial Statements (continued)
(all tabular amounts in thousands except per share data)

Beginning in fiscal 2007, annually the Compensation Committee of the Board of Directors has approved a discretionary cash contribution to the SERP for each year. Discretionary contributions by the Company to the SERP are held in a Rabbi Trust. The Company is recording compensation expense for the SERP discretionary contributions ratably over the three-year vesting period, which totaled \$2.1 million, \$1.8 million and \$0.9 million in fiscal years 2010, 2009 and 2008, respectively. The full amount of the discretionary contribution, net of forfeitures, is recorded within accrued expenses in the Consolidated Balance Sheets.

The Company has purchased Company-owned group life insurance contracts, in which both voluntary and discretionary Company SERP contributions are invested, to fund payment of the Company's obligation to the SERP participants. The total amount invested at September 25, 2010 and September 26, 2009 was \$18.2 million and \$11.6 million, respectively, which approximated the total of employee voluntary contributions into the plan and the Company's cash portion of its discretionary contribution. The values of these life insurance contracts are recorded with other long-term assets in the Consolidated Balance Sheets. Changes in the cash surrender value of life insurance contracts, which were not significant in fiscal 2010, 2009 and 2008, are recorded as a component of other income (expense), net in the Consolidated Statements of Operations.

12. Commitments and Contingencies

Contingent Earn-Out Payments

As a result of the merger with Cytyc in October 2007, the Company assumed the obligation to the former Adiana, Inc. stockholders to make contingent earn-out payments tied to the achievement of milestones. The milestone payments include potential contingent payments of up to \$155.0 million based on worldwide sales of the Adiana Permanent Contraception System in the first year following FDA approval and on annual incremental sales growth thereafter through December 31, 2012. FDA approval of the Adiana Permanent Contraception System occurred on July 6, 2009, and the Company began accruing contingent consideration in the fourth quarter of fiscal 2009 based on the defined percentage of worldwide sales of the product. The agreement includes an indemnification provision that provides for the reimbursement of qualifying legal expenses in defense of the Adiana intellectual property, and the Company has the right to offset contingent consideration payments to the Adiana shareholders with these qualifying legal costs. The Company is recording legal fees related to the Conceptus litigation matter (described below) as a reduction to the accrued contingent consideration payments, which will result in a lower payment to the Adiana shareholders. The total contingent consideration recorded as additional purchase price as of September 25, 2010 is \$34.3 million. Under the terms of the agreement, the first payment was paid to the Adiana shareholders in October 2010 net of amounts withheld for the legal indemnification provision.

The Company also has a contingent consideration obligation related to its Sentinelle Medical acquisition. This liability has been recorded at its fair value of \$29.5 million pursuant to ASC 805. Refer to Note 3 for additional information.

Finance Lease Obligations

As a result of the merger with Cytyc, the Company assumed the obligation to a non-cancelable lease agreement for a building with approximately 164,000 square feet located in Alajuela, Costa Rica, to be used as a manufacturing and office facility. The Company moved into this new location during fiscal 2009. The Company was responsible for a significant portion of the construction costs and therefore was deemed, for accounting purposes, to be the owner of the building during the construction period, in accordance with ASC 840, *Leases*, Subsection 40-15-5. During the year ended September 27, 2008, the Company recorded an additional \$4.4

Hologic, Inc.**Notes to Consolidated Financial Statements (continued)**
(all tabular amounts in thousands except per share data)

million in fair market value of the building, which was completed in fiscal 2008. This is in addition to the \$3.0 million fair market value of the land and the \$7.7 million fair market value related to the building constructed that Cytac had recorded as of October 22, 2007. The Company has recorded such fair market value within property and equipment on its Consolidated Balance Sheets. At September 25, 2010, the Company has recorded \$1.6 million in accrued expenses and \$16.7 million in other long-term liabilities related to this obligation in the Consolidated Balance Sheet. The term of the lease, which commenced in May 2008, is for a period of approximately ten years with the option to extend for two consecutive five-year terms.

At the completion of the construction period, the Company reviewed the lease for potential sale-leaseback treatment in accordance with ASC 840, Subsection 40, *Sale-Leaseback Transactions*. Based on its analysis, the Company determined that the lease did not qualify for sale-leaseback treatment. Therefore, the building, leasehold improvements and associated liabilities will remain on the Company's financial statements throughout the lease term, and the building and leasehold improvements will be depreciated on a straight line basis over their estimated useful lives of 35 years.

Future minimum lease payments, including principal and interest, under this lease were as follows at September 25, 2010:

	<u>Amount</u>
Fiscal 2011	\$ 1,561
Fiscal 2012	1,616
Fiscal 2013	1,672
Fiscal 2014	1,731
Fiscal 2015	1,791
Thereafter	<u>5,497</u>
Total minimum payments	13,868
Less-amount representing interest	<u>(5,027)</u>
Total	<u>\$ 8,841</u>

In addition, as a result of the merger with Cytac, the Company assumed the obligation to a non-cancelable lease agreement for a building with approximately 146,000 square feet located in Marlborough, Massachusetts, to be principally used as an additional manufacturing facility. In 2011, the Company will have an option to lease an additional 30,000 square feet. As part of the lease agreement, the lessor agreed to allow the Company to make significant renovations to the facility to prepare the facility for the Company's manufacturing needs. The Company was responsible for a significant amount of the construction costs and therefore was deemed, for accounting purposes, to be the owner of the building during the construction period in accordance with ASC 840-40-15-5. The \$13.2 million fair market value of the facility is included within property and equipment, net on the Consolidated Balance Sheet. At September 25, 2010, the Company has recorded \$1.0 million in accrued expenses and \$15.6 million in other long-term liabilities related to this obligation in the Consolidated Balance Sheet. The term of the lease is for a period of approximately 12 years commencing on November 14, 2006 with the option to extend for two consecutive 5-year terms. Based on its ASC 840-40 analysis, the Company determined that the lease did not qualify for sale-leaseback treatment. Therefore, the improvements and associated liabilities will remain on the Company's financial statements throughout the lease term, and the leasehold improvements will be depreciated on a straight line basis over their estimated useful lives of up to 35 years.

Hologic, Inc.**Notes to Consolidated Financial Statements (continued)**
(all tabular amounts in thousands except per share data)

Future minimum lease payments, including principal and interest, under this lease were as follows at September 25, 2010:

	<u>Amount</u>
Fiscal 2011	\$ 982
Fiscal 2012	982
Fiscal 2013	1,091
Fiscal 2014	1,091
Fiscal 2015	1,091
Thereafter	<u>3,904</u>
Total minimum payments	9,141
Less-amount representing interest	<u>(3,012)</u>
Total	<u>\$6,129</u>

Long-Term Supply Contract

As a result of the merger with Cytac, the Company assumed certain non-cancelable supply contracts. For reasons of quality assurance, sole source availability or cost effectiveness, certain key components and raw materials are available only from a sole supplier and Cytac had entered into certain long-term supply contracts to assure continuity of supply.

Future supply commitments under these long-term supply contracts are as follows as of September 25, 2010:

	<u>Amount</u>
Fiscal 2011	\$ 3,000
Fiscal 2012	3,000
Fiscal 2013	<u>750</u>
	<u>\$6,750</u>

Concentration of Suppliers

The Company purchases certain components of the Company's products from a single or small number of suppliers. A change in or loss of these suppliers could cause a delay in filling customer orders and a possible loss of sales, which could adversely affect results of operations; however, management believes that suitable replacement suppliers could be obtained in such an event.

Operating Leases

The Company conducts its operations in leased facilities under operating lease agreements that expire through fiscal 2022. The Company leases certain equipment under operating lease agreements that expire through fiscal 2015. Substantially all of the Company's lease agreements require the Company to maintain the facilities during the term of the lease and to pay all taxes, insurance, utilities and other costs associated with those facilities. The Company makes customary representations and warranties and agrees to certain financial covenants and indemnities. In the event the Company defaults on a lease, typically the landlord may terminate

Hologic, Inc.

Notes to Consolidated Financial Statements (continued)
(all tabular amounts in thousands except per share data)

the lease, accelerate payments and collect liquidated damages. As of September 25, 2010, the Company was not in default of any covenants contained in the lease. Certain of the Company's lease agreements provide for renewal options. Such renewal options are at rates similar to the current rates under the agreements.

Future minimum lease payments under all of the Company's operating leases at September 25, 2010 are as follows:

	<u>Amount</u>
Fiscal 2011	\$ 18,123
Fiscal 2012	16,212
Fiscal 2013	13,617
Fiscal 2014	11,940
Fiscal 2015	9,155
Thereafter	40,267
Total (not reduced by minimum sublease rentals of \$2,776)	<u>\$109,314</u>

Rent expense, net of sublease income, was \$17.8 million, \$17.1 million, and \$13.9 million for fiscal years 2010, 2009 and 2008, respectively.

The Company subleases a portion of some of its facilities that it leases and has received rental income of \$1.6 million, \$1.5 million and \$1.0 million fiscal years 2010, 2009 and 2008, respectively, which has been recorded as an offset to rent expense. The Company subleases a portion of its Newark, DE facility and received rental income of \$1.9 million, \$1.6 million and \$1.6 million in fiscal years 2010, 2009 and 2008, respectively, which has been recorded as an offset to rent expense. The future minimum annual rental income payments under these sublease agreements at September 25, 2010 are as follows:

	<u>Amount</u>
Fiscal 2011	\$ 3,181
Fiscal 2012	2,686
Fiscal 2013	1,531
Fiscal 2014	1,531
Fiscal 2015	893
Total	<u>\$9,822</u>

Workforce Subject to Collective Bargaining Agreements

Approximately 205 of AEG's German employees are represented by a Works Council and are subject to collective bargaining agreements. None of the Company's other employees are subject to a collective bargaining agreement.

13. Business Segments and Geographic Information

The Company reports segment information in accordance with ASC 280, *Segment Reporting*. Operating segments are identified as components of an enterprise about which separate, discrete financial information is available for evaluation by the chief operating decision maker, or decision-making group, in making decisions how to allocate resources and assess performance. The Company's chief operating decision maker is the president, and the Company's reportable segments have been identified based on the end markets to which its

Hologic, Inc.

Notes to Consolidated Financial Statements (continued)
(all tabular amounts in thousands except per share data)

product are sold into. Each reportable segment generates revenue from either the sale of medical equipment and related services and/or sale of disposable supplies, primarily used in providing diagnostic tests and surgical procedures. For all periods presented, the Company has four reportable segments: Breast Health, Diagnostics, GYN Surgical and Skeletal Health. Certain reportable segments represent an aggregation of operating units within each segment. The Company measures and evaluates its reportable segments based on segment revenues and operating income (loss).

Identifiable assets for the four principal operating segments consist of inventories, intangible assets, and property and equipment. The Company fully allocates depreciation expense to its four reportable segments. The Company presents all other identifiable assets as corporate assets. Intersegment sales and transfers are not significant. Segment information for fiscal years 2010, 2009 and 2008 is as follows:

	Years ended		
	September 25, 2010	September 26, 2009	September 27, 2008
Total revenues:			
Breast Health	\$ 755,542	\$ 728,884	\$ 860,848
Diagnostics	552,501	547,892	485,004
GYN Surgical	283,142	264,900	221,069
Skeletal Health	88,367	95,458	107,578
	<u>\$ 1,679,552</u>	<u>\$ 1,637,134</u>	<u>\$ 1,674,499</u>
Operating income (loss):			
Breast Health	\$ (93,623)	\$ (122,559)	\$ 211,704
Diagnostics	100,469	(809,640)	(172,538)
GYN Surgical	53,071	(1,097,685)	(241,450)
Skeletal Health	10,020	13,210	4,742
	<u>\$ 69,937</u>	<u>\$ (2,016,674)</u>	<u>\$ (197,542)</u>
Depreciation and amortization:			
Breast Health	\$ 47,992	\$ 50,764	\$ 38,990
Diagnostics	166,124	157,562	97,282
GYN Surgical	68,848	56,341	30,702
Skeletal Health	11,804	9,257	5,976
	<u>\$ 294,768</u>	<u>\$ 273,924</u>	<u>\$ 172,950</u>
Capital expenditures:			
Breast Health	\$ 8,971	\$ 10,966	\$ 17,493
Diagnostics	5,573	7,779	10,585
GYN Surgical	5,092	5,856	14,119
Skeletal Health	8,374	6,756	11,339
	<u>\$ 28,010</u>	<u>\$ 31,357</u>	<u>\$ 53,536</u>
Identifiable assets:			
Breast Health	\$ 988,041	\$ 1,133,714	\$ 1,435,674
Diagnostics	1,802,148	1,942,494	2,976,854
GYN Surgical	1,834,773	1,860,834	3,080,365
Skeletal Health	30,293	30,937	25,151
Corporate	970,579	716,247	608,768
	<u>\$ 5,625,834</u>	<u>\$ 5,684,226</u>	<u>\$ 8,126,812</u>

Hologic, Inc.**Notes to Consolidated Financial Statements (continued)**
(all tabular amounts in thousands except per share data)

As a result of the Company's long-lived assets impairment test and goodwill impairment test related to MammoSite, a reporting unit in Breast Health, performed as June 27, 2010, the Company recorded intangible asset impairment charges of \$143.5 million to write down intangible assets to fair value and \$76.7 million to reduce the reporting unit's goodwill. These charges are reflected in Breast Health's operating loss for fiscal 2010.

As a result of the Company's interim impairment analysis of goodwill as of December 27, 2008, the Company recorded a goodwill impairment charge of \$2.34 billion during the three months ended March 28, 2009 comprised of \$1.17 billion for GYN Surgical, \$908.3 million for Diagnostics, and \$265.9 million for Breast Health. These charges are reflected in each reportable segments' operating loss for fiscal 2009. In connection with its acquisitions in fiscal 2008, the Company recorded in-process research and development charges of \$280.4 million in Diagnostics and \$284.8 million in GYN Surgical.

Products sold by the Company internationally are manufactured at domestic and international manufacturing locations such as Costa Rica where much of the GYN Surgical products are currently being manufactured. Transfers between the Company and its subsidiaries are generally recorded at amounts similar to the prices paid by unaffiliated foreign dealers. All intercompany profit is eliminated in consolidation.

The Company operates in the following major geographic areas as noted in the below chart. Product sales data is based upon customer location, and internationally totaled \$302.3 million, \$291.4 million and \$297.3 million in fiscal 2010, 2009 and 2008, respectively. The Company's sales in Europe are predominantly derived from Germany, the United Kingdom and the Netherlands. The Company's sales in Asia are predominantly derived from China, Japan and Australia. The "All others" designation includes Canada, Latin America and the Middle East.

Product sales by geography as a percentage of total product sales are as follows:

	Years ended		
	September 25, 2010	September 26, 2009	September 27, 2008
United States	79%	80%	80%
Europe	12%	12%	12%
Asia	5%	4%	4%
All others	4%	4%	4%
	<u>100%</u>	<u>100%</u>	<u>100%</u>

The Company's property and equipment, net are geographically located as follows:

	Years ended	
	September 25, 2010	September 26, 2009
United States	\$ 183,383	\$ 206,630
Costa Rica	35,984	35,886
Europe	28,060	32,328
All other countries	4,271	3,533
	<u>\$251,698</u>	<u>\$ 278,377</u>

Hologic, Inc.**Notes to Consolidated Financial Statements (continued)**
*(all tabular amounts in thousands except per share data)***14. Accrued Expenses and Other Long-Term Liabilities**

Accrued expenses and other long-term liabilities consist of the following:

	<u>September 25, 2010</u>	<u>September 26, 2009</u>
Accrued Expenses		
Accrued compensation and employee benefits	\$ 75,772	\$ 66,052
Contingent consideration	52,562	—
Accrued income and other taxes	14,278	18,056
Accrued interest	9,892	10,184
Other accrued expenses	30,550	42,992
	<u>\$ 183,054</u>	<u>\$ 137,284</u>
	<u>September 25, 2010</u>	<u>September 26, 2009</u>
Other Long-Term Liabilities		
Accrued lease obligation—long-term	\$ 32,326	\$ 31,650
Reserve for income tax uncertainties	18,533	14,728
Pension liabilities—long-term	8,756	6,404
Other	13,083	5,752
	<u>\$ 72,698</u>	<u>\$ 58,534</u>

15. Litigation and Other Matters

On October 5, 2007, Ethicon Endo-Surgery, Inc. (“Ethicon”), a Johnson & Johnson operating company, filed a complaint against Hologic and its wholly-owned subsidiary Suros in the United States District Court for the Southern District of Ohio, Western Division. The complaint alleged that certain of the ATEC biopsy systems manufactured and sold by Suros infringed Ethicon patents, and sought to enjoin Hologic and Suros from conducting acts of unfair competition and infringing the patents as well as the recovery of unspecified damages and costs. On August 6, 2009, Ethicon filed a second complaint against the Company and its wholly-owned subsidiary Suros in the United States District Court for the District of Delaware. The complaint alleged that certain of the Eviva biopsy systems manufactured and sold by Suros infringed Ethicon patents and sought to enjoin Hologic and Suros from infringing the patents as well as recovery of damages and costs resulting from the alleged infringement. On February 17, 2010, the Company entered into a settlement agreement with Ethicon relating to the two lawsuits previously filed by Ethicon, and one previously filed by Hologic against Ethicon. As a result of the settlement agreement, all outstanding litigation between the parties has been dismissed, without acknowledgement of liability by either party. While details of the agreement are confidential, under the terms of the settlement agreement, Ethicon has agreed to pay Hologic ongoing royalties for sales of its Mammotome magnetic resonance imaging product. In addition, the Company agreed to pay Ethicon a one-time payment of \$12.5 million plus ongoing royalties for sales of its ATEC and EVIVA hand pieces. The Company recorded the \$12.5 million charge in the second quarter of fiscal 2010.

On May 22, 2009, Conceptus, Inc. filed suit in the United States District Court for the Northern District of California seeking a declaration by the Court that Hologic’s planned importation, use, sale or offer to sell of its forthcoming Adiana Permanent Contraception System would infringe five Conceptus patents. On July 9, 2009, Conceptus filed an amended complaint alleging infringement of the same five patents by the Adiana Permanent

Hologic, Inc.**Notes to Consolidated Financial Statements (continued)**
(all tabular amounts in thousands except per share data)

Contraception System. The complaint seeks preliminary and permanent injunctive relief and unspecified monetary damages. In addition to the amended complaint, Conceptus also filed a motion for preliminary injunction seeking to preliminarily enjoin sales of the Adiana System based on alleged infringement of certain claims of three of the five patents. A hearing on Conceptus' preliminary injunction motion was held on November 4, 2009, and on November 6, 2009, the judge issued an order denying the motion. On January 19, 2010, upon stipulation of the parties, the Court dismissed all claims relating to three of the five asserted patents with prejudice. A Markman hearing on claim construction took place on March 10, 2010 and a ruling was issued on March 24, 2010. On April 12, 2010, in response to Hologic's counterclaims of unfair competition filed in October of 2009, the Court granted Conceptus leave to amend its counterclaims adding charges of unfair competition. On June 23, 2010, upon stipulation of the parties, the Court dismissed the asserted claims of an additional patent leaving three claims of U.S. patent 7,506,650 being asserted against the Company in the case. On August 10, 2010, the parties entered into a settlement agreement dismissing all unfair competition claims against each other. Both parties have filed motions for summary judgment and a hearing on these motions is scheduled for December 9, 2010. A trial date has been scheduled for February 28, 2011 for the remaining patent claim. Based on available information regarding this litigation, the Company is unable to reasonably estimate the ultimate outcome of this case.

The Company is a party to various other legal proceedings and claims arising out of the ordinary course of its business. The Company believes that except for those described above there are no other proceedings or claims pending against it the ultimate resolution of which would have a material adverse effect on its financial condition or results of operations.

16. Quarterly Statement of Operations Information (Unaudited)

The following table presents a summary of quarterly results of operations for fiscal 2010 and 2009:

	2010			
	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
Total revenue	\$ 412,448	\$ 418,112	\$ 420,693	\$ 428,299
Gross profit (1)	216,445	213,639	209,889	96,665
Net income (loss) (1)	26,095	20,618	27,448	(136,974)
Diluted net income (loss) per common share (2)	\$ 0.10	\$ 0.08	\$ 0.10	\$ (0.53)

	2009			
	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
Total revenue	\$ 429,233	\$ 402,014	\$ 403,120	\$ 402,767
Gross profit	229,959	209,574	211,145	206,808
Net income (loss) (1)	38,158	(2,310,119)	30,751	24,568
Diluted net income (loss) per common share (2)	\$ 0.15	\$ (9.01)	\$ 0.12	\$ 0.09

- (1) See Note 2 for further discussion of intangible asset and goodwill impairment charges recorded in the fourth quarter of 2010 and second quarter of fiscal 2009.
- (2) The sum of the quarterly diluted net income (loss) per common share amounts do not sum to the year to date amounts reported in the Consolidated Statements of Operations due to rounding.

Exhibit Index

Exhibit Number	Exhibit Description	Incorporated by Reference	
		Form	Filing Date/ Period End Date
2.1	Agreement and Plan of Merger between Hologic, Nor'easter Corp. and Cytoc dated May 20, 2007.	8-K	05/21/2007
2.2	Agreement and Plan of Merger, dated as of June 8, 2008, by and among Hologic, Thunder Tech Corp. and Third Wave Technologies, Inc.	8-K	06/09/2008
3.1	Certificate of Incorporation of Hologic.	S-1	01/24/1990
3.2	Amendment to Certificate of Incorporation of Hologic.	10-Q	03/30/1996
3.3	Certificate of Amendment to Certificate of Incorporation of Hologic.	10-K	09/24/2005
3.4	Certificate of Amendment to Certificate of Incorporation of Hologic.	8-K	10/22/2007
3.5	Certificate of Amendment to Certificate of Incorporation of Hologic.	8-K	03/11/2008
3.6	Second Amended and Restated By-laws of Hologic, as amended.	8-K	11/09/2009
3.7	Amended and Restated Certificate of Designations of Series A Junior Participating Preferred Stock of Hologic.	8-A	04/03/2008
4.1	Specimen Certificate for Shares of Hologic's Common Stock.	8-A	01/31/1990
4.2	Description of Capital Stock (Contained in Hologic's Certificate of Incorporation, as amended, filed as Exhibits 3.1, 3.2, 3.3, 3.4 and 3.5 hereto).		
4.3	Amended and Restated Rights Agreement dated April 2, 2008.	8-A	04/03/2008
4.4	Form of Rights Certificate.	8-K	09/26/2002
4.5	Indenture, dated as of December 10, 2007, by and between Wilmington Trust Company, as Trustee, and Hologic.	8-K	12/10/2007
4.6	First Supplemental Indenture, dated December 10, 2007, by and between Wilmington Trust Company, as Trustee, and Hologic.	8-K	12/10/2007
4.7**	Second Supplemental Indenture, dated November 23, 2010, by and between Wilmington Trust Company, as Trustee, and Hologic.		
10.01*	Second Amended and Restated 1990 Non-Employee Director Stock Option Plan.	10-Q	03/30/1996
10.02*	1995 Combination Stock Option Plan.	10-Q	03/30/1996
10.03*	Second Amended and Restated 1999 Equity Incentive Plan.	10-Q	03/25/2006
10.04*	Amendment No. 1 to Second Amended and Restated 1999 Equity Incentive Plan.	S-8	10/23/2007
10.05*	Amendment No. 2 to Second Amended and Restated 1999 Equity Incentive Plan.	8-K	10/22/2007
10.06*	Amendment No. 3 to Second Amended and Restated 1999 Equity Incentive Plan.	8-K	12/12/2008
10.07	1997 Employee Equity Incentive Plan.	S-8	08/20/1997
10.08	2000 Acquisition Equity Incentive Plan.	10-K	09/29/2001

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Exhibit Number	Exhibit Description	Incorporated by Reference	
		Form	Filing Date/ Period End Date
10.09*	Hologic 2008 Equity Incentive Plan.	8-K	03/11/2008
10.10*	Form of Employee Stock Option Award Agreement under 2008 Equity Incentive Plan.	8-K	11/17/2008
10.11*	Form of Employee Restricted Stock Unit Award Agreement Under 2008 Equity Incentive Plan.	8-K	11/17/2008
10.12*	Form of Special Retention Employee Restricted Stock Unit Award Agreement Under 2008 Equity Incentive Plan.	10-Q	06/26/2010
10.13*	Form of Independent Director Stock Option Award Agreement under 2008 Equity Incentive Plan.	8-K	12/12/2008
10.14*	Form of Independent Director Restricted Stock Unit Award Agreement Under 2008 Equity Incentive Plan.	8-K	12/12/2008
10.15*	Amended and Restated 2008 Employee Stock Purchase Plan.	10-K	09/26/2009
10.16*	Hologic 2010 Short-Term Incentive Plan.	8-K	11/17/2009
10.17*	Cytyc Corporation 1995 Stock Plan.	S-8	10/23/2007
10.18*	Cytyc Corporation 1995 Non-Employee Director Stock Option Plan.	S-8	10/23/2007
10.19*	Cytyc Corporation 1998 Stock Plan of Pro Duct Health, Inc.	S-8	10/23/2007
10.20*	Cytyc Corporation 2001 Non-Employee Director Stock Plan.	S-8	10/23/2007
10.21*	Cytyc Corporation 2004 Omnibus Stock Plan.	S-8	10/23/2007
10.22*	Form of Indemnification Agreement (as executed with each director of Hologic).	8-K	03/06/2009
10.23*	Amended and Restated Supplemental Executive Retirement Plan.	10-Q	12/27/2008
10.24*	Rabbi Trust Agreement.	10-K	09/30/2006
10.25*	Form of Officer Severance Agreement including list of officers to whom provided.	10-Q	03/25/2006
10.26*	Transition Agreement dated November 5, 2009, by and between Hologic and John W. Cumming.	8-K	11/09/2009
10.27*†	Form of Senior Vice President Change of Control Agreement including list of officers to whom provided.	10-Q	12/27/2008
10.28*	Form of Senior Executive Officer Change of Control Agreement including list of officers to whom provided.	8-K	11/17/2009
10.29*	Second Retention Agreement with Robert A. Cascella dated as of October 22, 2007.	8-K	10/22/2007
10.30*	Restricted Stock Grant Agreement with Robert A. Cascella dated as of October 22, 2007.	8-K	10/22/2007
10.31*	Executive Financial Services Program.	10-K	09/27/2008
10.32	Facility Lease (Danbury) dated as of December 30, 1995 by and among Melvin J. Powers and Mary P. Powers D/B/A M&N Realty and Lorad.	Trex Medical Corporation S-1	03/29/1996

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Exhibit Number	Exhibit Description	Incorporated by Reference	
		Form	Filing Date/ Period End Date
10.33	Lease Agreement (Danbury and Bedford) by and between BONE (DE) QRS 15-12, INC., and Hologic dated as of August 28, 2002.	10-K	09/28/2002
10.34	First Amendment to Lease Agreement (Danbury and Bedford) by and between BONE (DE) QRS 15-12, INC., and Hologic dated as of October 29, 2007.	10-K	09/29/2007
10.35	Office Lease dated December 31, 2003 between Cytac and Marlborough Campus Limited Partnership.	Cytac Corporation 10-K	12/31/2003
10.36	Lease Agreement by and between Zona Franca Coyol S.A. and Cytac Surgical Products Costa Rica S.A. dated April 23, 2007.	10-K	09/29/2007
10.37	Lease Agreement by and between 445 Simarano Drive, Marlborough LLC and Cytac dated July 11, 2006.	10-K	09/29/2007
10.38	Lease Guaranty dated October 22, 2007 between Bel Marlborough I LLC and Hologic, as guarantor thereunder.	8-K	10/22/2007
10.39	Supply Agreement between Cytac, Whatman, Inc. and Whatman SA dated as of December 31, 2000, as amended, October 16, 2001 and May 2, 2002.	Cytac Corporation 10-K	12/31/2002
10.40	Form of Exchange Agreement.	8-K	11/18/2010
12.1**	Ratio of Earnings to Fixed Charges.		
14.1	Code of Ethics for Senior Financial Officers.	8-K	10/22/2007
21.1**	Subsidiaries of Hologic.		
23.1**	Consent of Independent Registered Public Accounting Firm.		
31.1**	Certification of Hologic's CEO pursuant to Item 601(b)(31) of Regulation S-K, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.		
31.2**	Certification of Hologic's CFO pursuant to Item 601(b)(31) of Regulation S-K, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.		
32.1***	Certification of Hologic's CEO 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 Hologic's CFO pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.		
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		

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- * Indicates management contract or compensatory plan or arrangement.
- ** Filed herewith.
- *** Furnished herewith.
- **** Pursuant to applicable securities laws and regulations, the Company is deemed to have complied with the reporting obligation relating to the submission of interactive data files in such exhibits and is not subject to liability under any anti-fraud provisions of the federal securities laws as long as the Company has made a good faith attempt to comply with the submission requirements and promptly amends the interactive data files after becoming aware that the interactive data files fails to comply with the submission requirements. Users of this data are advised that, pursuant to Rule 406T, these interactive data files are deemed not filed and otherwise are not subject to liability.
- † Exhibit 10.27 filed herewith contains an updated list of officers to whom this agreement is provided.

HOLOGIC, INC.

ISSUER

WILMINGTON TRUST COMPANY

TRUSTEE

SECOND SUPPLEMENTAL INDENTURE

Dated as of November 23, 2010

To

INDENTURE

Dated as of December 10, 2007

2.00% CONVERTIBLE EXCHANGE SENIOR NOTES DUE 2037

HOLOGIC, INC.

Certain Sections of this Indenture relating to Sections 310 through 318
of the Trust Indenture Act of 1939:

<u>Trust Indenture Act Section</u>	<u>Supplemental Indenture Section</u>
§ 310(a)(1)	Not Applicable
(a)(2)	Not Applicable
(a)(3)	Not Applicable
(a)(4)	Not Applicable
(b)	Not Applicable
§ 311(a)	Not Applicable
(b)	Not Applicable
§ 312(a)	9.01
(b)	9.02(a)
(c)	9.02(b)
(d)	9.02(c)
§ 313(a)	Not Applicable
(b)	Not Applicable
(c)	Not Applicable
(d)	Not Applicable
§ 314(a)	10.06
(b)	Not Applicable
(c)(1)	Not Applicable
(c)(2)	Not Applicable
(c)(3)	Not Applicable
(d)	Not Applicable
(e)	Not Applicable
§ 315(a)	Not Applicable
(b)	Not Applicable
(c)	Not Applicable
(d)	Not Applicable
(e)	5.15
§ 316(a)(1)(A)	5.06
(a)(1)(B)	5.04
(a)(2)	Not Applicable
(b)	5.03
(c)	Not Applicable
§ 317(a)(1)	5.07
(a)(2)	5.08
(b)	10.05
§ 318(a)	Not Applicable

Note: This reconciliation and tie shall not, for any purpose, be deemed to be a part of this Indenture.

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SECOND SUPPLEMENTAL INDENTURE, dated as of November 23, 2010 (this “**Supplemental Indenture**,” together with the Base Indenture (as defined below), the “**Indenture**”), between **HOLOGIC, INC.**, a corporation duly organized and existing under the laws of the State of Delaware, having its principal office at 35 Crosby Drive, Bedford, Massachusetts 01730 (herein called the “**Company**”), and **WILMINGTON TRUST COMPANY**, as Trustee hereunder (herein called the “**Trustee**”).

RECITALS OF THE COMPANY

The Company has heretofore executed and delivered to the Trustee an Indenture, dated as of December 10, 2007 (the “**Base Indenture**”).

The Company desires and has requested the Trustee pursuant to Section 9.1 of the Base Indenture to join with them in the execution and delivery of this Supplemental Indenture in order to supplement the Base Indenture as and to the extent set forth herein to provide for the issuance and the terms of the Company’s 2.00% Convertible Exchange Senior Notes due 2037 (herein called the “**Notes**”).

Section 9.1 of the Base Indenture provides that a supplemental indenture may be entered into by the Company and the Trustee without the consent of any Holders to establish the form or terms of Securities (as defined in the Base Indenture) of any series as permitted by Sections 2.1 and 3.1 of the Base Indenture.

The execution and delivery of this Supplemental Indenture has been duly authorized by a Board Resolution of the Company, and all things necessary to make the Notes, when the Notes are executed by the Company and authenticated and delivered hereunder, the valid obligations of the Company have been done. Further, all things necessary to duly authorize the issuance of the Common Stock issuable upon the conversion of the Notes, and to duly reserve for issuance the number of shares of Common Stock (or, at the election of the Company, cash or a combination of cash and shares of Common Stock) issuable upon such conversion, have been done.

NOW, THEREFORE, THIS INDENTURE WITNESSETH:

For and in consideration of the premises and the purchase of the Notes by the Holders thereof, it is mutually covenanted and agreed, for the equal and proportionate benefit of all Holders of the Notes, as follows:

ARTICLE 1

DEFINITIONS AND OTHER PROVISIONS OF GENERAL APPLICATION

SECTION 1.01 *Definitions.*

For all purposes of this Supplemental Indenture, except as otherwise expressly provided or unless the context otherwise requires:

(a) capitalized terms used but not defined herein shall have the respective meanings assigned to them in the Trust Indenture Act or the Base Indenture;

(b) the terms defined in this Article 1 have the meanings assigned to them in this Article 1 and include the plural as well as the singular;

(c) all accounting terms not otherwise defined herein have the meanings assigned to them in accordance with generally accepted accounting principles in the United States, and, except as otherwise herein expressly provided, the term “generally accepted accounting principles” with respect to any computation required or permitted hereunder shall mean such accounting principles as are generally accepted at the date of such computation; and

(d) all other terms used in this Supplemental Indenture, which are defined in the Trust Indenture Act or which are by reference therein defined in the Securities Act (except as herein otherwise expressly provided or unless the context otherwise requires), shall have the meanings assigned to such terms in the Trust Indenture Act and in the Securities Act as in force at the date of the execution of this Indenture. The words “herein,” “hereof” and “hereunder” and other words of similar import refer to this Indenture as a whole and not to any particular Article, Section or other subdivision.

“**Accreted Principal Amount**” means the Original Principal Amount as adjusted upward for accretion as described in Section 3.04; *provided* that prior to December 15, 2016, references to the Accreted Principal Amount shall mean the Original Principal Amount.

“**Additional Notes**” means an unlimited amount of Notes (other than the Initial Notes) issued under this Indenture in accordance with Section 3.06, as part of the same series as the Initial Notes.

“**Additional Shares**” has the meaning specified in Section 12.01(e).

“**Adjustment Determination Date**” has the meaning specified in Section 12.04(i).

“**Adjustment Event**” has the meaning specified in Section 12.04(i).

“**Agent Member**” means any member of, or participant in, the Depository.

“**American Depository Receipt**” means a negotiable United States security that represents a non-United States company’s publicly traded equity.

“**Applicable Procedures**” means, with respect to any transfer or transaction involving a Global Note or beneficial interest therein, the rules and procedures of DTC or any successor Depository, in each case to the extent applicable to such transaction and as in effect from time to time.

“**Base Indenture**” has the meaning ascribed to it in the first paragraph under the caption “Recitals of the Company.”

“**Board of Directors**” means either the board of directors of the Company or any duly authorized committee of that board.

“**Board Resolution**” means a copy of a resolution certified by the Secretary or an Assistant Secretary of the Company to have been duly adopted by the Board of Directors and to be in full force and effect on the date of such certification, and delivered to the Trustee.

“**Capital Stock**” means, for any entity, any and all shares, interests, rights to purchase, warrants, options, participations or other equivalents of or interests in (however designated) stock issued by that entity.

“**Certificated Note**” means a certificated Note registered in the name of the Holder thereof and issued in accordance with this Supplemental Indenture, substantially in the form of Section 2.02 hereof, except that such Note will not bear the Global Note Legend.

“**Code**” means the Internal Revenue Code of 1986 as in effect on the date hereof.

“**Common Stock**” means the Common Stock, par value \$0.01 per share, of the Company authorized at the date of this instrument as originally executed or as such stock may be constituted from time to time. Subject to the provisions of Section 12.10, shares issuable upon conversion of Notes shall include only shares of Common Stock or shares of any class or classes of common stock resulting from any reclassification or reclassifications thereof; *provided, however*, that if at any time there shall be more than one such resulting class, the shares so issuable on conversion of Notes shall include shares of all such classes, and the shares of each such class then so issuable shall be substantially in the proportion which the total number of shares of such class resulting from all such reclassifications bears to the total number of shares of all such classes resulting from all such reclassifications.

“**common stock**” includes any stock of any class of Capital Stock which has no preference in respect of dividends or of amounts payable in the event of any voluntary or involuntary liquidation, dissolution or winding up of the issuer thereof and which is not subject to redemption by the issuer thereof.

“**Company**” means the Person named as the “Company” in the first paragraph of this instrument until a successor Person shall have become such pursuant to the applicable provisions of this Indenture, and thereafter “Company” shall mean such successor Person.

“**Consideration Notice**” has the meaning specified in 12.02(b).

“**Contingent Interest**” means interest that accrues and is payable as provided in Section 3.03.

“**Contingent Payment Debt Regulations**” has the meaning specified in Section 10.08.

“**Conversion Agent**” means any Person authorized by the Company to convert Notes in accordance with Article 12. The Company has initially appointed the Trustee as its Conversion Agent pursuant to Section 10.02.

“**Conversion Consideration**” has the meaning specified in Section 12.02(c).

“**Conversion Date**” has the meaning specified in Section 12.02(d).

“**Conversion Obligation**” means the obligation of the Company to deliver the consideration due under Article 12 upon a conversion of the Notes in accordance herewith.

“**Conversion Price**” means at any given time the amount equal to \$1,000 divided by the then current Conversion Rate.

“**Conversion Rate**” has the meaning specified in Section 12.01(a).

“**corporation**” means a corporation, company, association, joint-stock company or business trust.

“**Custodian**” means the Trustee, as custodian with respect to the Notes in global form, or any successor entity thereto.

“**Daily Cash Amount**” has the meaning specified in the definition of Daily Settlement Amount.

“**Daily Conversion Value**” means, for each of the 30 consecutive VWAP Trading Days during the applicable Observation Period, one-thirtieth (1/30) of the product of (a) the applicable Conversion Rate and (b) the Daily VWAP of the Common Stock (or the Reference Property pursuant to Section 12.10) on such VWAP Trading Day, as determined by the Company. Any such determination shall be conclusive absent manifest error.

“**Daily Settlement Amount**” means, for each of the 30 VWAP Trading Days during the Observation Period,

(a) an amount of cash equal to the lesser of (i) the quotient of the Specified Dollar Amount and 30 and (ii) the Daily Conversion Value relating to such VWAP Trading Day (the “**Daily Cash Amount**”); and

(b) if such Daily Conversion Value exceeds the Daily Cash Amount, a number of shares (the “**Deliverable Shares**”) of Common Stock equal to (i) the difference between such Daily Conversion Value and the Daily Cash Amount divided by (ii) the Daily VWAP of the Common Stock for such VWAP Trading Day.

“**Daily VWAP**” of the Common Stock means, for any VWAP Trading Day, the per share volume-weighted average price as displayed under the heading “Bloomberg VWAP” on Bloomberg page HOLX.Q <equity> AQR (or any equivalent successor page) in respect of the period from 9:30 a.m. to 4:00 p.m., New York City time, on such VWAP Trading Day, or if such volume-weighted average price is unavailable, the market value of one share of Common Stock on such VWAP Trading Day using a volume-weighted method as determined by a nationally recognized independent investment banking firm retained for this purpose by the Company.

“**Default**” means any event which is, or after notice or lapse of time or both would become, an Event of Default pursuant to Section 5.01.

“**Defaulted Interest**” has the meaning specified in Section 3.10.

“**Deliverable Shares**” has the meaning specified in the definition of Daily Settlement Amount.

“**Delivery Date**” has the meaning specified in Section 12.04(l).

“**Depository**” means, with respect to Notes issuable in whole or in part in the form of one or more Global Notes, a clearing agency registered under the Exchange Act that is designated to act as Depository for such Notes as contemplated by Section 3.07.

“**Distributed Property**” has the meaning specified in Section 12.04(c).

“**DTC**” means The Depository Trust Company, a New York corporation, or any successor.

“**Effective Date**” means the date on which a Fundamental Change occurs or becomes effective.

“**Event of Default**” has the meaning specified in Section 5.01.

“**Ex-Date**” means, with respect to any distribution on the Common Stock, the first date on which the shares of Common Stock trade on the relevant exchange or in the relevant market, regular way, without the right to receive the distribution in question.

“**Exchange Act**” means the Securities Exchange Act of 1934 and any statute successor thereto, in each case as amended from time to time.

“**Exchange Election**” has the meaning specified in Section 12.02(c).

“**Extension Fee**” has the meaning specified in Section 5.02.

“**Extension Right**” has the meaning specified in Section 5.02.

“**Financial Institution**” has the meaning specified in Section 12.02(c).

“**Fundamental Change**” will be deemed to have occurred at the time after the Issue Date that any of the following occurs:

(1) any Person acquires beneficial ownership, directly or indirectly, through a purchase, merger or other acquisition transaction or series of transactions, of shares of the Company’s Capital Stock entitling the Person to exercise 50% or more of the total voting power of all shares of the Company’s Capital Stock entitled to vote generally in elections of directors, other than an acquisition by the Company, any of the Company’s Subsidiaries or any of the Company’s employee benefit plans (for purposes of this clause (1), whether a Person is a “beneficial owner” shall be determined in accordance with Rule 13d-3 under the Exchange Act, and “Person” shall include any syndicate or group that would be deemed to be a “person” under Section 13(d)(3) of the Exchange Act); or

(2) the Company (i) merges or consolidates with or into any other Person, another Person merges with or into the Company, or the Company conveys, sells, transfers or leases all or substantially all of the Company's assets to another Person or (ii) engages in any recapitalization, reclassification or other transaction in which all or substantially all of the Common Stock is exchanged for or converted into cash, securities or other property, in each case other than a merger or consolidation:

(a) that does not result in a reclassification, conversion, exchange or cancellation of the Company's outstanding Common Stock; or

(b) which is effected solely to change the Company's jurisdiction of incorporation and results in a reclassification, conversion or exchange of outstanding shares of the Common Stock solely into shares of common stock of the surviving entity;

(3) the Company is liquidated or dissolved or holders of Common Stock approve any plan or proposal for the Company's liquidation or dissolution; or

(4) if shares of the Common Stock, or shares of any other Capital Stock or American Depositary Receipts in respect of shares of Capital Stock into which the Notes are convertible pursuant to the terms of this Supplemental Indenture, are not listed for trading on any of the New York Stock Exchange, the American Stock Exchange, the NASDAQ Global Market or the NASDAQ Global Select Market (or any of their respective successors).

"Fundamental Change Repurchase Date" has the meaning specified in Section 11.09(a).

"Fundamental Change Repurchase Notice" has the meaning specified in Section 11.09(a)(i).

"Fundamental Change Repurchase Price" has the meaning specified in Section 11.09(a).

"Fundamental Change Repurchase Right Notice" has the meaning specified in Section 11.09(b).

"Global Note" means a Note bearing the Global Note Legend that is registered in the Securities Register in the name of a Depository or a nominee thereof.

"Global Note Legend" means the legend set forth in Section 2.02, which is required to be placed on all Global Notes issued under this Supplemental Indenture.

"Holder" means the Person in whose name the Note is registered in the Securities Register.

"Indenture" has the meaning specified in the first paragraph of this instrument.

“**Initial Notes**” means the first \$450,000,000 aggregate Original Principal Amount of the Notes issued under this Supplemental Indenture on the date hereof. The Initial Notes and the Additional Notes shall be treated as a single class for all purposes under this Supplemental Indenture, and unless the context otherwise requires, all references to the Notes shall include the Initial Notes and any Additional Notes.

“**Interest**” means Regular Interest and Contingent Interest, if any.

“**Interest Payment Date**” means June 15 and December 15 of each year, beginning on December 15, 2010 and ending on December 15, 2016.

“**Interest Period**” has the meaning specified in Section 3.02.

“**Issue Date**” means November 23, 2010.

“**Last Reported Sale Price**” means, with respect to the Common Stock, on any date, the closing sale price per share (or if no closing sale price is reported, the average of the last bid and ask prices or, if more than one in either case, the average of the average last bid and the average last ask prices) on such date as reported in composite transactions for the principal United States national or regional securities exchange on which the Common Stock is traded, as determined by the Company. If the Common Stock is not listed for trading on a United States national or regional securities exchange on the relevant date, the “Last Reported Sale Price” shall be the average of the last quoted bid and ask prices per share of Common Stock in the over-the-counter market on the relevant date, as reported by the National Quotation Bureau or similar organization. If the Common Stock is not so quoted, the Last Reported Sale Price shall be the average of the mid-point of the last bid and ask prices for the Common Stock on the relevant date from each of at least three nationally recognized independent investment banking firms selected by the Company for that purpose. Any such determination shall be conclusive absent manifest error. The Last Reported Sale Price shall be determined without reference to extended or after hours trading.

“**Make-Whole Fundamental Change**” means any transaction or event that occurs prior to December 15, 2016 and that constitutes a Fundamental Change pursuant to clauses (1), (2) or (3) under the definition of Fundamental Change.

“**Make-Whole Reference Date**” means with respect to any Make-Whole Fundamental Change, the date on which such Make-Whole Fundamental Change occurs or becomes effective; *provided* that for the purpose of determining the number of Additional Shares pursuant to Section 12.01(e), the “Make-Whole Reference Date” with respect to any Make-Whole Fundamental Change that constitutes a Fundamental Change pursuant to clauses (1) or (2) under the definition of Fundamental Change shall be deemed to be the earlier of (i) the date on which such Make-Whole Fundamental Change occurs or becomes effective or (ii) the date of the first public announcement of such Make-Whole Fundamental Change by the Company or any counterparty to such Make-Whole Fundamental Change.

“**Market Disruption Event**” means the occurrence or existence on any Scheduled Trading Day for the Common Stock of any suspension or limitation imposed on trading (by

reason of movements in price exceeding limits permitted by the stock exchange or otherwise) in the Common Stock or in any options contracts or futures contracts relating to the Common Stock, and such suspension or limitation occurs or exists at any time within the 30 minutes prior to the closing time of the relevant exchange on such day.

“**Maturity**,” when used with respect to any Notes, means the date on which the principal of such Notes becomes due and payable as therein or herein provided, whether on the Maturity Date or by declaration of acceleration, exercise of the repurchase right set forth in Article 11 or otherwise.

“**Maturity Date**” means, with respect to the Notes, December 15, 2037.

“**Measurement Period**” (i) for purposes of determining whether the Company is required to pay Contingent Interest, has the meaning specified in Section 3.03(a) and (ii) for purposes of determining whether the Trading Price Condition has been met, the meaning specified in Section 12.01(a)(i).

“**Merger Event**” has the meaning specified in Section 12.10.

“**Net Share Settlement Election**” has the meaning specified in Section 12.02(b).

“**Notes**” has the meaning ascribed to it in the first paragraph under the caption “Recitals of the Company.” Unless the context otherwise requires, all references to the Notes shall include the Initial Notes and any Additional Notes.

“**Notice of Conversion**” has the meaning specified in Section 12.02(d).

“**Observation Period**” means, with respect to any Notes,

(a) with respect to any Conversion Date occurring on or after the 35th Scheduled Trading Day prior to the Maturity Date of the Notes, the 30 consecutive VWAP Trading Day period beginning on, and including, the 32nd Scheduled Trading Day prior to the Maturity Date (or if such day is not a VWAP Trading Day, the next succeeding VWAP Trading Day); and

(b) in all other instances, the 30 consecutive VWAP Trading Day period beginning on and including the third VWAP Trading Day after the related Conversion Date in respect of such Notes.

“**Opinion of Counsel**” means a written opinion of counsel, who may be an employee of or counsel to the Company, and who shall be reasonably acceptable to the Trustee.

“**Optional Put Repurchase Offer**” has the meaning specified in Section 11.08(a)(ii).

“**Optional Put Repurchase Date**” has the meaning specified in Section 11.08(a)(i).

“**Optional Put Repurchase Notice**” has the meaning specified in Section 11.08(a)(ii).

“**Optional Put Repurchase Price**” has the meaning specified in Section 11.08(a)(i).

“Original Principal Amount” means (a) with respect to the Initial Notes, the principal amount of the Initial Notes as of the Issue Date and (b) with respect to Additional Notes, if any, the principal amount of such Additional Notes on their date of issuance.

“Outstanding,” when used with respect to the Notes, means, as of the date of determination, all Notes theretofore authenticated and delivered under this Supplemental Indenture, except:

- (i) Notes theretofore canceled by the Trustee or delivered to the Trustee for cancellation;
- (ii) Notes for the payment of which money in the necessary amount has been theretofore deposited with the Trustee or any Paying Agent (other than the Company) in trust or set aside and segregated in trust by the Company (if the Company shall act as its own Paying Agent) for the Holders of such Notes in accordance with the terms of this Supplemental Indenture;
- (iii) Notes which have been paid pursuant to Section 3.09 or in exchange for or in lieu of which other Notes have been authenticated and delivered pursuant to this Supplemental Indenture;
- (iv) Notes converted into Common Stock pursuant to Article 12; and
- (v) Notes redeemed or repurchased pursuant to Article 11;

provided, however, that, in determining whether the Holders of the requisite principal amount of Outstanding Notes are present at a meeting of Holders for quorum purposes or have given any request, demand, authorization, direction, notice, consent or waiver hereunder, Notes owned by the Company or any other obligor upon the Notes or any Affiliate of the Company or such other obligor shall be disregarded and deemed not to be Outstanding, except that, in determining whether the Trustee shall be protected in relying upon any such determination as to the presence of a quorum or upon any such request, demand, authorization, direction, notice, consent or waiver, only Notes which a Responsible Officer of the Trustee has been notified in writing to be so owned shall be so disregarded. Notes so owned which have been pledged in good faith may be regarded as Outstanding if the pledgee is not the Company or any other obligor upon the Notes or any Affiliate of the Company or such other obligor, and the Trustee shall be protected in relying upon an Officers’ Certificate to such effect.

“Paying Agent” means any Person authorized by the Company to pay the principal of or Interest on any Notes on behalf of the Company and, except as otherwise specifically set forth herein, such term shall include the Company if it shall act as its own Paying Agent. The Company has initially appointed the Trustee as its Paying Agent pursuant to Section 10.02.

“Person” means any individual, corporation, limited liability company, partnership, joint venture, trust, estate, unincorporated organization or government or any agency or political subdivision thereof and any syndicate or group that would be deemed a “person” under Section 13(d)(3) of the Exchange Act.

“**Place of Payment**” has the meaning specified in Section 3.01(e).

“**Predecessor Note**” of any particular Note means every previous Note evidencing all or a portion of the same debt as that evidenced by such particular Note; and, for the purposes of this definition, any Note authenticated and delivered under Section 3.09 in exchange for or in lieu of a mutilated, destroyed, lost or stolen Note shall be deemed to evidence the same debt as the mutilated, destroyed, lost or stolen Note.

“**Press Release**” means any press release issued by the Company and disseminated to a reputable national newswire service.

“**Record Date**” means any Regular Record Date or Special Record Date.

“**Redemption Date**” when used with respect to any Note to be redeemed, means the date fixed for such redemption pursuant to this Indenture.

“**Redemption Price**” has the meaning specified in Section 11.01.

“**Reference Property**” has the meaning specified in Section 12.10.

“**Registrar**” means the Trustee, for the purpose of registering Notes and transfers of Notes.

“**Regular Interest**” has the meaning specified in Section 3.02.

“**Regular Record Date**” for Interest payable in respect of any Note on any Interest Payment Date means 5:00 p.m. New York time on June 1 or December 1 (whether or not a Business Day), as the case may be, next preceding such Interest Payment Date.

“**Scheduled Trading Day**” means a day that is scheduled to be a Trading Day on the principal United States national or regional securities exchange or market on which the Common Stock is listed or admitted for trading or, if the Common Stock is not listed or admitted for trading on any exchange or market, a Business Day.

“**Securities Act**” means the Securities Act of 1933 and any statute successor thereto, in each case as amended from time to time.

“**Significant Subsidiary**” means, with respect to any Person, a Subsidiary of such Person that would constitute a “significant subsidiary” as such term is defined under Rule 1-02 of Regulation S-X under the Securities Act and the Exchange Act.

“**Special Record Date**” for the payment of any Defaulted Interest means a date fixed by the Trustee pursuant to Section 3.10.

“**Specified Dollar Amount**” means a dollar amount of cash to be delivered per \$1,000 Original Principal Amount of Notes specified in a notice pursuant to Section 12.02.

“**Spin-Off**” has the meaning specified in Section 12.04(c).

“**Stock Price**” means the price per share of Common Stock at the time of a Make-Whole Fundamental Change pursuant to which Additional Shares shall be added to the Conversion Rate as set forth in Section 12.01(e), which shall be equal to (i) if holders of Common Stock receive only cash consideration for their shares of Common Stock in connection with a Make-Whole Fundamental Change, the cash amount paid per share of Common Stock and (ii) in all other cases, the average of the Daily VWAP of the Common Stock over the 10 VWAP Trading Day period ending on the Trading Day preceding the effective date of such Make-Whole Fundamental Change.

“**Supplemental Indenture**” has the meaning specified in the first paragraph of this instrument.

“**Trading Day**” means a day during which (i) trading in the Common Stock generally occurs and (ii) there is no Market Disruption Event.

“**Trading Price**” with respect to any Notes, on any date of determination, means the average of the secondary market bid quotations obtained by the Trustee for \$2.0 million in Original Principal Amount of such Notes at approximately 3:30 p.m., New York City time, on such determination date from three independent nationally recognized securities dealers selected by the Company; *provided* that if three such bids cannot reasonably be provided (in the reasonable judgment of the Company) to the Trustee, but two such bids are obtained, then the average of the two bids shall be used, and if only one such bid is obtained, that one bid shall be used. If at least one bid for \$2.0 million in Original Principal Amount of the Notes cannot reasonably be obtained, then the trading price per \$1,000 in principal amount of Notes shall be deemed to be less than 98% of the product of the Last Reported Sale Price of the Common Stock and the applicable Conversion Rate. Any such determination shall be conclusive absent manifest error. Notwithstanding the foregoing, for purposes of Section 3.03 only, if two bids for \$2.0 million in Original Principal Amount of the Notes cannot reasonably be provided (in the reasonable judgment of the Company) to the Trustee, from nationally recognized securities dealers selected by the Company, but one such bid can reasonably be obtained (in the reasonable judgment of the Company) by the Trustee, this one bid shall be used. If at least one bid for \$2.0 million in Original Principal Amount of the Notes cannot reasonably be provided (in the reasonable judgment of the Company) to the Trustee, from a nationally recognized securities dealer or in the Company’s reasonable judgment the bid quotations are not indicative of the secondary market value of the Notes, then the Trading Price of the Notes will be deemed to equal the product of (x) the Conversion Rate then in effect and (y) the average closing sales price of Common Stock over the five Trading Day period ending on such determination date.

“**Trading Price Condition**” has the meaning specified in Section 12.01(a)(i).

“**Trigger Event**” has the meaning specified in Section 12.04(c).

“**Trust Indenture Act**” means the Trust Indenture Act of 1939 as in force at the date as of which this instrument was executed; *provided, however*, that in the event the Trust Indenture Act of 1939 is amended after such date, “Trust Indenture Act” means, to the extent required by any such amendment, the Trust Indenture Act of 1939 as so amended.

“**Trustee**” means the Person named as the “Trustee” in the first paragraph of this instrument until a successor Trustee shall have become such pursuant to the applicable provisions of this Indenture, and thereafter “Trustee” shall mean such successor Trustee.

“**VWAP Market Disruption Event**” means (i) a failure by the principal U.S. national or regional securities exchange or market on which the Common Stock is listed or admitted to trading to open for trading during its regular trading session or (ii) the occurrence or existence prior to 1:00 p.m., New York City time, on any Scheduled Trading Day for the Common Stock for an aggregate one half-hour period of any suspension or limitation imposed on trading, by reason of movements in price exceeding limits imposed by the stock exchange or otherwise, in the Common Stock or in any options contracts or futures contracts relating to the Common Stock.

“**VWAP Trading Day**” means a day during which (i) trading in the Common Stock generally occurs during the regular trading session on the principal U.S. national or regional securities exchange or market on which the Common Stock is listed or admitted for trading and (ii) there is no VWAP Market Disruption Event. If the Common Stock is not so listed or traded, then VWAP Trading Day means a Business Day.

SECTION 1.02 *[Reserved.]*

SECTION 1.03 *[Reserved.]*

SECTION 1.04 *Effect of Headings and Table of Contents.*

The Article and Section headings herein and the Table of Contents are for convenience only and shall not affect the construction hereof.

SECTION 1.05 *[Reserved.]*

SECTION 1.06 *[Reserved.]*

SECTION 1.07 *[Reserved.]*

SECTION 1.08 *Conflict With Trust Indenture Act.*

If any provision hereof limits, qualifies or conflicts with a provision of the Trust Indenture Act that is made applicable to this Supplemental Indenture, the latter provision shall control. If any provision of this Supplemental Indenture modifies or excludes any provision of the Trust Indenture Act that is made applicable to this Supplemental Indenture, the latter provision shall be deemed to apply to this Supplemental Indenture as so modified or to be excluded, as the case may be.

SECTION 1.09 *Successors and Assigns.*

All covenants and agreements in this Supplemental Indenture by the Company shall bind its successors and assigns, whether so expressed or not.

SECTION 1.10 *Separability Clause.*

In case any provision in this Supplemental Indenture or in the Notes shall be invalid, illegal or unenforceable, the validity, legality and enforceability of the remaining provisions shall not in any way be affected or impaired thereby.

SECTION 1.11 *Benefits of Indenture.*

Nothing in this Supplemental Indenture or in the Notes, express or implied, shall give to any Person, other than the parties hereto and their successors hereunder and the Holders, any benefit or any legal or equitable right, remedy or claim under this Supplemental Indenture.

SECTION 1.12 *Governing Law.*

This Supplemental Indenture and the Notes shall be governed by and construed in accordance with the laws of the State of New York.

SECTION 1.13 *Legal Holidays.*

In any case where any Interest Payment Date, Redemption Date, Optional Put Repurchase Date, Fundamental Change Repurchase Date or the Maturity Date of any Note or the last date on which a Holder has the right to convert his Notes shall not be a Business Day, then (notwithstanding any other provision of this Supplemental Indenture or of the Notes) payment of Interest or principal or conversion of the Notes need not be made on such date, but may be made on the next succeeding Business Day with the same force and effect as if made on the Interest Payment Date, Redemption Date, Optional Put Repurchase Date or Fundamental Change Repurchase Date, or at the Maturity Date, or on such last day for conversion, *provided* that no Interest shall accrue for the period from and after such Interest Payment Date, Redemption Date, Optional Put Repurchase Date, Fundamental Change Repurchase Date or the Maturity Date, as the case may be. Notwithstanding the foregoing, the right to convert a Note shall cease at the close of business on the third Scheduled Trading Day immediately preceding the Maturity Date.

SECTION 1.14 *[Reserved.]*

SECTION 1.15 *Relationship with Base Indenture.*

The terms and provisions contained in the Base Indenture shall constitute, and are hereby expressly made, a part of this Supplemental Indenture and the Company and the Trustee, by their execution and delivery of this Supplemental Indenture, expressly agree to such terms and provisions and to be bound thereby. However, to the extent any provision of the Base Indenture conflicts with the express provisions of this Supplemental Indenture, the provisions of this Supplemental Indenture shall govern and be controlling.

The Trustee accepts the amendment of the Base Indenture effected by this Supplemental Indenture and agrees to execute the trust created by the Base Indenture as hereby amended, but only upon the terms and conditions set forth in the Indenture, including the terms and provisions defining and limiting the liabilities and responsibilities of the Trustee in the performance of the

trust created by the Base Indenture, and without limiting the generality of the foregoing, the Trustee shall not be responsible in any manner whatsoever for or with respect to any of the recitals or statements contained herein, all of which recitals or statements are made solely by the Company, or for or with respect to (1) the validity or sufficiency of this Supplemental Indenture or any of the terms or provisions hereof, (2) the proper authorization hereof by the Company, (3) the due execution hereof by the Company or (4) the consequences (direct or indirect and whether deliberate or inadvertent) of any amendment herein provided for, and the Trustee makes no representation with respect to any such matters.

ARTICLE 2
NOTE FORMS

SECTION 2.01 *Form Generally.*

The Notes shall be in substantially the form set forth in this Article 2, with such appropriate insertions, omissions, substitutions and other variations as are required or permitted by this Supplemental Indenture, and may have such letters, numbers or other marks of identification and such legends or endorsements placed thereon as may be required to comply with the rules of any securities exchange, the Code, and regulations thereunder, or as may, consistent herewith, be determined by the officers executing such Notes, as evidenced by their execution thereof. The Company shall furnish any such legends and endorsements to the Trustee in writing. All Notes shall be in fully registered form.

Notices of Conversion shall be in substantially the form set forth in Section 2.03.

The Notes shall be printed, lithographed, typewritten or engraved or produced by any combination of these methods or may be produced in any other manner permitted by the rules of any automated quotation system or securities exchange (including on steel engraved borders if so required by any securities exchange upon which the Notes may be listed) on which the Notes may be listed for trading, as the case may be, all as determined by the officers executing such Notes, as evidenced by their execution thereof.

SECTION 2.02 *Form of Note.*

[FORM OF FACE OF NOTE]

The following legend shall appear on the face of each Global Note:

THIS NOTE IS A GLOBAL NOTE WITHIN THE MEANING OF THE SUPPLEMENTAL INDENTURE HEREINAFTER REFERRED TO AND IS REGISTERED IN THE NAME OF THE DEPOSITARY OR A NOMINEE OF THE DEPOSITARY, WHICH MAY BE TREATED BY THE COMPANY, THE TRUSTEE AND ANY AGENT THEREOF AS OWNER AND HOLDER OF THIS NOTE FOR ALL PURPOSES.

UNLESS THIS CERTIFICATE IS PRESENTED BY AN AUTHORIZED REPRESENTATIVE OF THE DEPOSITARY TRUST COMPANY, A NEW YORK CORPORATION (“DTC”), TO THE COMPANY OR ITS AGENT FOR REGISTRATION OF TRANSFER, EXCHANGE OR PAYMENT, AND ANY CERTIFICATE ISSUED IS REGISTERED IN THE NAME OF CEDE & CO. OR IN SUCH OTHER NAME AS IS REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF DTC (AND ANY PAYMENT IS MADE TO CEDE & CO. OR TO SUCH OTHER ENTITY AS IS REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF DTC), ANY TRANSFER, PLEDGE OR OTHER USE HEREOF FOR VALUE OR OTHERWISE BY OR TO ANY PERSON IS WRONGFUL INASMUCH AS THE REGISTERED OWNER HEREOF, CEDE & CO., HAS AN INTEREST HEREIN.

UNLESS AND UNTIL IT IS EXCHANGED IN WHOLE OR IN PART FOR NOTES IN DEFINITIVE REGISTERED FORM IN THE LIMITED CIRCUMSTANCES REFERRED TO IN THE SUPPLEMENTAL INDENTURE, THIS GLOBAL NOTE MAY NOT BE TRANSFERRED EXCEPT AS A WHOLE BY THE DEPOSITARY TO A NOMINEE OF THE DEPOSITARY OR BY A NOMINEE OF THE DEPOSITARY TO THE DEPOSITARY OR ANOTHER NOMINEE OF THE DEPOSITARY OR BY THE DEPOSITARY OR ANY SUCH NOMINEE TO A SUCCESSOR DEPOSITARY OR A NOMINEE OF SUCH SUCCESSOR DEPOSITARY.

HOLOGIC, INC.
2.00% Convertible Exchange Senior Notes due 2037

No. _____

CUSIP No. 436440 AB7

HOLOGIC, INC., a corporation duly organized and existing under the laws of the State of Delaware (herein called the “**Company**,” which term includes any successor Person under the Supplemental Indenture referred to on the reverse hereof), for value received, hereby promises to pay to _____, or registered assigns, the principal sum of _____ United States Dollars (U.S. \$ _____) [if this Note is a Global Note, then **insert** — (which principal amount may from time to time be decreased to such other principal amounts by adjustments made on the records of the Registrar hereinafter referred to in accordance with the Supplemental Indenture)] on December 15, 2037 (the “Maturity Date”), and to pay interest thereon, from _____, or from the most recent Interest Payment Date (as defined below) to which interest has been paid or duly provided for, semi-annually in arrears on June 15 and December 15 in each year (each, an “**Interest Payment Date**”), commencing _____ at the rate of 2.00% per annum. The Notes will cease to bear interest (except Contingent Interest, as applicable) on December 15, 2016, and instead from such date the principal amount of the Notes will accrete at a rate that provides Holders with an aggregate annual yield to maturity of 2.00% per year (computed on a semi-annual bond-equivalent basis). The interest so payable, and punctually paid or duly provided for, on any Interest Payment Date shall, as provided in the Indenture, be paid to the Person in whose name this Note (or one or more Predecessor Notes) is registered at the close of business on the Regular Record Date for such interest, which shall be the June 1 or December 1 (whether or not a Business Day), as the case may be, next preceding such Interest Payment Date. Except as otherwise provided in the Supplemental Indenture, any such interest not so punctually paid or duly provided for shall forthwith cease to be payable to the Holder on such Regular Record Date and may either be paid to the Person in whose name this Note (or one or more Predecessor Notes) is registered at the close of business on a Special Record Date for the payment of such Defaulted Interest to be fixed by the Trustee pursuant to Section 3.10 of the Supplemental Indenture, notice whereof shall be given to Holders not less than 10 calendar days prior to the Special Record Date, or be paid at any time in any other lawful manner not inconsistent with the requirements of any automated quotation system or securities exchange on which the Notes may then be listed for trading, and upon such notice as may be required by such exchange, all as more fully provided in the Supplemental Indenture. Payments of principal shall be made upon the surrender of this Note by the Holder thereof at the Corporate Trust Office of the Trustee, or at such other office or agency of the Company as may be designated by it for such purpose in such lawful monies of the United States of America as at the time of payment shall be legal tender for the payment of public and private debts, or at such other offices or agencies as the Company may designate. All amounts due in cash with respect to the Notes shall be paid (A) in the case this Note is in global form, by wire transfer of immediately available funds to the account designated by the Depositary or its nominee; (B) in the case this Note is held, other than in global form, by a Holder in an aggregate principal amount of \$5.0 million or less, by check mailed to such Holders; and (C) in the case this Note is held, other than in global form, by a Holder in an aggregate principal amount of more than \$5.0 million, either by check mailed to

such Holder or, upon application by such Holder to the Registrar not later than the relevant record date (in the case of an installment of interest due on an Interest Payment Date) or 15 calendar days prior to such other date on which such amounts are due, by wire transfer in immediately available funds to such Holder's account within the United States, which application shall remain in effect until the Holder notifies, in writing, the Registrar to the contrary.

The Notes were issued with original issue discount for United States federal income tax purposes. The Company agrees, and by acceptance of a beneficial ownership interest in the Notes each Holder is deemed to have agreed, for United States federal income tax purposes, (a) to treat the Notes as indebtedness subject to United States Treasury Regulations Section 1.1275-4 (the "**Contingent Payment Debt Regulations**") and, for purposes of the Contingent Payment Debt Regulations, to treat cash and the fair market value of any Common Stock beneficially received by a Holder upon conversion of such Note as a contingent payment under Treasury Regulation Section 1.1275-4(b); (b) to be bound by the Company's application of the Contingent Payment Debt Regulations to the Notes, including the Company's determination of the comparable yield and projected payment schedule, as defined in the Contingent Payment Debt Regulations, with respect to the Notes; and (c) to use such comparable yield and projected payment schedule in determining interest accruals with respect to such Holder's Notes and in determining adjustments thereto. A Holder may obtain the issue price, Issue Date, comparable yield (which will be treated as the yield to maturity for United States federal income tax purposes) and projected payment schedule by submitting a written request to the Company at the following address: Hologic, Inc., 35 Crosby Drive, Bedford, Massachusetts 01730, Attention: Investor Relations.

Except as specifically provided herein and in the Supplemental Indenture, the Company shall not be required to make any payment with respect to any tax, assessment or other governmental charge imposed by any government or any political subdivision or taxing authority thereof or therein.

Reference is hereby made to the further provisions of this Note set forth on the reverse hereof, which further provisions shall for all purposes have the same effect as if set forth at this place.

Unless the certificate of authentication hereon has been executed by the Trustee referred to on the reverse hereof or an Authenticating Agent by the manual signature of one of their respective authorized signatories, this Note shall not be entitled to any benefit under the Supplemental Indenture or be valid or obligatory for any purpose.

[Remainder of page intentionally left blank]

IN WITNESS WHEREOF, the Company has caused this Note to be duly executed.

HOLOGIC, INC.

By: _____
Name:
Title:

Attest:

By: _____
Name:
Title:

TRUSTEE'S CERTIFICATE OF AUTHENTICATION

This is one of the Notes referred to in the within-mentioned Supplemental Indenture.

Dated: _____

WILMINGTON TRUST COMPANY,
as Trustee

By: _____
Authorized Signatory

[FORM OF REVERSE OF NOTE]

HOLOGIC, INC.
2.00% Convertible Exchange Senior Notes due 2037

This Note is one of a duly authorized issue of Notes of the Company designated as its “**2.00% Convertible Exchange Senior Notes due 2037**” (herein called the “**Notes**”) issued and to be issued under the Indenture (the “**Base Indenture**”), dated as of December 10, 2007, between the Company and Wilmington Trust Company, as Trustee (herein called the “**Trustee**,” which term includes any successor trustee under the Indenture (as defined below)), as supplemented and modified by the Second Supplemental Indenture (the “**Supplemental Indenture**” and, together with the Base Indenture, the “**Indenture**”), dated as of November 23, 2010, between the Company and the Trustee, to which Indenture and all indentures supplemental thereto reference is hereby made for a statement of the respective rights, limitations of rights, duties and immunities thereunder of the Company, the Trustee and the Holders of the Notes and of the terms upon which the Notes are, and are to be, authenticated and delivered. As provided in the Supplemental Indenture and subject to certain limitations therein set forth, the Notes are exchangeable for a like aggregate Accreted Principal Amount of Notes of any authorized denominations as requested by the Holder surrendering the same upon surrender of the Note or Notes to be exchanged, at the Corporate Trust Office of the Trustee. The Trustee upon such surrender by the Holder hereof and the satisfaction of any requirements therefor set forth in the Supplemental Indenture shall issue the new Notes in the requested denominations. Additional Notes may be issued in an unlimited aggregate principal amount, subject to certain conditions specified in the Supplemental Indenture.

No sinking fund is provided for in the Notes.

In any case where any Interest Payment Date, Redemption Date, Optional Put Repurchase Date, Fundamental Change Repurchase Date or the Maturity Date of any Note or the last date on which a Holder has the right to convert his Notes shall not be a Business Day, then (notwithstanding any other provision of the Supplemental Indenture or of the Notes) payment of Interest or Accreted Principal Amount or conversion of the Notes need not be made on such date, but may be made on the next succeeding Business Day with the same force and effect as if made on the Interest Payment Date, Redemption Date, Optional Put Repurchase Date or Fundamental Change Repurchase Date, or at the Maturity Date, or on such last day for conversion, *provided* that no Interest shall accrue for the period from and after such Interest Payment Date, Redemption Date, Optional Put Repurchase Date, Fundamental Change Repurchase Date or the Maturity Date, as the case may be.

The Supplemental Indenture contains provisions permitting the Company and the Trustee in certain circumstances, without the consent of the Holders of the Notes, and in other circumstances, with the consent of the Holders of not less than a majority in aggregate Accreted Principal Amount of the Notes at the time outstanding, evidenced as in the Supplemental Indenture provided, to execute supplemental indentures adding any provisions to or changing in any manner or eliminating any of the provisions of the Supplemental Indenture or of any supplemental indenture or modifying in any manner the rights of the Holders of the Notes;

provided, however, that no such supplemental indenture shall make any of the changes set forth in Section 8.02 of the Supplemental Indenture, without the consent of each Holder of an outstanding Note affected thereby. It is also provided in the Supplemental Indenture that, prior to any declaration accelerating the maturity of the Notes, the Holders of a majority in Accreted Principal Amount of the Notes at the time outstanding may on behalf of the Holders of all of the Notes waive any past Default or Event of Default under the Supplemental Indenture and its consequences except as provided in the Supplemental Indenture. Any such consent or waiver by the Holder of this Note (unless revoked as provided in the Supplemental Indenture) shall be conclusive and binding upon such Holder and upon all future holders and owners of this Note and any Notes which may be issued in exchange or substitution hereof, irrespective of whether or not any notation thereof is made upon this Note or such other Notes.

No reference herein to the Supplemental Indenture and no provision of this Note or of the Supplemental Indenture shall alter or impair the obligation of the Company, which is absolute and unconditional, to pay the Accreted Principal Amount of, and accrued and unpaid Interest on, this Note, at the place, at the respective times, at the rate and in the lawful money herein prescribed.

Subject to the provisions of the Supplemental Indenture, upon the occurrence of a Fundamental Change or on an Optional Put Repurchase Date, the Holder has the right, at such Holder's option, to require the Company to repurchase all of such Holder's Notes or any portion thereof (in Original Principal Amounts of \$1,000 or integral multiples thereof) on the Fundamental Change Repurchase Date or Optional Put Repurchase Date, as applicable, at a price equal to 100% of the Accreted Principal Amount of the Notes such Holder elects to require the Company to repurchase, together with accrued and unpaid Interest to, but excluding, the Fundamental Change Repurchase Date or Optional Put Repurchase Date, as applicable, unless such Fundamental Change Repurchase Date or Optional Put Repurchase Date, as applicable, falls after a Regular Record Date and on or prior to the corresponding Interest Payment Date, in which case the Company shall pay the full amount of accrued and unpaid Interest payable on such Interest Payment Date to the Holder of record at the close of business on the corresponding Regular Record Date. No later than 20 Business Days prior to each Optional Put Repurchase Date, the Company shall give notice to each Holder (and to beneficial owners as required by applicable law) of their related repurchase right. The Company or, at the written request of the Company, the Trustee shall mail to all Holders of record of the Notes a notice of the occurrence of a Fundamental Change and of the repurchase right arising as a result thereof after the occurrence of any Fundamental Change, but on or before the 10th calendar day following such occurrence.

The Holder hereof has the right, at its option, (i) upon the occurrence of certain conditions specified in the Supplemental Indenture, at any time prior to the close of business on the Scheduled Trading Day immediately preceding September 15, 2037, or (ii) on or after September 15, 2037, at any time prior to the close of business on the second Scheduled Trading Day immediately preceding the Maturity Date, to convert any Notes or portion thereof which is \$1,000 in Original Principal Amount or an integral multiple thereof, into shares of Common Stock (or cash or combination of cash and shares of Common Stock, at the election of the Company, as set forth in Section 12.02 of the Supplemental Indenture) or Reference Property, in

each case at the Conversion Rate specified in the Supplemental Indenture, as adjusted from time to time as provided in the Supplemental Indenture, upon satisfaction of certain requirements set forth in the Supplemental Indenture, including, if applicable, the surrender of this Note, together with a Notice of Conversion, a form of which is contained under Section 2.03 of the Supplemental Indenture, as provided in the Supplemental Indenture and this Note, to the Company at the office or agency of the Company maintained for that purpose, or at the option of such Holder, the Corporate Trust Office, and, unless the shares of Common Stock or Reference Property, as the case may be, issuable on conversion are to be issued in the same name as this Note, duly endorsed by, or accompanied by instruments of transfer in form satisfactory to the Company duly executed by, the Holder or by his duly authorized attorney. The initial Conversion Rate shall be 43.4216 shares of Common Stock for each \$1,000 in Original Principal Amount of Notes. No fractional shares of Common Stock or Reference Property, as the case may be, shall be issued upon any conversion, but an adjustment in cash shall be paid to the Holder, as provided in the Supplemental Indenture, in respect of any fraction of such share which would otherwise be issuable upon the surrender of any Note or Notes for conversion. No adjustment shall be made for dividends or any such shares issued upon conversion of such Notes except as provided in the Supplemental Indenture.

Upon due presentation for registration of transfer of this Note at the office or agency of the Company, a new Note or Notes of authorized denominations for an equal aggregate Accreted Principal Amount shall be issued to the transferee in exchange thereof, subject to the limitations provided in the Supplemental Indenture, without charge except for any tax, assessments or other governmental charge imposed in connection therewith.

The Company, the Trustee, any Authenticating Agent, any Paying Agent, any Conversion Agent and any Registrar may deem and treat the registered Holder hereof as the absolute owner of this Note (whether or not this Note shall be overdue and notwithstanding any notation of ownership or other writing hereon), for the purpose of receiving payment hereof, or on account hereof, for the conversion hereof and for all other purposes, and neither the Company nor the Trustee nor any other authenticating agent nor any Paying Agent nor any other Conversion Agent nor any Registrar shall be affected by any notice to the contrary. All payments made to or upon the order of such registered Holder shall, to the extent of the sum or sums paid, satisfy and discharge liability for monies payable on this Note.

No recourse for the payment of the Accreted Principal Amount of, or accrued and unpaid Interest on, this Note, or for any claim based hereon or otherwise in respect hereof, and no recourse under or upon any obligation, covenant or agreement of the Company in the Supplemental Indenture or any indenture supplemental thereto or in any Note, or because of the creation of any Indebtedness represented thereby, shall be had against any incorporator, stockholder, employee, agent, officer, director or subsidiary, as such, past, present or future, of the Company or of any successor corporation, either directly or through the Company or any successor corporation, whether by virtue of any constitution, statute or rule of law or by the enforcement of any assessment or penalty or otherwise, all such liability being, by the acceptance hereof and as part of the consideration for the issue hereof, expressly waived and released.

Terms used in this Note and defined in the Supplemental Indenture are used herein as therein defined.

In the case of any conflict between the provisions of this Note and the Indenture, the provisions of the Indenture shall control.

The Indenture and this Note shall be governed by and construed in accordance with the laws of the State of New York.

Customary abbreviations may be used in the name of a Holder or an assignee, such as TEN COM (=tenants in common), TENANT (=tenants by the entireties), JT TEN (joint tenants with right of survivorship and not as tenants in common), CUST (=custodian), and U/G/M/A (=Uniform gift to Minors Act).

FORM OF OPTIONAL PUT REPURCHASE NOTICE AND FUNDAMENTAL
CHANGE REPURCHASE NOTICE

To: Hologic, Inc.

The undersigned registered owner of this Note hereby acknowledges receipt of a notice from Hologic, Inc. (the “ **Company**”) as to the occurrence of (check the appropriate box):

- a Fundamental Change with respect to the Company;
- an Optional Put Repurchase Date;

and hereby directs the Company to pay, or cause the Trustee to pay, it or _____ an amount in cash equal to 100% of the Accreted Principal Amount, or the portion thereof (which is \$1,000 in Original Principal Amount or an integral multiple thereof) below designated, to be repurchased plus interest accrued to, but excluding, the Optional Put Repurchase Date or the Fundamental Change Repurchase Date, as applicable, except as provided in the Supplemental Indenture.

Dated:

Signature(s)

Signature(s) must be guaranteed by an Eligible Guarantor Institution with membership in an approved signature guarantee program pursuant to Rule 17Ad-15 under the Securities Exchange Act of 1934.

Signature Guaranteed

Certificate number(s), if applicable, of Note(s) tendered for repurchase: _____

Principal amount to be repurchased (at least U.S. \$1,000 Original Principal Amount or an integral multiple of \$1,000 in excess thereof): _____

Remaining principal amount following such repurchase (not less than U.S. \$1,000 Original Principal Amount):

By: _____
Authorized Signatory

SECTION 2.03 *Form of Notice of Conversion.*

NOTICE OF CONVERSION

The undersigned Holder of this Note hereby irrevocably exercises the option to convert this Note, or any portion of the Accreted Principal Amount hereof (which is U.S. \$1,000 Original Principal Amount or an integral multiple of U.S. \$1,000 in excess thereof, *provided* that the unconverted portion of such Original Principal Amount is U.S. \$1,000 or any integral multiple of U.S. \$1,000 in excess thereof) below designated, into shares of Common Stock or Reference Property in accordance with the terms of the Supplemental Indenture referred to in this Note, and directs that the consideration due upon such conversion (including a check in payment for any fractional share and any Notes representing any unconverted principal amount hereof), be delivered to and be registered in the name of the undersigned unless a different name has been indicated below. If shares of Common Stock, Reference Property or Notes are to be registered in the name of a Person other than the undersigned, (a) the undersigned shall pay all transfer taxes payable with respect thereto and (b) signature(s) must be guaranteed by an Eligible Guarantor Institution with membership in an approved signature guarantee program pursuant to Rule 17Ad-15 under the Securities Exchange Act of 1934. Any amount required to be paid by the undersigned on account of interest accompanies this Note.

Dated: _____

Signature(s)

If shares or Notes are to be registered in the name of a Person other than the Holder, please print such Person's name and address:

(Name)

(Address)

Social Security or other Identification Number, if any

[Signature Guaranteed]

If only a portion of the Notes is to be converted, please indicate:

1. Accreted Principal Amount to be converted: U.S. \$ _____

2. Accreted Principal Amount and denomination of Notes representing unconverted Accreted Principal Amount to be issued: _____

Amount: U.S. \$ _____ Denominations: U.S. \$ _____

(U.S. \$1,000 Original Principal Amount or any integral multiple of U.S. \$1,000 in excess thereof, *provided* that the unconverted portion of such principal amount is U.S. \$1,000 Original Principal Amount or any integral multiple of U.S. \$1,000 in excess thereof).

SECTION 2.04 *Form of Assignment.*

ASSIGNMENT

For value received, _____ hereby sell(s), assign(s) and transfer(s) unto _____ (Please insert Social Security or other identifying number of assignee) the within note, and hereby irrevocably constitutes and appoints _____ as attorney to transfer the said note on the books of the Company, with full power of substitution in the premises.

Dated: _____

Signature(s) _____

Signature(s) must be guaranteed by an Eligible Guarantor Institution with membership in an approved signature guarantee program pursuant to Rule 17Ad-15 under the Securities Exchange Act of 1934.

Signature Guaranteed

ARTICLE 3
THE NOTES

SECTION 3.01 *Title And Terms.*

- (a) The Notes shall be known and designated as the “**2.00% Convertible Exchange Senior Notes due 2037**” of the Company. Their Maturity Date shall be December 15, 2037 and they shall bear Regular Interest on the Original Principal Amount in accordance with Section 3.02.
- (b) Commencing on or after December 15, 2016, Contingent Interest shall be paid, if applicable, in accordance with Section 3.03.
- (c) Commencing on December 15, 2016, the Accreted Principal Amount shall increase in accordance with Section 3.04.
- (d) The Company shall pay Interest on overdue Accreted Principal Amount at the rate borne by the Notes, and it shall pay Interest on overdue installments of Interest at the same rate, in each case to the extent lawful.
- (e) The Notes shall be subject to repurchase by the Company at the option of the Holders as provided in Section 11.08 and Section 11.09 hereof.
- (f) The Accreted Principal Amount of and Interest on the Notes shall be payable as provided in the form of Notes set forth in Section 2.02. The Optional Put Repurchase Price or the Fundamental Change Repurchase Price, as applicable, shall be payable at such place as is identified in the Optional Put Repurchase Notice or the Fundamental Change Repurchase Right Notice, as applicable, given pursuant to Section 11.08 and Section 11.09, respectively (such city in which the identified Paying Agent is located being herein called a “**Place of Payment**”).
- (g) The Notes shall be senior unsecured obligations of the Company and shall rank *pari passu* with all of the Company’s other senior unsecured obligations.
- (h) The Notes may be redeemed at the option of the Company prior to Maturity pursuant to Section 11.01 hereof.
- (i) The Notes shall be convertible as provided in Article 12.
- (j) Article 14 of the Base Indenture shall not be applicable to the Notes.

SECTION 3.02 *Regular Interest.*

Subject to the last paragraph of Section 3.10, Regular Interest will accrue on the Notes at the rate of 2.00% per year (“**Regular Interest**”) during any six-month period from and including December 15th to and including June 14th or from and including June 15th to and including December 14th (each, an “**Interest Period**”), commencing December 15, 2010; *provided* that the initial Interest Period shall commence on November 23, 2010 and run to and including December 14, 2010. Regular Interest will be payable semi-annually in arrears on each Interest

Payment Date (subject to Section 1.13) to the Holder of record at the close of business on the Regular Record Date preceding such Interest Payment Date; *provided* that the Notes will cease to accrue Regular Interest as of December 15, 2016.

SECTION 3.03 *Contingent Interest.*

(a) The Company will pay Contingent Interest in cash to Holders during any Interest Period beginning with the six-month Interest Period commencing December 15, 2016, during any Interest Period if the Trading Price of the Notes for each of the five Trading Days ending on the second Trading Day immediately preceding the first day of the applicable Interest Period (as used in this Section, the “**Measurement Period**”) equals or exceeds 120% of the Accreted Principal Amount of the Notes.

(b) During any Interest Period when Contingent Interest shall be payable with respect to the Notes, the Contingent Interest payable per \$1,000 in Original Principal Amount of Notes will equal 0.40% of the average Trading Price of \$1,000 in Original Principal Amount of the Notes for the applicable Measurement Period.

(c) The Company will promptly (and in any event prior to the applicable Interest Payment Date) notify Holders upon determination that they will be entitled to receive Contingent Interest during an Interest Period.

(d) The Company shall pay Contingent Interest owed pursuant to this Section 3.03 for any Interest Period on the Interest Payment Date immediately succeeding the applicable Interest Period, to Holders of the Notes as of the Regular Record Date related to such Interest Payment Date.

SECTION 3.04 *Accretion.*

Commencing on December 15, 2016, the Original Principal Amount shall accrete at a rate that provides Holders with an aggregate annual yield to Maturity of 2.00% per annum (computed on a semi-annual bond-equivalent yield basis). Schedule B hereto sets forth the Accreted Principal Amounts as of specified dates during the period from December 15, 2016 through the Maturity Date.

SECTION 3.05 *Denominations.*

The Notes shall be issuable only in registered form, without coupons, in denominations of U.S. \$1,000 of Original Principal Amount and integral multiples of U.S. \$1,000 in excess thereof.

SECTION 3.06 *Execution, Authentication, Delivery and Dating.*

The Notes shall be executed on behalf of the Company by its Chief Executive Officer, its President or one of its Vice Presidents, attested by its Secretary or one of its Assistant Secretaries. The signature of any of these officers on the Notes may be manual or facsimile.

Notes bearing the manual or facsimile signatures of individuals who were at any time the proper officers of the Company shall bind the Company, notwithstanding that such individuals or any of them have ceased to hold such offices prior to the authentication and delivery of such Notes or did not hold such offices at the date of such Notes.

At any time and from time to time after the execution and delivery of this Supplemental Indenture, the Company may deliver Notes executed by the Company to the Trustee for authentication, together with a Company Order for the authentication and delivery of such Notes; and the Trustee in accordance with such Company Order shall authenticate and deliver such Notes as provided in this Indenture and not otherwise.

Each Note shall be dated the date of its authentication.

No Note shall be entitled to any benefit under this Supplemental Indenture or be valid or obligatory for any purpose unless there appears on such Note a certificate of authentication substantially in the form provided for herein executed by the Trustee by manual signature, and such certificate upon any Note shall be conclusive evidence, and the only evidence, that such Note has been duly authenticated and delivered hereunder.

SECTION 3.07 *Global Notes; Non-Global Notes; Book-entry Provisions.*

(a) Global Notes

(i) Each Global Note issued and authenticated under this Supplemental Indenture shall be registered in the name of the Depository designated by the Company for such Global Note or a nominee thereof and delivered to such Depository or a nominee thereof or custodian therefor, and each such Global Note shall constitute a single Note for all purposes of this Indenture. The Company hereby appoints DTC as the initial Depository.

(ii) Except for exchanges of Global Notes for definitive, non-Global Notes at the sole discretion of the Company, no Global Note may be exchanged in whole or in part for Notes registered, and no transfer of a Global Note in whole or in part may be registered, in the name of any Person other than the Depository for such Global Note or a nominee thereof unless (A) such Depository (i) has notified the Company that it is unwilling or unable to continue as Depository for such Global Note, or (ii) has ceased to be a clearing agency registered as such under the Exchange Act, has ceased to be a "clearing corporation" within the meaning of the Uniform Commercial Code, or announces an intention permanently to cease business or does in fact do so or (B) there shall have occurred and be continuing an Event of Default with respect to such Global Note and the maturity of the Notes shall have been accelerated in accordance with Section 5.02 and any Holder shall have given written notice to the Company requesting the issuance of definitive Notes. In such event set forth in clause (A) above, if a successor Depository for such Global Note is not appointed by the Company within 90 calendar days after the Company receives such notice or becomes aware of such ineligibility, the Company shall execute, and the Trustee, upon receipt of a Company Order directing the authentication and delivery of Notes, shall authenticate and deliver, Notes, in any authorized denominations in an aggregate principal amount equal to the Accreted Principal Amount of such Global Note in exchange for such Global Note.

(iii) If any Global Note is to be exchanged for other Notes or canceled in whole, it shall be surrendered by or on behalf of the Depositary or its nominee to the Trustee, as Registrar, for exchange or cancellation, as provided in this Article 3. If any Global Note is to be exchanged for other Notes or canceled in part, or if another Note is to be exchanged in whole or in part for a beneficial interest in any Global Note, in each case as provided in this Article 3, then either (A) such Global Note shall be so surrendered for exchange or cancellation, as provided in this Article 3, or (B) the Accreted Principal Amount thereof shall be reduced or increased by an amount equal to the portion thereof to be so exchanged or canceled, or equal to the principal amount of such other Note to be so exchanged for a beneficial interest therein, as the case may be, by means of an appropriate adjustment made on the records of the Trustee, as Registrar, whereupon the Trustee, in accordance with the Applicable Procedures, shall instruct the Depositary or its authorized representative to make a corresponding adjustment to its records. Upon any such surrender or adjustment of a Global Note, the Trustee shall, upon receipt of a Company Order, subject to this Article 3, authenticate and deliver any Notes issuable in exchange for such Global Note (or any portion thereof) to or upon the order of, and registered in such names as may be directed by, the Depositary or its authorized representative. The Trustee shall be entitled to receive from the Depositary the names, addresses and tax identification numbers of the Persons in whose names the Notes are to be registered prior to such authentication and delivery. Upon the request of the Trustee in connection with the occurrence of any of the events specified in the preceding paragraph, the Company shall promptly make available to the Trustee a reasonable supply of Notes that are not in the form of Global Notes. The Trustee shall be entitled to rely upon any order, direction or request of the Depositary or its authorized representative which is given or made pursuant to this Article 3 if such order, direction or request is given or made in accordance with the Applicable Procedures.

(iv) Every Note authenticated and delivered upon registration of transfer of, or in exchange for or in lieu of, a Global Note or any portion thereof, whether pursuant to this Article 3 or otherwise, shall be authenticated and delivered in the form of, and shall be, a registered Global Note, unless such Note is to be registered in accordance with this Article 3 in the name of a Person other than the Depositary for such Global Note or a nominee thereof, in which case such Note shall be authenticated and delivered in definitive, fully registered form, without interest coupons.

(v) The Depositary or its nominee, as registered owner of a Global Note, shall be the Holder of such Global Note for all purposes under this Supplemental Indenture and the Notes, and owners of beneficial interests in a Global Note shall hold such interests pursuant to the Applicable Procedures. Accordingly, any such owner's beneficial interest in a Global Note shall be shown only on, and the transfer of such interest shall be effected only through, records maintained by the Depositary or its nominee or its Agent Members and such owners of beneficial interests in a Global Note shall not be considered the owners or holders thereof.

(b) Non-Global Notes. Notes issued pursuant to Section 3.07(a)(ii) shall be in definitive, fully registered form, without interest coupons.

SECTION 3.08 *Persons Deemed Owners.*

Prior to due presentment of a Note for registration of transfer, the Company, the Trustee, any agent of the Company, the Trustee or any Paying Agent may treat the Person in whose name such Note is registered as the owner of such Note for the purpose of receiving payment of principal of, and (subject to Section 3.10) Interest on, such Note, and for all other purposes whatsoever, whether or not such Note be overdue, and none of the Company, the Trustee, any agent of the Company, the Trustee or any Paying Agent shall be affected by notice to the contrary.

SECTION 3.09 *Mutilated, Destroyed, Lost and Stolen Notes.*

If any mutilated Note is surrendered to the Trustee, the Company shall execute, and upon receipt of a Company Order, the Trustee shall authenticate and deliver in exchange therefor, a new Note of like tenor and Accreted Principal Amount and bearing a number not contemporaneously outstanding.

If there shall be delivered to the Company and the Trustee (i) evidence to their satisfaction of the destruction, loss or theft of any Note and (ii) such security or indemnity as may be required by them to save each of them and any agent of either of them harmless, then, in the absence of notice to the Company or the Trustee that such Note has been acquired by a *bona fide* purchaser, the Company shall execute, and upon receipt of a Company Order, the Trustee shall authenticate and deliver, in lieu of any such destroyed, lost or stolen Note, a new Note of like tenor and principal amount and bearing a number not contemporaneously outstanding.

In case any such mutilated, destroyed, lost or stolen Note has become or is about to become due and payable, the Company in its discretion may, instead of issuing a new Note, pay such Note.

Upon the issuance of any new Note under this Section 3.09, the Company may require the payment of a sum sufficient to cover any tax or other governmental charge that may be imposed in relation thereto and any other expenses (including the fees and expenses of the Trustee) connected therewith.

Every new Note issued pursuant to this Section 3.09 in lieu of any destroyed, lost or stolen Note shall constitute an original additional contractual obligation of the Company, whether or not the destroyed, lost or stolen Note shall be at any time enforceable by anyone, and shall be entitled to all the benefits of this Supplemental Indenture equally and proportionately with any and all other Notes duly issued hereunder.

The provisions of this Section 3.09 are exclusive and shall preclude (to the extent lawful) all other rights and remedies with respect to the replacement or payment of mutilated, destroyed, lost or stolen Notes.

SECTION 3.10 *Payment of Interest; Interest Rights Preserved.*

Interest on any Note which is payable, and is punctually paid or duly provided for, on any Interest Payment Date shall be paid to the Person in whose name that Note (or one or more Predecessor Notes) is registered at the close of business on the Regular Record Date for such Interest.

Any Interest on any Note which is payable, but is not punctually paid or duly provided for, on any Interest Payment Date (herein called **"Defaulted Interest"**) shall forthwith cease to be payable to the Holder on the relevant Regular Record Date by virtue of having been such Holder, and such Defaulted Interest may be paid by the Company, at its election in each case, as provided in clause (a) or (b) below:

(a) The Company may elect to make payment of any Defaulted Interest to the Persons in whose names the Notes (or their respective Predecessor Notes) are registered at the close of business on a special record date for the payment of such Defaulted Interest (a **"Special Record Date"**), which shall be fixed in the following manner. The Company shall notify the Trustee in writing of the amount of Defaulted Interest proposed to be paid on each Note and the date of the proposed payment, and at the same time the Company shall deposit with the Trustee an amount of money equal to the aggregate amount proposed to be paid in respect of such Defaulted Interest or shall make arrangements reasonably satisfactory to the Trustee for such deposit prior to the date of the proposed payment, such money when deposited to be held in trust for the benefit of the Persons entitled to such Defaulted Interest as in this clause provided. Thereupon the Trustee shall fix a Special Record Date for the payment of such Defaulted Interest which shall be not more than 15 days and not less than 10 days prior to the date of the proposed payment and not less than 10 days after the receipt by the Trustee of the notice of the proposed payment. The Trustee shall promptly notify the Company of such Special Record Date and, in the name and at the expense of the Company, shall cause notice of the proposed payment of such Defaulted Interest and the Special Record Date therefor to be mailed, first-class postage prepaid, to each Holder at his address as it appears in the Securities Register, not less than 10 days prior to such Special Record Date. Notice of the proposed payment of such Defaulted Interest and the Special Record Date therefor having been so mailed, such Defaulted Interest shall be paid to the Persons in whose names the Notes (or their respective Predecessor Notes) are registered at the close of business on such Special Record Date and shall no longer be payable pursuant to the following Clause (b).

(b) The Company may make payment of any Defaulted Interest in any other lawful manner not inconsistent with the requirements of any securities exchange on which the Notes may be listed, and upon such notice as may be required by such exchange, if, after notice given by the Company to the Trustee of the proposed payment pursuant to this clause, such manner of payment shall be deemed practicable by the Trustee.

Subject to the foregoing provisions of this Section 3.10, each Note delivered under this Supplemental Indenture upon registration of transfer of or in exchange for or in lieu of any other Note shall carry the rights to Interest accrued and unpaid, and to accrue, which were carried by such other Note, as provided for in this Indenture and the Notes.

SECTION 3.11 *Cancellation.*

All Notes surrendered for payment, registration of transfer or exchange or conversion shall, if surrendered to any Person other than the Trustee, be delivered to the Trustee and shall be promptly cancelled by it. The Company may at any time deliver to the Trustee for cancellation any Notes previously authenticated and delivered hereunder which the Company may have acquired in any manner whatsoever, and all Notes so delivered shall be promptly cancelled by the Trustee. No Notes shall be authenticated in lieu of or in exchange for any Notes cancelled as provided in this Section 3.11, except as expressly permitted by this Supplemental Indenture. All cancelled Notes held by the Trustee shall be disposed of as directed by a Company Order.

SECTION 3.12 *Computation of Interest.*

Interest on the Notes shall be computed on the basis of a 360-day year of twelve 30-day months.

ARTICLE 4
DISCHARGE

SECTION 4.01 *Discharge of Liability on Notes.*

When (1) the Company shall deliver to the Registrar for cancellation all Notes then Outstanding not theretofore delivered to the Registrar for cancellation or (2) all the Notes then Outstanding not theretofore delivered to the Registrar for cancellation shall have (a) been deposited for conversion and the Company shall deliver to the Holders shares of Common Stock (or, at the election of the Company, cash or a combination of cash and shares of Common Stock) sufficient to pay all amounts owing in respect of all such Notes or (b) become due and payable on the Maturity Date, Redemption Date, Optional Put Repurchase Date, Fundamental Change Repurchase Date or otherwise, and the Company shall deposit with the Trustee cash sufficient to pay all amounts owing in respect of all such Notes, including the Accreted Principal Amount and Interest accrued and unpaid to the Maturity Date, Redemption Date, Optional Put Repurchase Date, Fundamental Change Repurchase Date or other such date, and if in either case of clauses (1) or (2) above, no Event of Default set forth in Section 5.01(h) or (i) hereof or event (including resulting from such deposit) that, with lapse of time or notice or both, would become an Event of Default set forth in Section 5.01(h) or (i) hereof with respect to the Notes shall have occurred and be continuing, and the Company shall also pay or cause to be paid all other sums payable hereunder by the Company, then this Supplemental Indenture with respect to the Notes shall cease to be of further effect (except as to (i) remaining rights of registration of transfer, substitution and exchange and conversion of Notes, (ii) rights hereunder of Holders to receive from the Trustee payments of the amounts then due, including Interest with respect to the Notes and the other rights, duties and obligations of Holders, as beneficiaries hereof solely with respect to the amounts, if any, so deposited with the Trustee, and (iii) the rights, obligations and immunities of the Trustee, Authenticating Agent, Paying Agent, Conversion Agent and Registrar under this Supplemental Indenture with respect to the Notes), and the Trustee, on demand of the Company accompanied by an Officers' Certificate and an Opinion of Counsel as required by Section 4.03 and at the cost and expense of the Company, shall execute proper instruments

acknowledging satisfaction of, and discharging this Supplemental Indenture with respect to, the Notes; *provided, however*, the Company hereby agrees to reimburse the Trustee, Authenticating Agent, Paying Agent, Conversion Agent and Registrar for any costs or expenses thereafter reasonably and properly incurred by the Trustee, Authenticating Agent, Paying Agent, Conversion Agent and Registrar and to compensate the Trustee, Authenticating Agent, Paying Agent, Conversion Agent and Registrar for any services thereafter reasonably and properly rendered by the Trustee, Authenticating Agent, Paying Agent, Conversion Agent and Registrar in connection with this Supplemental Indenture with respect to the Notes.

SECTION 4.02 *Reinstatement.*

If the Trustee or the Paying Agent is unable to apply any money to the Holders entitled thereto by reason of any order or judgment of any court of governmental authority enjoining, restraining or otherwise prohibiting such application, the Company's obligations under this Supplemental Indenture with respect to the Notes shall be revived and reinstated as though no deposit had occurred pursuant to Section 4.01 until such time as the Trustee or the Paying Agent is permitted to apply all such money in accordance with this Supplemental Indenture and the Notes to the Holders entitled thereto; *provided, however*, that if the Company makes any payment of the Accreted Principal Amount of or Interest on any Note following the reinstatement of its obligations, the Company shall be subrogated to the rights of the Holders of such Notes to receive such payment from the money held by the Trustee or Paying Agent.

SECTION 4.03 *Officers' Certificate; Opinion of Counsel.*

Upon any application or demand by the Company to the Trustee to take any action under Section 4.01, the Company shall furnish to the Trustee an Officers' Certificate and Opinion of Counsel stating that all conditions precedent, if any, provided for in this Supplemental Indenture relating to the proposed action have been complied with.

ARTICLE 5
REMEDIES

SECTION 5.01 *Events of Default.*

"Event of Default," wherever used herein, means any one of the following events with respect to the Notes (whatever the reason for such Event of Default or whether it shall be voluntary or involuntary or be effected by operation of law or pursuant to any judgment, decree or order of any court or any order, rule or regulation of any administrative or governmental body):

- (a) default in any payment of Interest on any Note when due and payable and the default continues for a period of 30 calendar days; or
- (b) default in the payment of Accreted Principal Amount of any Note when due and payable at Maturity, upon required repurchase, upon redemption, upon acceleration or otherwise; or

(c) failure by the Company for 5 calendar days to comply with its obligation to convert the Notes into shares of Common Stock (or, at the election of the Company, cash or a combination of cash and shares of Common Stock) upon exercise of a Holder's conversion right; or

(d) failure by the Company to comply with its obligations under Section 7.01; or

(e) failure by the Company to comply with its notice requirements under Section 11.09(b) when due; or

(f) failure by the Company for 60 calendar days after written notice from the Trustee or the Holders of at least 25% aggregate Accreted Principal Amount of the Outstanding Notes has been received by the Company to comply with any of its other agreements contained in the Notes or the Indenture; or

(g) default by the Company or any Subsidiary of the Company with respect to any mortgage, agreement or other instrument under which there may be outstanding, or by which there may be secured or evidenced, any debt for money borrowed in excess of \$100.0 million in the aggregate of the Company and/or any such Subsidiary of the Company, whether such debt now exists or shall hereafter be created, which default results (i) in such debt becoming or being declared due and payable and such debt has not been discharged in full or such declaration rescinded or annulled within 30 calendar days or (ii) from a failure to pay the principal of any such debt when due and payable at its stated maturity, upon required repurchase, upon declaration or otherwise, and such defaulted payments shall not have been made, waived or extended within 30 calendar days; or

(h) the Company shall commence a voluntary case or other proceeding seeking liquidation, reorganization or other relief with respect to the Company or any of its Significant Subsidiaries or its debts under any bankruptcy, insolvency or other similar law now or hereafter in effect or seeking the appointment of a trustee, receiver, liquidator, custodian or other similar official of the Company or any of its Significant Subsidiaries or any substantial part of its property, or shall consent to any such relief or to the appointment of or taking possession by any such official in an involuntary case or other proceeding commenced against it, or shall make a general assignment for the benefit of creditors, or shall fail generally to pay its debts as they become due; or

(i) an involuntary case or other proceeding shall be commenced against the Company or any of its Significant Subsidiaries seeking liquidation, reorganization or other relief with respect to the Company or its debts under any bankruptcy, insolvency or other similar law now or hereafter in effect or seeking the appointment of a trustee, receiver, liquidator, custodian or other similar official of the Company or any of its Significant Subsidiaries or any substantial part of its property, and such involuntary case or other proceeding shall remain undismissed and unstayed for a period of 60 consecutive calendar days.

(j) For the avoidance of doubt, Section 5.1 of the Base Indenture shall not be applicable to the Notes.

SECTION 5.02 *Acceleration of Maturity; Rescission and Annulment.*

If an Event of Default (other than an Event of Default specified in Section 5.01(h) or Section 5.01(i) with respect to the Company) occurs and is continuing, then in every such case (except as provided in the immediately following paragraph) the Trustee or the Holders of not less than 25% in aggregate Accreted Principal Amount of the Outstanding Notes may declare 100% of the aggregate Accreted Principal Amount of and accrued and unpaid Interest on all the Notes to be due and payable immediately, by a notice in writing to the Company (and to the Trustee if given by the Holders), and upon any such declaration of acceleration, all principal and all accrued and unpaid Interest on the Notes shall become immediately due and payable. If an Event of Default specified in Section 5.01(h) or Section 5.01(i) with respect to the Company occurs, the aggregate accreted principal of, and accrued and unpaid Interest, if any, on, all of the Notes shall become due and payable immediately without any declaration or other Act of the Holders or any act on the part of the Trustee.

Notwithstanding the foregoing, at the election of the Company, the sole remedy of Holders for an Event of Default specified in Section 5.01(f) relating to the failure by the Company to comply with its obligations under Section 10.06 and for any failure by the Company to comply with the requirements of Section 314(a)(1) of the Trust Indenture Act, shall for the first 90 calendar days after the occurrence of such an Event of Default consist exclusively of the right (the “**Extension Right**”) to receive an extension fee on the Notes in an amount equal to 0.25% of the principal amount of the Notes (the “**Extension Fee**”). If the Company elects to pay the Extension Fee as the sole remedy for an Event of Default specified in Section 5.01(f) relating to the failure by the Company to comply with its obligations under Section 10.06 and for any failure by the Company to comply with the requirements of Section 314(a)(1) of the Trust Indenture Act, the Company (i) shall notify, in the manner provided for in Section 1.6 of the Base Indenture, the Holders, the Trustee and Paying Agent of such election prior to the first Business Day following the date on which such Event of Default first occurs and (ii) pay the Extension Fee, on or before the close of business on the date on which such Event of Default first occurs, on all Notes then Outstanding. Upon the Company’s failure to give such notice or to pay the Extension Fee when due, the Notes shall be subject to acceleration as provided in the first paragraph of this Section 5.02. On and after the 91st calendar day after such Event of Default occurs, if such Event of Default is not cured or waived prior to such 91st calendar day, the Notes shall be subject to acceleration as provided in the first paragraph of this Section 5.02. If an Extension Fee is payable under this Section 5.02, the Company shall deliver to the Trustee a certificate to that effect stating (i) the amount of such Extension Fee that is payable and (ii) the date on which such Extension Fee is payable. Unless and until a Responsible Officer of the Trustee receives at the Corporate Trust Office such a certificate, the Trustee may assume without inquiry that the Extension Fee is not payable. If the Extension Fee has been paid by the Company directly to the Holders, the Company shall deliver to the Trustee a certificate setting forth the particulars of such payment.

Notwithstanding the foregoing paragraph, if an Event of Default (as defined therein) occurs under any series of the Company’s debt securities (other than the Notes) issued subsequent to the Issue Date resulting from the Company’s failure to comply with obligations similar to those contained in Section 10.06 or the requirements of Section 314(a)(1) of the Trust

Indenture Act, and such Event of Default is not subject to extension on terms similar to those set forth in the foregoing paragraph, then the Extension Right shall no longer apply and the Notes shall be subject to acceleration as provided in the first paragraph of this Section 5.02.

This Section 5.02, however, is subject to the conditions that if, at any time after the Accreted Principal Amount of the Notes shall have been so declared due and payable, and before any judgment or decree for the payment of the monies due shall have been obtained or entered as hereinafter provided, the Company shall pay or shall deposit with the Trustee a sum sufficient to pay installments of accrued and unpaid Interest upon all Notes and the Accreted Principal Amount of any and all Notes that shall have become due otherwise than by acceleration (with Interest on installments of accrued and unpaid Interest (to the extent that payment of such Interest is enforceable under applicable law) and on such Accreted Principal Amount at the rate borne by the Notes during the period of such Default) and amounts due to the Trustee pursuant Section 6.6 of the Base Indenture, and if (1) rescission would not conflict with any judgment or decree of a court of competent jurisdiction and (2) any and all Events of Defaults under this Supplemental Indenture with respect to such Notes, other than the nonpayment of Accreted Principal Amount of and accrued and unpaid Interest on such Notes that shall have become due solely by such acceleration, shall have been cured or waived pursuant to Section 5.04, then and in every such case the Holders of a majority in aggregate principal amount of the Outstanding Notes, by written notice to the Company and to the Trustee, may waive all Defaults or Events of Default with respect to the Notes and rescind and annul such declaration and its consequences and such Default shall cease to exist, and any Event of Default arising therefrom shall be deemed to have been cured for every purpose of this Indenture; but no such waiver or rescission and annulment shall extend to or shall affect any subsequent Default or Event of Default, or shall impair any right consequent thereon.

SECTION 5.03 *Unconditional Right of Holders to Receive Principal and Interest and to Convert.*

Notwithstanding any other provision in this Indenture, the Holder of any Note shall have the right, which is absolute and unconditional, to receive payment of the Accreted Principal Amount of and (subject to Section 3.10) Interest on such Note on the Maturity Date, and to convert such Note in accordance with Article 12, and to institute suit for the enforcement of any such payment and right to convert, and such rights shall not be impaired without the consent of such Holder.

SECTION 5.04 *Waiver of Past Defaults and Rescission of Acceleration.*

With the consent of the Holders of not less than a majority in the aggregate Accreted Principal Amount of the Outstanding Notes (including, without limitation, consents obtained in connection with a purchase of, or tender offer or exchange offer for, the Notes), any past Default hereunder and its consequences may be waived on behalf of the Holders of all of the Notes, except a Default (A) in the payment of the Accreted Principal Amount of or Interest on any Note or in the delivery of amounts due upon conversion, or (B) in respect of a covenant or provision hereof which under Article 8 cannot be modified or amended without the consent of the Holder of each Outstanding Note affected, and rescind any such acceleration with respect to the Notes and its consequences if (1) rescission would not conflict with any judgment or decree of a court

of competent jurisdiction and (2) all existing Events of Default, other than the nonpayment of Accreted Principal Amount of and Interest on the Notes or failure to deliver amounts due upon conversion that have become due solely by such declaration of acceleration, have been cured or waived.

Upon the waiver of any such Default, such Default shall cease to exist, and any Event of Default arising therefrom shall be deemed to have been cured, for every purpose of the Indenture; but no such waiver shall extend to any subsequent or other Default or impair any right consequent thereon.

SECTION 5.05 *Waiver of Stay, Usury or Extension Laws.*

The Company covenants (to the extent that it may lawfully do so) that it shall not at any time insist upon, or plead, or in any manner whatsoever claim or take the benefit or advantage of, any stay, usury or extension law wherever enacted, now or at any time hereafter in force, that may affect the covenants or the performance of the Indenture; and the Company (to the extent that it may lawfully do so) hereby expressly waives all benefit or advantage of any such law and covenants that it shall not hinder, delay or impede by reason of such law the execution of any power herein granted to the Trustee, but shall suffer and permit the execution of every such power as though no such law had been enacted.

SECTION 5.06 *Control by Holders.*

The Holders of a majority in aggregate Accreted Principal Amount of the Outstanding Notes shall have the right to direct the time, method and place of conducting any proceeding for any remedy available to the Trustee or exercising any trust or power conferred on the Trustee, *provided* that

(a) such direction shall not be in conflict with any rule of law or with the Indenture;

(b) the Trustee may take any other action deemed proper by the Trustee which is not inconsistent with such direction; and

(c) the Trustee may refuse to follow any direction that conflicts with law or the Indenture, or that the Trustee determines is unduly prejudicial to the rights of any other Holder or would involve the Trustee in personal liability,

provided further that, prior to taking any action under the Indenture, the Trustee will be entitled to indemnification satisfactory to it in its sole discretion against all losses and expenses caused by taking or not taking such action.

SECTION 5.07 *Collection of Indebtedness and Suits for Enforcement by Trustee.*

The Company covenants that if:

(1) default is made in the payment of any Interest on any Note when such Interest becomes due and payable and such default continues for a period of 30 days, or

(2) default is made in the payment of the Accreted Principal Amount of (or premium, if any, on) any Note at the Maturity thereof, the Company will, upon demand of the Trustee, pay to it, for the benefit of the Holders of such Notes, the whole amount then due and payable on such Notes for Accreted Principal Amount and Interest, and, to the extent that payment of such Interest shall be legally enforceable, Interest on any overdue Accreted Principal Amount and on any overdue Interest, at the rate borne by the Notes, and, in addition thereto, such further amount as shall be sufficient to cover the costs and expenses of collection, including the reasonable compensation, expenses, disbursements and advances of the Trustee, its agents and counsel.

If an Event of Default occurs and is continuing, the Trustee may in its discretion proceed to protect and enforce its rights and the rights of the Holders by such appropriate judicial proceedings as the Trustee shall deem most effectual to protect and enforce any such rights, whether for the specific enforcement of any covenant or agreement in the Indenture or in aid of the exercise of any power granted herein, or to enforce any other proper remedy.

SECTION 5.08 *Trustee May File Proofs of Claim.*

In case of any judicial proceeding relative to the Company (or any other obligor upon the Notes), its property or its creditors, the Trustee shall be entitled and empowered, by intervention in such proceeding or otherwise, to take any and all actions authorized under the Trust Indenture Act in order to have claims of the Holders and the Trustee allowed in any such proceeding. In particular, the Trustee shall be authorized to collect and receive any moneys or other property payable or deliverable on any such claims and to distribute the same; and any custodian, receiver, assignee, trustee, liquidator, sequestrator or other similar official in any such judicial proceeding is hereby authorized by each Holder to make such payments to the Trustee and, in the event that the Trustee shall consent to the making of such payments directly to the Holders, to pay to the Trustee any amount due it for the reasonable compensation, expenses, disbursements and advances of the Trustee, its agents and counsel, and any other amounts due the Trustee under Section 6.6 of the Base Indenture.

No provision of the Indenture shall be deemed to authorize the Trustee to authorize or consent to or accept or adopt on behalf of any Holder any plan of reorganization, arrangement, adjustment or composition affecting the Notes or the rights of any Holder thereof or to authorize the Trustee to vote in respect of the claim of any Holder in any such proceeding.

SECTION 5.09 *Trustee May Enforce Claims Without Possession of Notes.*

All rights of action and claims under the Indenture or the Notes may be prosecuted and enforced by the Trustee without the possession of any of the Notes or the production thereof in any proceeding relating thereto, and any such proceeding instituted by the Trustee shall be brought in its own name as trustee of an express trust, and any recovery of judgment shall, after provision for the payment of the reasonable compensation, expenses, disbursements and advances of the Trustee, its agents and counsel, be for the ratable benefit of the Holders of the Notes in respect of which such judgment has been recovered.

SECTION 5.10 *Application of Money Collected.*

Any money collected by the Trustee pursuant to this Article shall be applied in the following order, at the date or dates fixed by the Trustee and, in case of the distribution of such money on account of principal (or premium, if any) or Interest, upon presentation of the Notes and the notation thereon of the payment if only partially paid and upon surrender thereof if fully paid:

FIRST: To the payment of all amounts due the Trustee under Section 6.6 of the Base Indenture; and

SECOND: To the payment of the amounts then due and unpaid for Accreted Principal Amount of and Interest on the Notes in respect of which or for the benefit of which such money has been collected, ratably, without preference or priority of any kind, according to the amounts due and payable on such Notes for Accreted Principal Amount and Interest, respectively.

SECTION 5.11 *Limitation on Suits.*

No Holder of any Note shall have any right to institute any proceeding, judicial or otherwise, with respect to the Indenture, or for the appointment of a receiver or trustee, or for any other remedy hereunder, unless:

- (1) such Holder has previously given written notice to the Trustee of a continuing Event of Default;
- (2) the Holders of not less than 25% in aggregate Accreted Principal Amount of the Outstanding Notes shall have made written request to the Trustee to institute proceedings in respect of such Event of Default in its own name as Trustee hereunder;
- (3) such Holder or Holders have offered to the Trustee security or indemnity satisfactory to it against any costs, liability or expense;
- (4) the Trustee for 60 calendar days after its receipt of such notice, request and offer of security or indemnity has failed to institute any such proceeding; and
- (5) no direction that, in the opinion of the Trustee, is inconsistent with such written request has been given to the Trustee during such 60 calendar day period by the Holders of a majority in aggregate Accreted Principal Amount of the Outstanding Notes;

it being understood and intended that no one or more Holders shall have any right in any manner whatever by virtue of, or by availing of, any provision of this Supplemental Indenture to affect, disturb or prejudice the rights of any other Holders, or to obtain or to seek to obtain priority or preference over any other Holders or to enforce any right under the Indenture, except in the manner herein provided and for the equal and ratable benefit of all the Holders.

SECTION 5.12 *Restoration of Rights and Remedies.*

If the Trustee or any Holder has instituted any proceeding to enforce any right or remedy under the Indenture and such proceeding has been discontinued or abandoned for any reason, or has been determined adversely to the Trustee or to such Holder, then and in every such case, subject to any determination in such proceeding, the Company, the Trustee and the Holders shall be restored severally and respectively to their former positions hereunder and thereafter all rights and remedies of the Trustee and the Holders shall continue as though no such proceeding had been instituted.

SECTION 5.13 *Rights and Remedies Cumulative.*

Except as otherwise provided with respect to the replacement or payment of mutilated, destroyed, lost or stolen Notes in the last paragraph of Section 3.09, no right or remedy herein conferred upon or reserved to the Trustee or to the Holders is intended to be exclusive of any other right or remedy, and every right and remedy shall, to the extent permitted by law, be cumulative and in addition to every other right and remedy given hereunder or now or hereafter existing at law or in equity or otherwise. The assertion or employment of any right or remedy hereunder, or otherwise, shall not prevent the concurrent assertion or employment of any other appropriate right or remedy.

SECTION 5.14 *Delay or Omission Not Waiver.*

No delay or omission of the Trustee or of any Holder of any Note to exercise any right or remedy accruing upon any Event of Default shall impair any such right or remedy or constitute a waiver of any such Event of Default or an acquiescence therein. Every right and remedy given by this Article or by law to the Trustee or to the Holders may be exercised from time to time, and as often as may be deemed expedient, by the Trustee or by the Holders, as the case may be.

SECTION 5.15 *Undertaking for Costs.*

In any suit for the enforcement of any right or remedy under the Indenture, or in any suit against the Trustee for any action taken, suffered or omitted by it as Trustee, a court may require any party litigant in such suit to file an undertaking to pay the costs of such suit, and may assess reasonable costs, including reasonable attorneys' fees and expenses, against any such party litigant, in the manner and to the extent provided in the Trust Indenture Act; *provided*, that neither this Section 5.15 nor the Trust Indenture Act shall be deemed to authorize any court to require such an undertaking or to make such an assessment in any suit instituted by the Company or in any suit for the enforcement of the right to convert any Note in accordance with Article 12.

ARTICLE 6
[RESERVED.]

ARTICLE 7
CONSOLIDATION, MERGER, CONVEYANCE, TRANSFER OR LEASE

SECTION 7.01 *Company May Consolidate, Etc., Only on Certain Terms.*

The Company shall not consolidate with or merge with or into any other Person or convey, transfer or lease all or substantially all of its properties and assets to any Person, unless:

- (1) the resulting, surviving or transferee Person, if not the Company, is a corporation, partnership, limited liability company or other business entity organized and existing under the laws of the United States of America, any State thereof or the District of Columbia, and such Person, if not the Company, expressly assumes by supplemental indenture all of the Company's obligations under the Notes and the Indenture;
- (2) immediately after giving effect to such transaction, no Default has occurred and is continuing; and
- (3) the Company has delivered to the Trustee an Officers' Certificate and an Opinion of Counsel, each stating that such consolidation, merger, conveyance, transfer or lease and, if a supplemental indenture is required in connection with such transaction, such supplemental indenture comply with this Article and that all conditions precedent herein provided for relating to such transaction have been complied with.

SECTION 7.02 *Successor Substituted.*

Upon any consolidation of the Company with, or merger of the Company into, any other Person or any conveyance, transfer or lease of all or substantially all of the properties and assets of the Company in accordance with Section 7.01, the successor Person formed by such consolidation or into which the Company is merged or to which such conveyance, transfer or lease is made shall succeed to, and be substituted for, and may exercise every right and power of, the Company under the Indenture with the same effect as if such successor Person had been named as the Company herein, and thereafter, except in the case of a lease, the predecessor Person shall be relieved of all obligations and covenants under the Indenture and the Notes.

ARTICLE 8
SUPPLEMENTAL INDENTURES

SECTION 8.01 *Supplemental Indentures Without Consent of Holders.*

Without the consent of any Holders, the Company, when authorized by a Board Resolution, and the Trustee, upon receipt of a Company Request, at any time and from time to time, may enter into one or more indentures supplemental hereto for any of the following purposes:

- (a) to (i) cure any ambiguity, manifest error or defect or (ii) cure any omission or inconsistency, *provided*, in the case of clause (ii), the rights of the Holders are not adversely affected in any material respect; or

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- (b) to provide for the assumption by a successor corporation of the Company's obligations under the Supplemental Indenture; or
 - (c) to add guarantees with respect to the Notes; or
 - (d) to secure the Notes; or
 - (e) to add to the covenants of the Company for the benefit of the Holders or to surrender any right or power herein conferred upon the Company; or
 - (f) to provide for the conversion of Notes in accordance with the terms of this Supplemental Indenture; or
 - (g) to make any changes to this Supplemental Indenture or the Notes that does not adversely affect the rights of any Holder in any material respect; or
 - (h) to comply with the requirements of the Trust Indenture Act or the rules and regulations of the Commission thereunder in order to effect or maintain the qualification of this Supplemental Indenture under the Trust Indenture Act, as contemplated by this Supplemental Indenture or otherwise; or
 - (i) to evidence and provide for the acceptance of appointment hereunder by a successor Trustee; or
 - (j) to provide for the issuance of Additional Notes in accordance with the terms and conditions of this Supplemental Indenture.

Upon a Company Request, accompanied by a Board Resolution authorizing the execution of any such supplemental indenture, and subject to and upon receipt by the Trustee of the documents described in Section 9.3 of the Base Indenture, the Trustee shall (subject to the last sentence Section 9.3 of the Base Indenture) join with the Company in the execution of any supplemental indenture authorized or permitted by the terms of this Supplemental Indenture and to make any further appropriate agreements and stipulations that may be therein contained.

SECTION 8.02 *Supplemental Indentures With Consent of Holders.*

With the written consent of the Holders of not less than a majority in aggregate Accreted Principal Amount of the Outstanding Notes (including without limitation, consents obtained in connection with a purchase of, or tender offer or exchange offer for Notes), by the Act of said Holders delivered to the Company and the Trustee, the Company, when authorized by a Board Resolution, and the Trustee may enter into an indenture or indentures supplemental hereto for the purpose of adding any provisions to or changing in any manner or eliminating any of the provisions of this Supplemental Indenture or of modifying in any manner the rights of the Holders under this Supplemental Indenture; *provided, however*, that no such supplemental indenture shall, without the consent of the Holder of each Outstanding Note affected thereby:

- (a) reduce the percentage in aggregate Accreted Principal Amount of Notes the Holders of which must consent to an amendment; or

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- (b) reduce the rate, or change the stated time for payment, of Interest on any Note or reduce the amount, or extend the stated time for payment, of the Extension Fee; or
- (c) reduce the Original Principal Amount or Accreted Principal Amount, or extend the Maturity Date, of any Note; or
- (d) make any change that adversely affects the conversion rights of any Note; or
- (e) reduce the Fundamental Change Repurchase Price, Optional Put Repurchase Price or Redemption Price of any Note or amend or modify in any manner adverse to the Holders of the Notes the Company's obligations to make such payments, whether through an amendment or waiver of provisions in the covenants, definitions or otherwise; or
- (f) change the place or currency of payment of Accreted Principal Amount, Interest, Optional Put Repurchase Price, Fundamental Change Repurchase Price, Redemption Price or the Extension Fee in respect of any Note; or
- (g) impair the right of any Holder to receive payment of Accreted Principal Amount of, and Interest on, such Holder's Notes on or after the due dates therefor or to institute suit for the enforcement of any payment on or with respect to such Holder's Note; or
- (h) contractually subordinate the Notes in right of payment to any other Indebtedness of the Company; or
- (i) make any change in the provisions of this Article 8 that require each Holder's consent or in the waiver provisions in Section 5.02 or Section 5.04.

It shall not be necessary for the consent of Holders under this Section 8.02 to approve the particular form of any proposed supplemental indenture, but it shall be sufficient if such consent shall approve the substance thereof.

This Section 8.02 shall be subject to Section 9.3 of the Base Indenture.

SECTION 8.03 *Notice of Supplemental Indentures.*

Promptly after the execution by the Company and the Trustee of any supplemental indenture pursuant to the provisions of Section 8.02, the Company shall promptly give notice in the manner provided in Section 1.6 of the Base Indenture briefly setting forth in general terms the substance of such supplemental indenture. Any failure of the Company to give such notice, or any defect therein, shall not in any way impair or affect the validity of any such supplemental indenture.

SECTION 8.04 *Effect of Supplemental Indentures.*

Upon the execution of any supplemental indenture under this Article 8, this Supplemental Indenture shall be modified in accordance therewith, and such supplemental indenture shall form a part of this Supplemental Indenture for all purposes; and every Holder theretofore or thereafter authenticated and delivered hereunder shall be bound thereby.

SECTION 8.05 *Conformity with Trust Indenture Act.*

Every supplemental indenture executed pursuant to this Article 8 shall conform to the requirements of the Trust Indenture Act.

ARTICLE 9
HOLDERS LISTS AND BY TRUSTEE AND COMPANY

SECTION 9.01 *Company to Furnish Trustee Names and Addresses of Holders.*

The Company will furnish or cause to be furnished to the Trustee

- (a) semi-annually, not more than 15 calendar days after each Regular Record Date, a list, in such form as the Trustee may reasonably require, of the names and addresses of the Holders as of such Regular Record Date, and
- (b) at such other times as the Trustee may request in writing, within 30 days after the receipt by the Company of any such request, a list of similar form and content as of a date not more than 15 days prior to the time such list is furnished;
excluding from any such list names and addresses received by the Trustee in its capacity as Registrar.

SECTION 9.02 *Preservation of Information.*

- (a) The Trustee shall preserve, in as current a form as is reasonably practicable, the names and addresses of Holders contained in the most recent list furnished to the Trustee as provided in Section 9.01 and the names and addresses of Holders received by the Trustee in its capacity as Registrar. The Trustee may dispose of any list furnished to it as provided in Section 9.01 upon receipt of a new list so furnished.
- (b) The rights of Holders to communicate with other Holders with respect to their rights under this Supplemental Indenture or under the Notes, and the corresponding rights and duties of the Trustee, shall be as provided by the Trust Indenture Act.
- (c) Every Holder, by receiving and holding the same, agrees with the Company and the Trustee that neither the Company nor the Trustee nor any agent of either of them shall be held accountable by reason of any disclosure of information as to names and addresses of Holders made pursuant to the Trust Indenture Act.

ARTICLE 10
COVENANTS

SECTION 10.01 *Payment of Principal and Interest.*

The Company covenants and agrees that it shall duly and punctually pay the Accreted Principal Amount of and Interest on the Notes in accordance with the terms of the Notes and this Supplemental Indenture. The Company shall deposit or cause to be deposited with the Trustee or its nominee, no later than 1:00 p.m., New York City time, on the Maturity Date of the Notes or no later than 1:00 p.m., New York City time, on the due date for any installment of Interest, all payments so due, which payments shall be in immediately available funds on the date of such Maturity Date or due date, as the case may be.

SECTION 10.02 *Maintenance of Offices or Agencies.*

The Company shall maintain in an office or agency where the Notes may be surrendered for registration of transfer or exchange or for presentation for payment or for conversion or repurchase and where notices and demands to or upon the Company in respect of the Notes and this Supplemental Indenture may be served. The Company shall give prompt written notice to the Trustee of the location, and any change in the location, of such office or agency not designated or appointed by the Trustee. If at any time the Company shall fail to maintain any such required office or agency or shall fail to furnish the Trustee with the address thereof, such presentations, surrenders, notices and demands may be made or served at the Corporate Trust Office.

The Company may at any time and from time to time vary or terminate the appointment of any such agent or appoint any additional agents for any or all of such purposes; *provided, however*, that until all of the Notes have been delivered to the Trustee for cancellation, or moneys sufficient to pay the principal of and Interest on the Notes have been made available for payment and either paid or returned to the Company pursuant to the provisions of Section 10.05, the Company shall maintain an office or agency where Notes may be presented or surrendered for payment and conversion, where Notes may be surrendered for registration of transfer or exchange and where notices and demands to or upon the Company in respect of the Notes and this Supplemental Indenture may be served. The Company shall give prompt written notice to the Trustee, and notice to the Holders in accordance with Section 1.6 of the Base Indenture, of the appointment or termination of any such agents and of the location and any change in the location of any such office or agency.

The Company hereby initially designates the Trustee as Paying Agent, Registrar, and Conversion Agent, and the Corporate Trust Office of the Trustee as the office or agency of the Company for each of the aforesaid purposes.

Any rights or immunities of the Trustee under the Indenture shall apply to the Trustee when acting under any or all of the aforementioned capacities.

SECTION 10.03 *Existence.*

Subject to Section 7.01, the Company shall do or cause to be done all things necessary to preserve and keep in full force and effect its corporate existence.

SECTION 10.04 *Annual Statement by Officers.*

The Company shall deliver to the Trustee, within 120 calendar days after the end of each fiscal year, an Officers' Certificate as to the signing officers' knowledge of the Company's compliance with all conditions and covenants on its part contained in this Supplemental Indenture. For purposes of this Section 10.04, such compliance shall be determined without regard to any grace period or requirement of notice provided under this Supplemental Indenture.

Any notice required to be given under this Section 10.04 shall be delivered to the Trustee at its Corporate Trust Office.

SECTION 10.05 *Money for Note Payments to Be Held in Trust.*

If the Company shall at any time act as its own Paying Agent, it will, on or before each due date of the Accreted Principal Amount of or Interest on any of the Notes, segregate and hold in trust for the benefit of the Persons entitled thereto a sum sufficient to pay all amounts payable to the Trustee under Section 6.6 of the Base Indenture and the Accreted Principal Amount or Interest so becoming due until such sums shall be paid to such Persons or otherwise disposed of as herein provided and will promptly notify the Trustee of its action or failure so to act.

Whenever the Company shall have one or more Paying Agents, it will, prior to each due date of the Accreted Principal Amount of or Interest on any Notes, deposit with a Paying Agent a sum sufficient to pay such amount, such sum to be held as provided by the Trust Indenture Act, and (unless such Paying Agent is the Trustee) the Company will promptly notify the Trustee of its action or failure so to act.

The Company will cause each Paying Agent other than the Trustee to execute and deliver to the Trustee an instrument in which such Paying Agent shall agree with the Trustee, subject to the provisions of this Section 10.05, that such Paying Agent will (i) comply with the provisions of the Trust Indenture Act applicable to it as a Paying Agent and (ii) during the continuance of any default by the Company (or any other obligor upon the Notes) in the making of any payment in respect of the Notes, upon the written request of the Trustee, forthwith pay to the Trustee all sums held in trust by such Paying Agent as such.

The Company may at any time, for the purpose of obtaining the satisfaction and discharge of this Indenture or for any other purpose, pay, or by Company Order direct any Paying Agent to pay, to the Trustee all sums held in trust by the Company or such Paying Agent, such sums to be held by the Trustee upon the same trusts as those upon which such sums were held by the Company or such Paying Agent; and, upon such payment by any Paying Agent to the Trustee, such Paying Agent shall be released from all further liability with respect to such money.

Any money deposited with the Trustee or any Paying Agent, or then held by the Company, in trust for the payment of the principal of or Interest on any Note and remaining unclaimed for two years after such Accreted Principal Amount or Interest has become due and payable shall be paid to the Company on Company Request, or (if then held by the Company) shall be discharged from such trust; and the Holder of such Note shall thereafter, as an unsecured general creditor, look only to the Company for payment thereof, and all liability of the Trustee or such Paying Agent with respect to such trust money, and all liability of the Company as trustee thereof, shall thereupon cease; *provided, however*, that the Trustee or such Paying Agent, before being required to make any such repayment, may at the expense of the Company cause to be published once, in a Press Release, notice that such money remains unclaimed and that, after a date specified therein, which shall not be less than 30 calendar days from the date of such publication, any unclaimed balance of such money then remaining will be repaid to the Company.

SECTION 10.06 *Reports by Company.*

(a) The Company shall file any documents or reports that it is required to file with the Commission pursuant to Section 13 or 15(d) of the Exchange Act with the Trustee within 30 calendar days after the same are required to be filed with the Commission. Documents filed by the Company with the Commission via the EDGAR system (or any successor thereto) will be deemed filed with the Trustee as of the time such documents are filed via EDGAR (or any successor thereto).

(b) Delivery of such reports, information and documents to the Trustee is for informational purposes only, and the Trustee's receipt of such shall not constitute constructive notice of any information contained therein or determinable from information contained therein, including the Company's compliance with any of its covenants hereunder (as to which the Trustee is entitled to conclusively rely exclusively on an Officers' Certificate). Notwithstanding anything to the contrary in this Section 10.06, the Company, to the extent permitted under the Trust Indenture Act, shall not be required to deliver to the Trustee or the Holders any material for which the Company has sought and received confidential treatment by the Commission.

SECTION 10.07 *[Reserved]*

SECTION 10.08 *Tax Treatment of Notes.*

The Company agrees, and by acceptance of a beneficial ownership interest in the Notes each Holder is deemed to have agreed, for United States federal income tax purposes,

(a) to treat the Notes as indebtedness subject to United States Treasury Regulation Section 1.1275-4 (the "**Contingent Payment Debt Regulations**") and, for purposes of the Contingent Payment Debt Regulations, to treat cash and the fair market value of any Common Stock beneficially received by a Holder upon conversion of such Note as a contingent payment under Treasury Regulation Section 1.1275-4(b);

(b) to be bound by the Company's application of the Contingent Payment Debt Regulations to the Notes, including the Company's determination of the comparable yield and projected payment schedule, as defined in the Contingent Payment Debt Regulations, with respect to the Notes. A Holder may obtain the issue price, issue date, comparable yield (which will be treated as the yield to

maturity for United States federal income tax purposes) and projected payment schedule by submitting a written request to the Company at the following address: Hologic, Inc., 35 Crosby Drive, Bedford, Massachusetts 01730, Attention: Investor Relations;

(c) that the comparable yield and the projected payment schedule are not determined for any purpose other than for the purpose of applying Treasury Regulation Section 1.1275-4(b) to the Notes, and the comparable yield and the projected payment schedule do not constitute a projection or representation regarding the actual amounts payable on the Notes;

(d) to use the projected payment schedule referred to in Section 10.08(b) above, as required by United States Treasury Regulations Section 1.1275-4(b)(4)(iv), to determine its interest accruals and adjustments as provided by United States Treasury Regulation Section 1.1275-4(b); and

(e) the Company and each Holder shall not take any position on a tax return inconsistent with (a), (b), (c) or (d), unless otherwise required by applicable law.

ARTICLE 11 REDEMPTION AND REPURCHASE OF NOTES

SECTION 11.01 *Right to Redeem; Notice to Trustee.*

At any time on or after December 19, 2016, the Company may redeem any or all of the Notes, except for the Notes that the Company is required to repurchase pursuant to Section 11.08 and Section 11.09, in cash at the Redemption Price (as defined below).

The redemption price will equal 100% of the Accreted Principal Amount of the Notes being redeemed, plus accrued and unpaid Interest, if any, to, but not including, the Redemption Date (the "**Redemption Price**"). However, if the Redemption Date is after a Regular Record Date and on or prior to the corresponding Interest Payment Date, the Company shall pay the full amount of accrued and unpaid Interest payable on such Interest Payment Date to the Holder of record at the close of business on the corresponding Regular Record Date.

If the Company elects to redeem Notes pursuant to this Section 11.01, it shall notify the Trustee at least 45 calendar days prior to the Redemption Date, as fixed by the Company (unless a shorter notice shall be satisfactory to the Trustee), of the Redemption Date and the Accreted Principal Amount of Notes to be redeemed.

Notwithstanding the foregoing, the Company may not redeem any Notes if the Company has failed to pay any Interest due on the Notes and such failure to pay is continuing.

SECTION 11.02 *Selection of Notes to Be Redeemed.*

If less than all of the outstanding Notes are to be redeemed, the Trustee will select the Notes to be redeemed in Original Principal Amounts of \$1,000 or multiples of \$1,000 by lot, pro rata or by another method the Trustee considers reasonable. If a portion of a Holder's Notes is selected for redemption and such Holder converts a portion of its Notes, the converted portion will be deemed to be of the portion selected for redemption. Provisions of this Supplemental

Indenture that apply to Notes called for redemption also apply to portions of Notes called for redemption. If any Note selected for partial redemption is converted in part before termination of the conversion right with respect to the portion of the Note so selected, the converted portion of such Note shall be deemed to be taken from the portion selected for redemption. Notes which have been converted during a selection of Notes to be redeemed shall be treated by the Trustee as Outstanding for the purpose of such selection.

SECTION 11.03 *Notice of Redemption.*

Not more than 60 calendar days but not less than 30 calendar days prior to the Redemption Date, the Company shall give a Notice of Redemption to all record Holders at their addresses set forth in the Securities Register of the Registrar.

The notice shall identify the Notes to be redeemed and shall state:

- (a) that the Holder has a right to convert the Notes called for Redemption, and the Conversion Rate then in effect;
- (b) the Redemption Date;
- (c) the Redemption Price;
- (d) the name and address of each Paying Agent and Conversion Agent;
- (e) that Notes called for redemption must be presented and surrendered to a Paying Agent to collect the Redemption Price;
- (f) that Holders who wish to convert Notes must surrender such Notes for conversion no later than 5:00 p.m., New York City time, on the Scheduled Trading Day immediately preceding the Redemption Date and must satisfy the other requirements set forth in Article 12 (which shall be specified in such notice);
- (g) that, unless the Company defaults in making the payment of the Redemption Price, Interest on Notes called for redemption shall cease accruing on and after the Redemption Date and subject to the provisions of Sections 11.01 and 11.04, the only remaining right of the Holder shall be to receive payment of the Redemption Price upon presentation and surrender to a Paying Agent of the Notes; and
- (h) if any Note is being redeemed in part, the portion of the Accreted Principal Amount of such Note to be redeemed and that, after the Redemption Date, upon presentation and surrender of such Note, new Notes in an aggregate Accreted Principal Amount equal to the unredeemed portion thereof will be issued.

If any of the Notes to be redeemed is in the form of a Global Security, then the Company shall modify such notice to the extent necessary to accord with the procedures of the Depositary applicable to redemptions. At the Company's written request, the Trustee shall give the notice of redemption in the Company's name and at the Company's expense.

SECTION 11.04 *Effect of Notice of Redemption.*

Once notice of redemption is mailed, Notes called for redemption become due and payable on the Redemption Date and at the Redemption Price stated in the notice except for Notes that are converted in accordance with the terms of this Supplemental Indenture. Upon presentation and surrender to a Paying Agent, Notes called for redemption shall be paid in cash at the Redemption Price stated in the notice and from and after the Redemption Date such Notes shall cease to bear Interest and the rights of the Holders therein shall terminate (other than the right to receive the Redemption Price).

SECTION 11.05 *Deposit of Redemption Price.*

Prior to 1:00 p.m., New York City time, on the Redemption Date, the Company shall deposit with a Paying Agent (or, if the Company acts as Paying Agent, shall segregate and hold in trust) an amount of money (in immediately available funds if deposited on such Redemption Date) sufficient to pay the Redemption Price of all Notes to be redeemed on that date, other than Notes or portions thereof called for redemption on that date which have been delivered by the Company to the Trustee for cancellation or have been converted. The Paying Agent shall as promptly as practicable return to the Company any money not required for that purpose or, if such money is then held by the Company in trust and is not required for such purpose, it shall be discharged from the trust.

If the Paying Agent holds on a Redemption Date cash sufficient to pay the Redemption Price payable on that date, then on and after such Redemption Date, such Notes (or portions thereof, as the case may be) shall cease to be outstanding, the Accreted Principal Amount shall cease to accrete and Interest (if any) on them shall cease to accrue; *provided* that if such Notes are to be redeemed, notice of such redemption has been duly given pursuant to this Supplemental Indenture or provision therefor satisfactory to the Trustee has been made.

SECTION 11.06 *Notes Redeemed in Part.*

Upon presentation and surrender of a Note that is redeemed in part, the Company shall execute and, upon receipt of a Company Order, the Trustee shall authenticate and deliver to the Holder, without charge, new Notes of authorized denominations as requested by such Holder in aggregate Accreted Principal Amount equal to the unredeemed portion of the Note surrendered.

SECTION 11.07 *No Redemption of Notes Upon Occurrence of Acceleration.*

Notwithstanding anything herein to the contrary, the Company will not redeem any Notes on any date if the Accreted Principal Amount of the Notes has been accelerated, and such acceleration has not been rescinded on or prior to the Redemption Date (except in the case of an acceleration resulting from a default by the Company in the payment of the Redemption Price with respect to such Notes).

SECTION 11.08 *Repurchase of Notes at the Option of Holders.*

(a) *Optional Put* (i) On December 15, 2016, December 15, 2020, December 15, 2025, December 13, 2030 and December 14, 2035 (each, an “**Optional Put Repurchase Date**”), each Holder shall have the right, at such Holder’s option, to require the Company to repurchase all of such Holder’s Notes or any portion of the Original Principal Amount thereof that is equal to \$1,000 or an integral multiple of \$1,000, for cash at a repurchase price equal to 100% of the Accreted Principal Amount thereof, together with accrued and unpaid Interest thereon to, but excluding, such Optional Put Repurchase Date (the “**Optional Put Repurchase Price**”) (subject to satisfaction by or on behalf of the Holder of the requirements set forth in Section 11.08(a)(iii)), unless such Optional Put Repurchase Date falls after a Regular Record Date and on or prior to the corresponding Interest Payment Date, in which case the Company shall pay the full amount of accrued and unpaid Interest payable on such Interest Payment Date to the Holder of record at the close of business on the corresponding Regular Record Date.

(ii) No later than 20 Business Days prior to each Optional Put Repurchase Date, the Company shall give notice of the repurchase right under Section 11.08(a)(i) (an “**Optional Put Repurchase Offer**”) to all record Holders at their addresses set forth in the Securities Register of the Registrar (and to beneficial owners as required by applicable law). The notice shall include a form of notice to be completed by the Holder and returned to the Company in the event that the Holder elects to exercise such right to such repurchase (the “**Optional Put Repurchase Notice**”) and shall briefly state, as applicable:

(A) the date by which the Optional Put Repurchase Notice must be delivered to the Paying Agent in order for a Holder to exercise the repurchase right;

(B) the Optional Put Repurchase Date;

(C) the Optional Put Repurchase Price;

(D) the name and address of the Paying Agent and the Conversion Agent;

(E) the Conversion Rate;

(F) the conversion rights, if any, of the Notes;

(G) that the Notes as to which an Optional Put Repurchase Notice has been given may be converted if they are otherwise convertible pursuant to Article 12 only if the Optional Put Repurchase Notice has been withdrawn in accordance with the terms of this Supplemental Indenture;

(H) that the Notes must be surrendered to the Paying Agent to collect payment;

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- (I) that the Optional Put Repurchase Price for any Note as to which an Optional Put Repurchase Notice has been duly given and not withdrawn will be paid promptly following the later of the Optional Put Repurchase Date and the time of surrender of such Note;
 - (J) the procedures the Holder must follow to exercise its put right under this Section 11.08(a);
 - (K) the procedures for withdrawing an Optional Put Repurchase Notice;
 - (L) that, unless the Company defaults in making payment of such Optional Put Repurchase Price, Interest on Notes surrendered for repurchase by the Company will cease to accrue on and after the Optional Put Repurchase Date; and
 - (M) the CUSIP number(s) of the Notes.

At the Company's request, the Trustee shall give the Optional Put Repurchase Offer Notice in the Company's name and at the Company's expense; *provided, however*, that the Company makes such request at least three Business Days (unless a shorter period shall be satisfactory to the Trustee) prior to the date by which such Optional Put Repurchase Offer Notice must be given to the Holder in accordance with this Section 11.08(a)(ii); *provided, further*, that the text of the Optional Put Repurchase Offer Notice shall be prepared by the Company.

(iii) A Holder may exercise its right specified in Section 11.08(a)(i) upon delivery of a properly completed Optional Put Repurchase Notice to the Paying Agent at any time during the period beginning at 9:00 a.m., New York City time, on the date that is 20 Business Days immediately preceding the relevant Optional Put Repurchase Date until 5:00 p.m., New York City time, on the Business Day immediately preceding such Optional Put Repurchase Date, stating:

- (A) if certificated, the certificate numbers of Notes to be delivered for repurchase;
- (B) the portion of the Original Principal Amount of Notes to be repurchased, which portion must be \$1,000 or an integral multiple of \$1,000 thereof; and
- (C) that the Notes shall be repurchased by the Company pursuant to the applicable provisions of the Notes and this Supplemental Indenture.

The book-entry transfer or delivery of such Note to the Paying Agent with, or at any time after delivery of, the Optional Put Repurchase Notice (together with all necessary endorsements) at the offices of the Paying Agent shall be a condition to the receipt by the Holder of the Optional Put Repurchase Price therefor; *provided, however*, that such Optional Put Repurchase Price shall be so paid pursuant to this Section 11.08(a) only if the Note so delivered to the Paying Agent shall conform in all respects to the description thereof in the related Optional Put Repurchase Notice.

The Company shall repurchase from the Holder thereof, pursuant to this Section 11.08(a), a portion of a Note, so long as the Original Principal Amount of such portion is \$1,000 Original Principal Amount or an integral multiple of \$1,000 Original Principal Amount. Provisions of this Supplemental Indenture that apply to the repurchase of all of a Note also apply to the repurchase of such portion of such Note.

The Paying Agent shall promptly notify the Company of the receipt by it of any Optional Put Repurchase Notice or written notice of withdrawal thereof.

(b) *Effect of Optional Put Repurchase Notice.* Upon receipt by the Paying Agent of the Optional Put Repurchase Notice specified in Section 11.08(a)(iii), the Holder of the Note in respect of which such Optional Put Repurchase Notice was given shall (unless such Optional Put Repurchase Notice is withdrawn as specified in the following paragraph) thereafter be entitled to receive solely the Optional Put Repurchase Price with respect to such Note. Such Optional Put Repurchase Price shall be paid to such Holder, subject to receipt of cash by the Paying Agent from the Company, on the later of (1) the Optional Put Repurchase Date with respect to such Note (provided the conditions in Section 11.08(a)(iii) have been satisfied) and (2) the time of book-entry transfer or delivery of such Note to the Paying Agent by the Holder thereof in the manner required by Section 11.08(a)(iii). Notes in respect of which an Optional Put Repurchase Notice has been given by the Holder thereof may not be converted pursuant to Article 12 on or after the date of the delivery of such Optional Put Repurchase Notice unless such Optional Put Repurchase Notice has first been validly withdrawn as specified in the following paragraph.

An Optional Put Repurchase Notice may be withdrawn by means of a written notice of withdrawal delivered to the office of the Paying Agent in accordance with the Optional Put Repurchase Notice at any time prior to 5:00 p.m., New York City time, on the Business Day immediately preceding the Optional Put Repurchase Date, specifying:

- (i) the Original Principal Amount of such Note with respect to which such notice of withdrawal is being submitted;
- (ii) if certificated Notes have been issued, the certificate numbers of the withdrawn Notes; and
- (iii) the Original Principal Amount, if any, of such Note which remains subject to the Optional Put Repurchase Notice, which portion must be in Original Principal amounts of \$1,000 or an integral multiple of \$1,000.

provided, however, that with respect to Global Notes, the notice must comply with the Applicable Procedures.

(c) *Deposit of Optional Put Repurchase Price.* Prior to 1:00 p.m., New York City time, on the applicable Optional Put Repurchase Date, the Company shall deposit with the Paying Agent (or if the Company or a Subsidiary or an Affiliate of any of them is acting as the Paying Agent, shall

segregate and hold in trust as provided in Section 10.05) an amount of cash (in immediately available funds if deposited on such Business Day) sufficient to pay the aggregate Optional Put Repurchase Price of all the Notes or portions thereof which are to be repurchased on such Optional Put Repurchase Date.

If the Paying Agent (other than the Company or an Affiliate of the Company) holds, in accordance with the terms hereof, at 1:00 p.m., New York City time, on the applicable Optional Put Repurchase Date, cash sufficient to pay the Optional Put Repurchase Price of any Notes for which an Optional Put Repurchase Notice has been tendered and not withdrawn pursuant to Section 11.08(b), then, on and after such Optional Put Repurchase Date, such Notes will cease to be outstanding, the Accreted Principal Amount shall cease to accrete and Interest, if any, on such Notes will cease to accrue, whether or not such Notes are delivered to the Paying Agent, and the rights of the Holders in respect thereof shall terminate (other than the right to receive the Optional Put Repurchase Price upon delivery of such Notes, together with any necessary endorsement) and the repurchased Notes shall be cancelled.

(d) *Notes Repurchased in Part.* Any Certificated Note which is to be repurchased only in part shall be surrendered at the office of the Paying Agent (with, if the Company or the Trustee so requires, due endorsement by, or a written instrument of transfer in form satisfactory to the Company and the Trustee duly executed by, the Holder thereof or such Holder's attorney duly authorized in writing) and the Company shall execute and upon receipt of a Company Order the Trustee shall authenticate and deliver to the Holder of such Note, without charge, new Notes, of any authorized denomination as requested by such Holder in aggregate Accreted Principal Amount equal to, and in exchange for, the portion of the Accreted Principal Amount of the Note so surrendered which is not repurchased.

(e) *Covenant to Comply with Securities Laws upon Repurchase of Notes.* In connection with any repurchase of the Notes pursuant to this Section 11.08, the Company shall:

(i) comply with the provisions of Rule 13e-4, Rule 14e-1 (or any successor provision) and any other tender offer rules under the Exchange Act that may then be applicable; and

(ii) otherwise comply with all federal and state securities laws.

To the extent that the provisions of any securities laws or regulations conflict with the provisions of this Section 11.08, the Company's compliance with such laws and regulations shall not in and of itself cause a breach of its obligations under this Section 11.08.

(f) *Repayment to the Company.* The Paying Agent shall return to the Company any cash that remains unclaimed for two years, together with Interest, if any, thereon, held by it for the payment of the Optional Put Repurchase Price; *provided, however*, to the extent that the aggregate amount of cash deposited by the Company pursuant to Section 11.08(c) exceeds the aggregate Optional Put Repurchase Price of the Notes or portions thereof which the Company is obligated to repurchase on the Optional Put Repurchase Date, then, promptly after the Optional Put Repurchase Date, the Paying Agent shall return any such excess to the Company.

(g) *No Repurchase Upon Acceleration.* Notwithstanding anything herein to the contrary, there shall be no purchase of any Notes pursuant to this Section 11.08 if the Accreted Principal Amount of the Notes has been accelerated, and such acceleration has not been rescinded, on or prior to the Optional Put Repurchase Date (except in the case of an Event of Default resulting from a default by the Company in the payment of the Optional Put Repurchase Price with respect to such Notes).

SECTION 11.09 *Right to Require Repurchase Upon a Fundamental Change.*

(a) If a Fundamental Change occurs at any time, then each Holder shall have the right, at such Holder's option, to require the Company to repurchase all of such Holder's Notes or any portion of the Original Principal Amount thereof that is equal to \$1,000 or an integral multiple of \$1,000, for cash on the date (the "**Fundamental Change Repurchase Date**") specified by the Company that is not less than 20 calendar days and not more than 35 calendar days after the date of the Fundamental Change Repurchase Right Notice at a repurchase price equal to 100% of the Accreted Principal Amount thereof, together with accrued and unpaid Interest thereon to, but excluding, the Fundamental Change Repurchase Date (the "**Fundamental Change Repurchase Price**"), unless such Fundamental Change Repurchase Date falls after a Regular Record Date and on or prior to the corresponding Interest Payment Date, in which case the Company shall pay the full amount of accrued and unpaid Interest payable on such Interest Payment Date to the Holder of record at the close of business on the corresponding Regular Record Date.

However, notwithstanding the foregoing, Holders shall not have the right to require the Company to repurchase any Notes under this Section 11.09 based on a Fundamental Change described in clause (1) or (2) of the definition thereof (and the Company shall not be required to deliver the Fundamental Change Repurchase Right Notice incidental thereto) if at least 90% of the consideration paid for the Common Stock (excluding cash payments for fractional shares and cash payments made pursuant to dissenters' appraisal rights and cash dividends) in a merger or consolidation or such other transaction otherwise constituting a Fundamental Change described in clause (1) or (2) of the definition thereof consists of shares of Common Stock or American Depositary Receipts in respect of shares of Common Stock traded on any of the New York Stock Exchange, the American Stock Exchange, the NASDAQ Global Market or the NASDAQ Global Select Market (or any of their respective successors) (or that will be so traded or quoted immediately following the completion of such merger or consolidation or such other transaction) and, as a result of the completion of such merger or consolidation or such other transaction, the Notes become convertible into shares of such Common Stock or such American Depositary Receipts pursuant to Section 12.10 (or cash or a combination of cash and shares of such Common Stock or such American Depositary Receipts pursuant to Section 12.10, if the Company so elects or has so elected).

Repurchases of Notes under this Section 11.09 shall be made, at the option of the Holder thereof, upon:

(i) if the Notes are held in certificated form, delivery to the Trustee (or other Paying Agent appointed by the Company) by a Holder of a duly completed notice (the "**Fundamental Change Repurchase Notice**") in the form set forth on the reverse of the Note or, if the Notes are held in global form, a notice that complies with the Applicable Procedures, prior to the close of business on the Business Day immediately preceding the Fundamental Change Repurchase Date; and

(ii) delivery or book-entry transfer of the Notes to the Trustee (or other Paying Agent appointed by the Company) prior to the close of business on the Business Day immediately preceding the Fundamental Change Repurchase Date (together with all necessary endorsements) at the Corporate Trust Office of the Trustee (or other Paying Agent appointed by the Company), such delivery being a condition to receipt by the Holder of the Fundamental Change Repurchase Price therefor; *provided* that such Fundamental Change Repurchase Price shall be so paid pursuant to this Section 11.09 only if the Note so delivered to the Trustee (or other Paying Agent appointed by the Company) shall conform in all respects to the description thereof in the related Fundamental Change Repurchase Notice.

The Fundamental Change Repurchase Notice shall state:

- (A) if certificated, the certificate numbers of Notes to be delivered for repurchase;
 - (B) the portion of the Original Principal Amount of Notes to be repurchased, which must be \$1,000 or an integral multiple thereof;
- and
- (C) that the Notes are to be repurchased by the Company pursuant to the applicable provisions of the Notes and this Supplemental Indenture.

Any purchase by the Company contemplated pursuant to the provisions of this Section 11.09 shall be consummated by the delivery of the consideration to be received by the Holder promptly following the later of the Fundamental Change Repurchase Date and the time of the book-entry transfer or delivery of the Note.

The Trustee (or other Paying Agent appointed by the Company) shall promptly notify the Company of the receipt by it of any Fundamental Change Repurchase Notice or written notice of withdrawal thereof in accordance with the provisions of subsection (c) of this Section 11.09.

Any Note that is to be repurchased only in part shall be surrendered to the Trustee (with, if the Company or the Trustee so requires, due endorsement by, or a written instrument of transfer in form satisfactory to the Company and the Trustee duly executed by, the Holder thereof or his attorney duly authorized in writing), and the Company shall execute, and, upon receipt of a Company Order, the Trustee shall authenticate and make available for delivery to the Holder of such Note without service charge, a new Note or Notes, containing identical terms and conditions, each in an authorized denomination in aggregate principal amount equal to and in exchange for the unredeemed portion of the principal of the Note so surrendered.

(b) After the occurrence of a Fundamental Change, but on or before the 10th calendar day after the Effective Date of such Fundamental Change, the Company shall provide to all Holders of record of the Notes and the Trustee and Paying Agent a notice (the “**Fundamental Change Repurchase Right Notice**”) on the occurrence of such Fundamental Change and of the resulting repurchase right, if any, at the option of the Holders arising as a result thereof.

Each Fundamental Change Repurchase Right Notice shall specify (if applicable):

- (i) the events causing the Fundamental Change;
- (ii) the date of the Fundamental Change;
- (iii) the last date on which a Holder may exercise the repurchase right arising as a result of a Fundamental Change, if applicable;
- (iv) the Fundamental Change Repurchase Price, if applicable;
- (v) the Fundamental Change Repurchase Date, if applicable;
- (vi) the name and address of the Paying Agent and the Conversion Agent, if applicable;
- (vii) the applicable Conversion Rate and any adjustments to the applicable Conversion Rate;
- (viii) that the Notes with respect to which a Fundamental Change Repurchase Notice has been delivered by a Holder may be converted only if the Holder withdraws the Fundamental Change Repurchase Notice in accordance with the terms of this Supplemental Indenture; and
- (ix) the procedures that Holders must follow to require the Company to repurchase their Notes.

No failure of the Company to give the foregoing notices and no defect therein shall limit the Holders' repurchase rights or affect the validity of the proceedings for the repurchase of the Notes pursuant to this Section 11.09.

(c) A Fundamental Change Repurchase Notice may be withdrawn by means of a written notice of withdrawal delivered to the Paying Agent in accordance with the Fundamental Change Repurchase Right Notice at any time prior to the close of business on the Business Day prior to the Fundamental Change Repurchase Date, specifying:

- (i) the Original Principal Amount of the Notes with respect to which such notice of withdrawal is being submitted;
- (ii) if certificated Notes have been issued, the certificate numbers of the withdrawn Notes; and
- (iii) the Original Principal Amount, if any, of such Note that remains subject to the original Fundamental Change Repurchase Notice, which portion must be in Original Principal Amounts of \$1,000 or an integral multiple of \$1,000;

provided, however, that if the Notes are not in certificated form, the notice must comply with the Applicable Procedures.

(d) In connection with any repurchase of the Notes pursuant to this Section 11.09, the Company shall

(i) comply with the provisions of Rule 13e-4, Rule 14e-1 (or any successor provision) and any other tender offer rules under the Exchange Act that may then be applicable; and

(ii) otherwise comply with all applicable federal and state securities laws.

To the extent that the provisions of any securities laws or regulations conflict with the provisions of this Section 11.09, the Company's compliance with such laws and regulations shall not in and of itself cause a breach of its obligations under this Section 11.09.

(e) On or prior to 1:00 p.m., New York City time, on the Fundamental Change Repurchase Date, the Company shall deposit with the Trustee (or other Paying Agent appointed by the Company or if the Company is acting as its own Paying Agent, set aside, segregate and hold in trust as provided in Section 10.05) an amount of money sufficient to repurchase all of the Notes to be repurchased on such date at the Fundamental Change Repurchase Price. Subject to receipt of funds and/or Notes by the Trustee (or other Paying Agent appointed by the Company) from the Company or the Holders, as applicable, payment for Notes surrendered for repurchase (and not withdrawn) prior to the close of business on the Business Day prior to the Fundamental Change Repurchase Date shall be made promptly after the later of (x) the Fundamental Change Repurchase Date with respect to such Note (*provided* the Holder has satisfied the conditions to the payment of the Fundamental Change Repurchase Price in this Section 11.09), and (y) the time of book-entry transfer or the delivery of such Note to the Trustee (or other Paying Agent appointed by the Company) by the Holder thereof in the manner required by this Section 11.09. The Trustee shall, promptly after such payment and upon written demand by the Company, return to the Company any funds in excess of the Fundamental Change Repurchase Price.

(f) Subject to a Holder's right to receive Interest on the related Interest Payment Date where the Fundamental Repurchase Date falls between a Regular Record Date and the Interest Payment Date to which it relates, if the Trustee (or other Paying Agent appointed by the Company) holds money sufficient to repurchase on the Fundamental Change Repurchase Date all the Notes or portions thereof that are to be purchased as of the Business Day following the Fundamental Change Repurchase Date, then on and after the Fundamental Change Repurchase Date (i) such Notes shall cease to be outstanding, (ii) the Accreted Principal Amount shall cease to accrete, (iii) Interest shall cease to accrue on such Notes, and (iv) all other rights of the Holders of such Notes shall terminate, whether or not book-entry transfer of the Notes has been made or the Notes have been delivered to the Trustee or Paying Agent, other than the right to receive the Fundamental Change Repurchase Price upon delivery of the Notes.

ARTICLE 12
CONVERSION OF NOTES

SECTION 12.01 *Conversion Privilege and Conversion Rate.*

(a) Subject to the conditions described in clauses (i), (ii), (iii) and (iv) below, and upon compliance with the provisions of this Article 12, a Holder shall have the right, at such Holder's option, to convert all or any portion (if the portion to be converted is \$1,000 in Original Principal Amount or an integral multiple thereof) of any Notes at any time prior to the close of business on the Scheduled Trading Day immediately preceding September 15, 2037, into shares of Common Stock (or, at the election of the Company, cash or a combination of cash and shares of Common Stock as described herein) at a rate of 43.4216 shares of Common Stock (subject to adjustment by the Company as provided in Sections 12.01(e) and 12.04 hereof) per \$1,000 in Original Principal Amount of the Notes (the "**Conversion Rate**") under the circumstances and during the periods set forth below. On and after September 15, 2037 regardless of the conditions described in clauses (i), (ii), (iii) and (iv) below, and upon compliance with the provisions of this Article 12, a Holder shall have the right, at such Holder's option, to convert all or any portion (if the portion to be converted is \$1,000 in Original Principal Amount or an integral multiple thereof) of any Notes at the applicable Conversion Rate at any time prior to the close of business on the second Scheduled Trading Day immediately preceding the Maturity Date.

(i) The Notes shall be convertible prior to September 15, 2037, during the five Business Day period after any five consecutive Trading Day period (as used in this Section 12.01(a)(i), the "**Measurement Period**") in which the Trading Price per \$1,000 in Original Principal Amount of the Notes for each Trading Day of such Measurement Period was less than 98% of the product of the Last Reported Sale Price of the Common Stock on such Trading Day and the applicable Conversion Rate in effect on such Trading Day, as determined by the Trustee and subject to compliance with the procedures and conditions described below concerning the Trustee's obligation to make such determination (the "**Trading Price Condition**"). If a Holder provides the Company with reasonable evidence that the Trading Price per \$1,000 in Original Principal Amount of the Notes would be less than 98% of the product of (a) the then-applicable Conversion Rate of the Notes and (b) the Last Reported Sale Price at such time, then the Company shall instruct in writing the Trustee to determine the Trading Price of the Notes beginning on the next Trading Day and on each successive Trading Day until the date on which the Trading Price per \$1,000 in Original Principal Amount of the Notes is greater than or equal to 98% of the product of (a) the then-applicable Conversion Rate of the Notes and (b) the Last Reported Sale Price (as provided to the Trustee by the Company on each such date). If the Trading Price Condition has been met in accordance with the foregoing, the Company shall so notify the Holders of the Notes and the Trustee. If, at any time after the Trading Price Condition has been met in accordance with the foregoing, the Trading Price per \$1,000 in Original Principal Amount of the Notes is greater than 98% of the product of (a) the then-applicable Conversion Rate of the Notes and (b) the Last Reported Sale Price on such date, the Company shall so notify the Holders of the Notes and the Trustee, and the Trustee shall have no further obligation to determine the Trading Price of the Notes unless requested by the Company to do so again in writing pursuant to

this Section 12.01(a)(i). Furthermore, if the Company does not, when obligated to do so pursuant to this clause (i), instruct the Trustee to determine the Trading Price of the Notes, or if the Company so instructs the Trustee, but the Trustee does not make such determination, then the Trading Price per \$1,000 in Original Principal Amount of the Notes shall be deemed to be less than 98% of the product of (a) the then-applicable Conversion Rate of the Notes and (b) the Last Reported Sale Price on such date.

(ii) The Notes shall be convertible prior to September 15, 2037, during any calendar quarter after the calendar quarter ending December 31, 2010 (and only during such calendar quarter), if the Last Reported Sale Price of the Common Stock for 20 or more Trading Days in a period of 30 consecutive Trading Days ending on the last Trading Day of the immediately preceding calendar quarter exceeds 130% of the applicable Conversion Price in effect on the last Trading Day of the immediately preceding calendar quarter. For each calendar quarter, the Company, or at the written request of the Company, the Conversion Agent, will determine if the Notes are convertible as the result of the satisfaction of the condition in this Section 12.01(a)(ii) in the preceding calendar quarter and the Company will promptly notify the Holders and the Trustee if this condition was satisfied.

(iii) In the event the Company calls the Notes for redemption pursuant to Section 11.01, the Notes shall be convertible pursuant to subsection (f) of this Section.

(iv) The Notes shall be convertible prior to September 15, 2037, as provided in subsections (b), (c) and (d) of this Section 12.01.

(b) In the event that the Company elects to:

(i) distribute to all or substantially all holders of Common Stock any rights or warrants entitling them, for a period of not more than 60 calendar days after the record date for such distribution, to subscribe for or purchase Common Stock at a price per share less than the Last Reported Sale Price of the Common Stock for the Trading Day immediately preceding the declaration date of such distribution; or

(ii) distribute to all or substantially all holders of Common Stock assets (including cash) or debt securities of the Company or certain rights to purchase the Company's securities, which distribution has a per share value (as determined by the Board of Directors) exceeding 10% of the Last Reported Sale Price of the Common Stock on the Trading Day immediately preceding the date of declaration of such distribution,

the Company shall notify Holders and the Trustee in writing with respect to any distribution referred to in either clause (i) or clause (ii) above and of the resulting conversion right no later than the 35th Scheduled Trading Day prior to the Ex-Date for such distribution. Once the Company has given such notice, Holders may surrender the Notes for conversion at any time until the earlier of 5:00 p.m., New York City time, on the Business Day immediately preceding the Ex-Date for such distribution or the date the Company announces that such distribution will not take place. A Holder may not exercise this right if such Holder is permitted to participate (as a result of holding the Notes, and at the same time as holders of the Common Stock participate)

in any distribution referred to in clause (i) or clause (ii) above as if such Holder held a number of shares of Common Stock equal to the then-applicable Conversion Rate, multiplied by the principal amount (expressed in thousands) of Notes held by such Holder, without having to convert its Notes.

(c) If the Company is a party to a combination, merger, recapitalization, reclassification, binding-share exchange or other similar transaction or sale or conveyance of all or substantially all of its properties and assets, in each case pursuant to which the Common Stock would be converted into cash, securities and/or other property and that does not also constitute a Fundamental Change, then the Holders shall have the right to convert Notes at any time beginning on the effective date of such transaction and ending on the 30th Scheduled Trading Day following the effective date of such transaction. The Company shall notify Holders and the Trustee in writing at least 10 Scheduled Trading Days prior to the anticipated effective date of any such transaction. The Board of Directors shall determine the anticipated effective date of the transaction, and such determination shall be conclusive and binding on the Holders.

(d) If the Company is a party to any transaction or event described in the definition of Fundamental Change, a Holder may surrender Notes for conversion at any time, after the Company gives the notice referred to in the last sentence of this Section 12.01(d), from the effective date of such event until (i) the Fundamental Change Repurchase Date corresponding to such events or (ii) if there is no such Fundamental Change Repurchase Date, 30 Scheduled Trading Days following the effective date of such transaction or event. The Company shall notify in writing, in the manner provided for in Section 1.6 of the Base Indenture, each of the Holders and the Trustee of the Fundamental Change on or before the date such event occurs or becomes effective or, if later, within 2 Business Days after the date the Company becomes aware of such occurrence or effectiveness.

(e) If a Holder elects to convert Notes in connection with a Make-Whole Fundamental Change, the Conversion Rate applicable to each \$1,000 in Original Principal Amount of Notes so converted shall be increased by an additional number of shares of Common Stock (the “ **Additional Shares**”) as described below; *provided, however* that no increase shall be made in the case of a transaction or event constituting a Fundamental Change described in clauses (1) or (2) of such definition where 90% or more of the consideration for the Common Stock (excluding cash payments for fractional shares and cash payments made pursuant to dissenters’ appraisal rights) in such transaction consists of shares of Common Stock or American Depositary Receipts in respect of shares of Common Stock traded on any of the New York Stock Exchange, the American Stock Exchange, the NASDAQ Global Market or the NASDAQ Global Select Market (or any of their respective successors) (or that will be so traded or quoted immediately following the transaction) and as a result of such transaction or transactions the Notes become convertible (to the extent otherwise convertible into shares of Common Stock) into cash and, if applicable, such shares of such Capital Stock or such American Depositary Receipts. Settlement of Notes tendered for conversion to which Additional Shares shall be added to the Conversion Rate as provided in this subsection (e) shall be settled pursuant to Section 12.02(e). For purposes of this subsection (e), a conversion shall be deemed to be “ **in connection with**” such Make-Whole Fundamental Change if such conversion occurs on or after the Make-Whole Reference Date until the related Fundamental Change Repurchase Date for such Make-Whole Fundamental Change or, if there is no such Fundamental Change Repurchase Date, 30 Scheduled Trading Days following the Make-Whole Reference Date, but in no event later than the

second Scheduled Trading Day prior to the Maturity of the Notes. The Company will notify Holders and the Trustee in writing of the occurrence of any Make-Whole Fundamental Change applicable to this subsection (e) on the Make-Whole Reference Date.

(i) The number of Additional Shares by which the Conversion Rate will be increased in the event of a Make-Whole Fundamental Change shall be determined by the Company by reference to the table attached as Schedule A hereto, based on the Make-Whole Reference Date and the Stock Price; *provided* that, for purposes of determining the number of Additional Shares, the Make-Whole Reference Date of a transaction described in clause (1) or (2) of the definition of Fundamental Change shall be deemed to be the earlier of (x) the date on which such transaction occurs or becomes effective and (y) the date of the first public announcement of such transaction by the Company or the counterparty to the transaction; *provided*, that if the actual Stock Price is between two Stock Price amounts in the table or the Make-Whole Reference Date is between two Make-Whole Reference Dates in the table, the number of Additional Shares by which the Conversion Rate will be increased shall be determined by a straight-line interpolation between the number of Additional Shares set forth for the next higher and next lower Stock Price amounts and the two nearest Make-Whole Reference Dates, as applicable, based on a 365-day year; *provided, further*, that if (1) the Stock Price is greater than \$46.50 per share of Common Stock (subject to adjustment in accordance with clause (ii) below), no adjustments will be made in the Conversion Rate, and (2) the Stock Price is less than \$16.50 per share (subject to adjustment in accordance with clause (ii) below), no adjustments will be made in the Conversion Rate. Notwithstanding the foregoing, in no event shall the Conversion Rate exceed 60.6061 shares per \$1,000 in Original Principal Amount of Notes (subject to adjustment in the same manner as set forth in Section 12.04). In addition, if Holders convert their Notes prior to any applicable Make-Whole Reference Date, and the related Make-Whole Fundamental Change does not occur, Holders will not be entitled to an increased Conversion Rate in connection with such conversion.

(ii) The Stock Prices set forth in the first row of the tables in Schedule A hereto shall be adjusted by the Company as of any date on which the Conversion Rate of the Notes is adjusted (except pursuant to this Section 12.01(e)). The adjusted Stock Prices shall equal the Stock Prices applicable immediately prior to such adjustment, multiplied by a fraction, the numerator of which is the applicable Conversion Rate in effect immediately prior to the adjustment giving rise to the Stock Price adjustment and the denominator of which is the Conversion Rate as so adjusted. The number of Additional Shares within the table shall be adjusted in the same manner as the Conversion Rate as set forth in Section 12.04 (other than by operation of an adjustment to the Conversion Rate by adding Additional Shares).

(f) In the event the Company calls the Notes for redemption pursuant to Section 11.01, the Notes shall be convertible until 5:00 p.m., New York City time, on the Business Day preceding the applicable Redemption Date (after which time the Holders' right to convert will expire unless the Company defaults in the payment of the applicable Redemption Price).

SECTION 12.02 *Exercise of Conversion Privilege.*

(a) The Company shall satisfy the Conversion Obligation by delivering, as applicable:

(i) on or before the third Business Day immediately following the Conversion Date, a number of shares of Common Stock equal to (i) (A) the aggregate Original Principal Amount of Notes to be converted, divided by (B) 1,000 multiplied by (ii) the Conversion Rate in effect on the relevant Conversion Date;

(ii) on the third Business Day immediately following the last day of the related Observation Period, for each \$1,000 in Original Principal Amount of Notes tendered for conversion, cash in an amount equal to the sum of the Daily Conversion Values for each of the 30 VWAP Trading Days during the related Observation Period; or

(iii) on the third Business Day immediately following the last day of the related Observation Period, for each \$1,000 in Original Principal Amount of Notes tendered for conversion, cash and shares of Common Stock, if any, equal to the sum of the Daily Settlement Amounts for each of the 30 VWAP Trading Days during the related Observation Period,

in each case subject, if applicable, to Section 12.02(c) and Section 12.03 hereof. The applicable settlement method for any particular conversion of Notes (pursuant to clause (i), (ii) or (iii) above) shall be determined pursuant to Section 12.02(b).

(b) Prior to the 35th Scheduled Trading Day prior to the Maturity Date, the Company may elect to settle conversions in respect of the Conversion Obligation pursuant to clause (i), (ii) or (iii) of Section 12.02(a) (or, if the Company has made the Net Share Settlement Election on or prior to the applicable Conversion Date, clause (ii) or (iii) of Section 12.02(a)) by providing notice (a “**Consideration Notice**”) to the converting Holders through the Trustee (by requesting in writing that the Trustee provide the Consideration Notice) of the applicable settlement method no later than the second Business Day immediately following the related Conversion Date or by making the Net Share Settlement Election. If the Consideration Notice designates settlement pursuant to clause (iii) of Section 12.02(a), it will state the Specified Dollar Amount. If the Company does not provide a Consideration Notice in respect of a conversion and has not made the Net Settlement Election, conversion of the applicable Notes will be settled pursuant to clause (i) of Section 12.02(a).

At any time prior to the 35th Scheduled Trading Day prior to the Maturity Date, the Company may deliver a one-time Consideration Notice to the Holders designating the settlement method (clause (i), (ii) or (iii) of Section 12.02(a) or, if the Company has made the Net Share Settlement Election, clause (ii) or (iii) of Section 12.02(a)) for all conversions that occur on or after the 35th Scheduled Trading Day prior to the Maturity Date. For conversions that occur on or after the 35th Scheduled Trading Day prior to the Maturity Date,

(1) if the Company has not delivered the one-time Consideration Notice referred to in this Section 12.02(b) and has not made the Net Share Settlement Election, conversion of the applicable Notes will be settled in accordance with clause (i) of Section 12.02(a); and

(2) if the Company has not delivered the one-time Consideration Notice referred to in this Section 12.02(b) and has made the Net Share Settlement Election, conversion of the applicable Notes will be settled in accordance with clause (iii) of Section 12.02(a), and the Specified Dollar Amount for all such conversions will be deemed to be the Accreted Principal Amount as of the Maturity Date.

At any time prior to the 35th Scheduled Trading Day prior to the Maturity Date, the Company may deliver a one-time irrevocable notice to the Holders electing to settle all conversions of the Notes from the date of such notice pursuant to either clause (ii) or (iii) of Section 12.02(a) (the “**Net Share Settlement Election**”). If the Company has made the Net Share Settlement Election and elected to settle all conversions pursuant to clause (iii) above, the notice of such Net Share Settlement Election shall state the Specified Dollar Amount applicable to all conversions of such Notes, which shall be at least the Accreted Principal Amount of such Notes as of the Conversion Date, *provided* that the Specified Dollar Amount applicable to all conversions of such Notes converted on or after the 35th Scheduled Trading Day prior to the Maturity Date shall be at least the Accreted Principal Amount of such Notes as of the Maturity Date. Upon making the Net Share Settlement Election, the Company will issue a Press Release or post such information on its website, or otherwise publicly disclose such information, and will provide written notice to the Holders in the manner contemplated by this Supplemental Indenture, including through the facilities of the DTC.

The Company will settle all conversions by Holders converting on the same Trading Day in the same manner. Except for all conversions that occur on or after the 35th Scheduled Trading Day prior to the Maturity Date and, if the Company has made the Net Share Settlement Election (to the extent such election restricts the method of conversion), all conversions that occur on or after the date of such Net Share Settlement Election, the Company will have no obligation to settle Conversion Obligations arising on different Trading Days in the same manner.

(c) Notwithstanding any of the foregoing to the contrary, in lieu of settling the Conversion Obligation in the manner set forth in Section 12.02(a) above, the Company may elect (the “**Exchange Election**”) to direct the Conversion Agent in writing to surrender, on or prior to the second Business Day following the Conversion Date, Notes tendered for conversion to a financial institution designated by the Company (the “**Financial Institution**”) for exchange in lieu of conversion. In order to accept any Notes surrendered for conversion, the Financial Institution must agree to timely deliver, in exchange for such Notes, the shares of Common Stock and/or cash which would otherwise be due upon conversion as set forth in Section 12.02(a) (the “**Conversion Consideration**”). If the Company makes the Exchange Election, the Company will, by the close of business on the second Business Day following the relevant Conversion Date, notify Holders surrendering Notes for conversion that the Company has made the Exchange Election and will notify the Financial Institution of the Conversion Consideration to be delivered pursuant to Sections 12.02(a) and (b) and the relevant deadline for delivery of the Conversion Consideration. Any Notes exchanged by the Financial Institution will remain outstanding. If the Financial Institution agrees to accept Notes for exchange but does not timely deliver the related Conversion Consideration, or if such Financial Institution does not accept such Notes for exchange, the Company will deliver the Conversion Consideration as if the Company had not made the Exchange Election.

(d) Before any Holder of a Note shall be entitled to convert the same as set forth above, such Holder shall (1) in the case of a Global Note, comply with the procedures of the Depositary in effect at that time and, if required, pay funds equal to Interest payable on the next Interest Payment Date to which such Holder is not entitled as set forth in subsection (i) of this Section 12.02(a) and, if required, pay all taxes or duties, if any, in connection therewith and (2) in the case of a Note issued in certificated form, (A) complete and manually sign and deliver an irrevocable written notice to the Conversion Agent in the form set forth under Section 2.03 (or a facsimile thereof) (a “**Notice of Conversion**”) at the office of the Conversion Agent and shall state in writing therein the Accreted Principal Amount of Notes to be converted and the name or names (with addresses) in which such Holder wishes the certificate or certificates for any shares of Common Stock, if any, to be delivered upon settlement of the Conversion Obligation to be registered, (B) surrender such Notes, duly endorsed to the Company or in blank (and accompanied by appropriate endorsement and transfer documents), at the office of the Conversion Agent, (C) if required, pay funds equal to Interest payable on the next Interest Payment Date to which such Holder is not entitled as set forth in subsection (i) of Section 12.02(a), and (D) if required, pay all taxes or duties, if any, in connection therewith. As used herein, “**Conversion Date**” shall mean the date that the Holder has complied with the requirements set forth in this subsection (d).

No Notice of Conversion with respect to any Notes may be tendered by a Holder thereof if such Holder has also tendered a Fundamental Change Repurchase Notice and not validly withdrawn such Fundamental Change Repurchase Notice in accordance with the applicable provisions of Section 11.09.

If more than one Note shall be surrendered for conversion at one time by the same Holder, the Conversion Obligation with respect to such Notes, if any, that shall be payable upon conversion shall be computed on the basis of the aggregate Accreted Principal Amount of the Notes (or specified portions thereof to the extent permitted thereby) so surrendered.

(e) Delivery of the amounts owing in satisfaction of the Conversion Obligation shall be made by the Company in no event later than the date specified in subsection (a) of this Section 12.02, except to the extent specified in subsection (b) of this Section 12.02. The Company shall make such delivery by issuing, or causing to be issued, and delivering to such Holder, or such Holder’s nominee or nominees, certificates or a book-entry transfer through the Depositary for the number of full shares of Common Stock to which such Holder shall be entitled as part of such Conversion Obligation (together with any cash in lieu of fractional shares).

(f) In case any Note shall be surrendered for partial conversion, the Company shall execute and the Trustee shall, as provided in a Company Order, authenticate and deliver to or upon the written order of the Holder of the Note so surrendered, without charge to such Holder, a new Note or Notes in authorized denominations in an aggregate Accreted Principal Amount equal to the unconverted portion of the surrendered Notes.

(g) If a Holder submits a Note for conversion, the Company shall pay all documentary, stamp or similar issue or transfer tax due, if any, which may be imposed by the United States or any political subdivision thereof or taxing authority thereof or therein with respect to the issuance of shares of Common Stock, if any, upon the conversion. However, the Holder shall pay any such tax which is

due because the Holder requests any shares of Common Stock to be issued in a name other than the Holder's name. The Company may refuse to deliver the certificates representing the shares of Common Stock being issued in a name other than the Holder's name until the Company receives a sum sufficient to pay any tax which will be due because the shares are to be issued in a name other than the Holder's name. Nothing herein shall preclude any tax withholding required by law or regulations.

(h) Except as provided in Section 12.04, no adjustment shall be made for dividends on any shares issued upon the conversion of any Note as provided in this Article 12.

(i) Upon the conversion of an interest in a Global Note, the Trustee, or the Custodian at the direction of the Trustee, shall make a notation on such Global Note as to the reduction in the principal amount represented thereby. The Company shall notify the Trustee in writing of any conversion of Notes effected through any Conversion Agent other than the Trustee.

(j) Upon conversion, a Holder shall not receive any separate cash payment for accrued and unpaid Interest except as set forth below. The Company's settlement of the Conversion Obligation as described above shall be deemed to satisfy its obligation to pay the principal amount of the Notes and accrued and unpaid Interest to, but not including, the Conversion Date. As a result, accrued and unpaid Interest on the Notes to, but not including, the Conversion Date shall be deemed to be paid in full rather than cancelled, extinguished or forfeited. Notwithstanding the preceding sentence, if Notes are converted after 5:00 p.m., New York City time, on a Regular Record Date, Holders of such Notes as of 5:00 p.m., New York City time, on such Regular Record Date shall receive the Interest payable on such Notes on the corresponding Interest Payment Date notwithstanding the conversion. Notes surrendered for conversion during the period from 5:00 p.m., New York City time, on any Regular Record Date to 9:00 a.m., New York City time, on the corresponding Interest Payment Date must be accompanied by payment of an amount in cash equal to the Interest payable, on such Interest Payment Date, on the Notes so converted; *provided, however*, that no such payment need be made (i) if the Company has specified a Fundamental Change Repurchase Date that is after a Regular Record Date and on or prior to the corresponding Interest Payment Date; or (ii) to the extent of any overdue Interest remains unpaid at the time of conversion with respect to such Note. Except as described above, no payment or adjustment shall be made for accrued Interest on converted Notes. The Company shall not be required to convert any Notes that are surrendered for conversion without payment of Interest as required by this Section 12.02(j). The Conversion Rate will not be adjusted for accrued and unpaid Interest or accreted principal in excess of the \$1,000 Original Principal Amount of the Notes.

SECTION 12.03 *Fractions of Shares.*

No fractional shares of Common Stock shall be issued upon conversion of any Note or Notes. If more than one Note shall be surrendered for conversion at one time by the same Holder, the number of full shares which shall be issuable upon conversion thereof shall be computed on the basis of the aggregate Accreted Principal Amount of the Notes (or specified portions thereof) so surrendered. Instead of any fractional share of Common Stock that would otherwise be issuable upon conversion of any Note or Notes (or specified portions thereof), the Company shall calculate and pay a cash adjustment in respect of such fraction (calculated to the

nearest 1/100th of a share) based on the Daily VWAP on (x) the last VWAP Trading Day of the applicable Observation Period in the case of conversions following any Net Share Settlement Election or conversions settled in accordance with clause (iii) of Section 12.02(a) above and (y) the Conversion Date (or, if the Conversion Date is not a Trading Day, the next following Trading Day) if the Company elects to settle in accordance with clause (i) of Section 12.02(a) above.

SECTION 12.04 *Adjustment of Conversion Rate.*

The Conversion Rate shall be adjusted from time to time by the Company as follows; *provided* that the Company shall not make any adjustments to the Conversion Rate if Holders of the Notes participate (as a result of holding the Notes, and at the same time as holders of the Common Stock participate) in any of the transactions described below as if such Holders held a number of shares of Common Stock equal to the applicable Conversion Rate, multiplied by the Original Principal Amount (expressed in thousands) of Notes held by such Holders, without having to convert their Notes:

(a) In case the Company shall issue shares of Common Stock as a dividend or distribution on shares of Common Stock, or shall effect a share split or share combination, the Conversion Rate shall be adjusted based on the following formula:

$$CR' = CR_0 \times \frac{OS'}{OS_0}$$

where,

CR_0 = the Conversion Rate in effect immediately prior to the close of business on the Ex-Date for such dividend or distribution or the effective date of such share split or combination, as the case may be;

CR' = the Conversion Rate in effect immediately after the close of business on the Ex-Date for such dividend or distribution or the effective date of such share split or combination, as the case may be;

OS_0 = the number of shares of Common Stock outstanding immediately prior to the Ex-Date for such dividend or distribution or the effective date of such share split or combination, as the case may be; and

OS' = the number of shares of Common Stock that will be outstanding as of the Ex-Date for such dividend or distribution and immediately after giving effect to such dividend or distribution or immediately after the effective date of such share split or combination, as the case may be.

Such adjustment shall become effective immediately after the close of business on the Ex-Date fixed for such dividend or distribution, or the effective date for such share split or share combination. If any dividend or distribution of the type described in this Section 12.04(a) is declared but not so paid or made, or the outstanding shares of Common Stock are not split or combined, as the case may be, the Conversion Rate shall be immediately readjusted, effective as

of the date the Board of Directors determines not to pay such dividend or distribution, or split or combine the outstanding shares of Common Stock, as the case may be, to the Conversion Rate that would then be in effect if such dividend, distribution, share split or share combination had not been declared.

(b) In case the Company shall distribute to all or substantially all holders of its outstanding shares of Common Stock any rights or warrants entitling them for a period expiring not more than 60 calendar days after the Ex-Date of such distribution to subscribe for or purchase shares of Common Stock at a price per share less than the Last Reported Sale Price of the Common Stock on the Trading Day immediately preceding the declaration date of such distribution, the Conversion Rate shall be adjusted based on the following formula; *provided* that the Conversion Rate will be readjusted to the extent that such rights or warrants are not exercised prior to their expiration:

$$CR' = CR_0 \times \frac{(OS_0 + X)}{(OS_0 + Y)}$$

where,

CR₀ = the Conversion Rate in effect immediately prior to the close of business on the Ex-Date for such distribution;

CR' = the Conversion Rate in effect immediately after the close of business on the Ex-Date for such distribution;

OS₀ = the number of shares of Common Stock outstanding immediately prior to the Ex-Date for such distribution;

X = the total number of shares of Common Stock issuable pursuant to such rights or warrants; and

Y = the number of shares of Common Stock equal to the aggregate price payable to exercise such rights or warrants divided by the average of the Daily VWAP of Common Stock over the 10 consecutive VWAP Trading Day period ending on the VWAP Trading Day immediately preceding the Ex-Date for such distribution.

Such adjustment shall be successively made whenever any such rights or warrants are distributed and shall become effective immediately after the close of business on the Ex-Date for such distribution. The Company shall not issue any such rights or warrants in respect of shares of the Common Stock held in treasury by the Company. To the extent that shares of the Common Stock are not delivered after the expiration of such rights or warrants, the Conversion Rate shall be readjusted to the Conversion Rate that would then be in effect had the adjustments made upon the issuance of such rights or warrants been made on the basis of delivery of only the number of shares of Common Stock actually delivered. If such rights or warrants are not so issued, the Conversion Rate shall again be adjusted to be the Conversion Rate that would then be in effect if such Ex-Date for such distribution had not been fixed.

In determining whether any rights or warrants entitle the holders to subscribe for or purchase shares of Common Stock at less than such Last Reported Sale Price, and in determining the aggregate offering price of such shares of Common Stock, there shall be taken into account any consideration received by the Company for such rights or warrants and any amount payable on exercise or conversion thereof, the value of such consideration, if other than cash, to be determined by the Board of Directors.

(c) In case the Company shall, by dividend or otherwise, distribute to all or substantially all holders of its Common Stock shares of any class of Capital Stock of the Company, evidences of its Indebtedness or other assets or property of the Company (excluding (i) dividends and distributions covered by subsections (a), (b) or (d) of this Section 12.04 and distributions described below in this subsection (c) with respect to Spin-Offs) (any of such shares of Capital Stock, Indebtedness, or other asset or property hereinafter in this subsection (c) called the “**Distributed Property**”), then, in each such case the Conversion Rate shall be adjusted based on the following formula:

$$CR' = CR_0 \times \frac{SP_0}{SP_0 - FMV}$$

where,

CR₀ = the Conversion Rate in effect immediately prior to the close of business on the Ex-Date for such distribution;

CR' = the Conversion Rate in effect immediately after the close of business on the Ex-Date for such distribution;

SP₀ = the average of the Daily VWAP of Common Stock over the ten (10) consecutive VWAP Trading Day period ending on the VWAP Trading Day immediately preceding the Ex-Date for such distribution; and

FMV = the fair market value as determined by the Board of Directors or a committee thereof of the Distributed Property with respect to each outstanding share of Common Stock on the Ex-Date for such distribution.

Such adjustment shall become effective immediately after the close of business on the Ex-Date for such distribution; *provided* that if “FMV” as set forth above is equal to or greater than “SP₀” as set forth above, in lieu of the foregoing adjustment, adequate provision shall be made so that each Holder has the right to receive, for each \$1,000 in principal amount of Notes, the amount of Distributed Property such Holder would have received had such Holder owned a number of shares of Common Stock equal to the Conversion Rate on the Ex-Date for such distribution, without being required to convert the Notes. If such distribution is not so paid or made, the Conversion Rate shall again be adjusted to be the Conversion Rate that would then be in effect if such dividend or distribution had not been declared. If the Board of Directors determines “FMV” for purposes of this Section 12.04(c) by reference to the actual or when issued trading market for any securities, it must in doing so consider the prices in such market over the same period used in computing the Last Reported Sale Prices of the Common Stock over the ten consecutive Trading Day period ending on the Trading Day immediately preceding the Ex-Date for such distribution.

With respect to an adjustment pursuant to this subsection (c) where there has been a payment of a dividend or other distribution on the Common Stock, in shares of Capital Stock of any class or series, or similar equity interest, of or relating to a Subsidiary or other business unit (a “**Spin-Off**”), the Conversion Rate in effect immediately before 5:00 p.m., New York City time, on the 10th Trading Day immediately following, and including, the effective date of the Spin-Off shall be increased based on the following formula:

$$CR' = CR_0 \times \frac{FMV_0 + MP_0}{MP_0}$$

where,

CR₀ = the Conversion Rate in effect immediately prior to the close of business on the 10th Trading Day immediately following the effective date of the Spin-Off;

CR' = the Conversion Rate in effect immediately after the close of business on the 10th Trading Day immediately following the effective date of the Spin-Off;

FMV₀ = the average of the Last Reported Sale Prices of the Capital Stock or similar equity interest distributed to holders of Common Stock applicable to one share of Common Stock over the first 10 consecutive VWAP Trading Day period immediately following, and including, the effective date of the Spin-Off; and

MP₀ = the average of the Daily VWAP of Common Stock over the first 10 consecutive VWAP Trading Day period immediately following, and including, the effective date of the Spin-Off.

Such adjustment to the Conversion Rate under this subsection (c) shall occur on the 10th Trading Day from, and including, the effective date of the Spin-Off; *provided* that for any conversion within the 10 Trading Days immediately following, and including, the effective date of any Spin-Off, the Conversion Rate shall be adjusted based on the number of Trading Days between the effective date of such Spin-Off and the Conversion Date.

Rights or warrants distributed by the Company to all holders of Common Stock, entitling the holders thereof to subscribe for or purchase shares of the Company's Capital Stock, including Common Stock (either initially or under certain circumstances), which rights or warrants, until the occurrence of a specified event or events (“**Trigger Event**”): (i) are deemed to be transferred with such shares of Common Stock; (ii) are not exercisable; and (iii) are also issued in respect of future issuances of Common Stock, shall be deemed not to have been distributed for purposes of this Section 12.04 (and no adjustment to the Conversion Rate under this Section 12.04 shall be required) until the occurrence of the earliest Trigger Event, whereupon such rights and warrants shall be deemed to have been distributed and an appropriate adjustment (if any is required) to the Conversion Rate shall be made under this subsection (c). If any such rights or warrants are subject to events, upon the occurrence of which such rights or warrants become exercisable to

purchase different securities, evidences of Indebtedness or other assets, then the date of the occurrence of any and each such event shall be deemed to be the date of distribution and record date with respect to new rights or warrants with such rights (and a termination or expiration of the existing rights or warrants without exercise by any of the holders thereof). In addition, in the event of any distribution (or deemed distribution) of rights or warrants, or any Trigger Event or other event (of the type described in the preceding sentence) with respect thereto that was counted for purposes of calculating a distribution amount for which an adjustment to the Conversion Rate under this Section 12.04 was made, (1) in the case of any such rights or warrants that shall all have been redeemed or repurchased without exercise by any holders thereof, the Conversion Rate shall be readjusted upon such final redemption or repurchase to give effect to such distribution or Trigger Event, as the case may be, as though it were a cash distribution, equal to the per share redemption or repurchase price received by a holder or holders of Common Stock with respect to such rights or warrants (assuming such holder had retained such rights or warrants), made to all holders of Common Stock as of the date of such redemption or repurchase, and (2) in the case of such rights or warrants that shall have expired or been terminated without exercise by any holders thereof, the Conversion Rate shall be readjusted as if such rights and warrants had not been issued.

For purposes of this subsection (c) and subsections (a) and (b) of this Section 12.04, any dividend or distribution to which this subsection (c) is applicable that also includes shares of Common Stock to which subsection (a) of this Section 12.04 applies or rights or warrants to subscribe for or purchase shares of Common Stock to which subsection (a) or (b) of this Section 12.04 applies (or both), shall be deemed instead to be (1) a dividend or distribution of the evidences of Indebtedness, assets or shares of Capital Stock other than such shares of Common Stock or rights or warrants to which this subsection (c) applies (and any Conversion Rate adjustment required by this subsection (c) with respect to such dividend or distribution shall then be made), immediately followed by (2) a dividend or distribution of such shares of Common Stock or such rights or warrants (and any further Conversion Rate adjustment required by subsections (a) and (b) of this Section 12.04 with respect to such dividend or distribution shall then be made), except (A) the Ex-Date of such dividend or distribution shall under this subsection (c) be substituted as the “Ex-Date” within the meaning of subsection (a) and subsection (b) and (B) any shares of Common Stock included in such dividend or distribution shall not be deemed “outstanding immediately prior to the Ex-Date for such dividend or distribution or immediately prior to the effective date of such share split or combination, as the case may be” within the meaning of subsection (a) or “outstanding immediately prior to the Ex-Date for such distribution” within the meaning of subsection (b).

(d) In case the Company shall pay any cash dividends or distributions to all or substantially all holders of its Common Stock, the Conversion Rate shall be adjusted based on the following formula:

$$CR' = CR_0 \times \frac{SP_0}{SP_0 - C}$$

where,

CR₀ = the Conversion Rate in effect immediately prior to the close of business on the Ex-Date for such distribution;

CR' = the Conversion Rate in effect immediately after the close of business on the Ex-Date for such distribution;

SP₀ = the average of the Daily VWAP of Common Stock for the 10 consecutive VWAP Trading Day period immediately preceding the Ex-Date for such distribution; and

C = the amount in cash per share the Company distributes to holders of Common Stock in such distribution.

Such adjustment shall become effective immediately after the close of business on the Ex-Date for such dividend or distribution; *provided* that if the portion of the cash so distributed applicable to one share of the Common Stock is equal to or greater than SP₀ as set forth above, in lieu of the foregoing adjustment, adequate provision shall be made so that each Holder shall receive on the date on which such cash dividend is distributed to holders of Common Stock, for each \$1,000 in principal amount of Notes, the amount of cash such Holder would have received had such Holder owned a number of shares equal to the Conversion Rate on the Ex-Date for such distribution, without being required to convert the Notes. If such dividend or distribution is not so paid or made, the Conversion Rate shall again be adjusted to be the Conversion Rate that would then be in effect if such dividend or distribution had not been declared.

For the avoidance of doubt, for purposes of this subsection (d), in the event of any reclassification of the Common Stock, as a result of which the Notes become convertible into more than one class of Common Stock, if an adjustment to the Conversion Rate is required pursuant to this subsection (d), references in this subsection (d) to one share of Common Stock or Daily VWAP of one share of Common Stock shall be deemed to refer to a unit or to the price of a unit consisting of the number of shares of each class of Common Stock into which the Notes are then convertible equal to the numbers of shares of such class issued in respect of one share of Common Stock in such reclassification. The above provisions of this paragraph shall similarly apply to successive reclassifications.

(e) In case the Company or any of its Subsidiaries make a payment in respect of a tender offer or exchange offer for all or any portion of the Common Stock, to the extent that the cash and value of any other consideration included in the payment per share of Common Stock exceeds the Daily VWAP of the Common Stock on the VWAP Trading Day next succeeding the last date on which tenders or exchanges may be made pursuant to such tender or exchange offer, the Conversion Rate shall be increased based on the following formula:

$$CR' = CR_0 \times \frac{AC + (SP' \times OS')}{OS_0 \times SP'}$$

where,

CR₀ = the Conversion Rate in effect on the date such tender or exchange offer expires;

CR' = the Conversion Rate in effect on the day next succeeding the date such tender or exchange offer expires;

AC = the aggregate value of all cash and any other consideration as determined by the Board of Directors or a committee thereof paid or payable for shares purchased in such tender or exchange offer;

OS₀ = the number of shares of Common Stock outstanding immediately prior to the date such tender or exchange offer expires;

OS' = the number of shares of Common Stock outstanding immediately after the date such tender or exchange offer expires (after giving effect to such tender offer or exchange offer); and

SP' = the Last Reported Sale Price of Common Stock on the Trading Day next succeeding the date such tender or exchange offer expires.

Such adjustment shall become effective immediately after close of business on the Trading Day next succeeding the date such tender or exchange offer expires. If the Company or its Subsidiary is obligated to purchase shares of Common Stock pursuant to any such tender or exchange offer, but the Company or its Subsidiary is permanently prevented by applicable law from effecting all or any such purchases or all or any portion of such purchases are rescinded, the Conversion Rate shall again be adjusted to be the Conversion Rate that would then be in effect if such tender or exchange offer had not been made or had only been made in respect of the purchases that had been effected.

If the application of any of the foregoing formulas (other than in respect of a share combination) would result in a decrease in the Conversion Rate, no adjustment to the Conversion Rate will be made.

For purposes of this Section 12.04 the term “**record date**” shall mean, with respect to any dividend, distribution or other transaction or event in which the holders of Common Stock have the right to receive any cash, securities or other property or in which the Common Stock (or other applicable security) is exchanged for or converted into any combination of cash, securities or other property, the date fixed for determination of shareholders entitled to receive such cash, securities or other property (whether such date is fixed by the Board of Directors or by statute, contract or otherwise).

(f) (i) In addition to those increases required by subsections (a), (b), (c), (d) and (e) of this Section 12.04, and to the extent permitted by applicable law and the rules of the NASDAQ Global Select Market or any other securities exchange on which the Common Stock is then listed, the Company from time to time may increase the Conversion Rate by any amount for a period of at least 20 Business Days if the Board of Directors determines that such increase would be in the Company's best interest. If the Company makes such determination, it will be conclusive and the Company will notify the Holders of the Notes and the Trustee of the increased Conversion Rate and the period during which it will be in effect at least 15 calendar days prior to the date the increased Conversion Rate takes effect, in accordance with applicable law. The Company may also, but is not required to,

increase the Conversion Rate to avoid or diminish any income tax to holders of Common Stock or rights to purchase Common Stock in connection with a dividend or distribution of shares or rights to acquire shares or similar event. The Company shall not increase the Conversion Rate pursuant to this Section 12.04(f)(i), if such increase would cause the Company to be in violation of Rule 5635 of the NASDAQ Stock Market or any successor provision thereto, with respect to requirements of obtaining shareholder approval prior to the issuance of securities.

(ii) If the Company has in effect a rights plan upon a conversion of the Notes into Common Stock and the rights have not separated from the Common Stock, Holders will receive, upon a conversion of the Notes in respect of which the Company is required to deliver shares of Common Stock, in addition to such shares of Common Stock, rights under the Company's rights plan. If prior to any conversion, the rights have separated from the Common Stock, the Conversion Rate will be adjusted at the time of separation as if the Company had distributed to all holders of Common Stock, capital stock, evidences of indebtedness or other assets or property pursuant to Section 12.02(d) hereof, subject to readjustment upon the subsequent expiration, termination or redemption of such rights. If the Company's rights plan existing at the date of this Supplemental Indenture is terminated, no adjustment in the Conversion Rate will be required upon issuance of rights under any replacement plan.

(g) Except as described in this Section 12.04 or in Section 12.01(e), the Company will not adjust the Conversion Rate. Without limiting the foregoing, no adjustment to the Conversion Rate need be made:

(i) upon the issuance of any shares of Common Stock pursuant to any present or future plan providing for the reinvestment of dividends or interest payable on securities of the Company and the investment of additional optional amounts in shares of Common Stock under any plan;

(ii) upon the issuance of any shares of Common Stock or options or rights to purchase or acquire those shares of Common Stock pursuant to any present or future employee, director or consultant benefit plan or program of or assumed by the Company or any of its Subsidiaries;

(iii) upon the issuance of any shares of Common Stock pursuant to any option, warrant, right or exercisable, exchangeable or convertible security not described in clause (ii) above and outstanding as of the date of this Supplemental Indenture;

(iv) for a change in the par value of the Common Stock;

(v) for accrued and unpaid Interest;

(vi) for accreted principal in excess of the \$1,000 Original Principal Amount of the Notes; or

(vii) as a result of a tender offer solely to holders of fewer than 100 shares of the Common Stock.

(h) All calculations and other determinations under this Article 12 shall be made by the Company and shall be made to the nearest cent or to the nearest one-tenth thousandth (1/10,000) of a share, as the case may be. No adjustment shall be made to the Conversion Rate unless such adjustment would require a change of at least 1% in the Conversion Rate then in effect at such time. The Company shall carry forward any adjustments that are less than 1% of the Conversion Rate and make such carried forward adjustments, regardless of whether the aggregate adjustment is less than 1%, to any Notes that are converted upon such conversion.

(i) In any case in which this Section 12.04 provides that an adjustment shall become effective immediately after (1) the Ex-Date for an event or (2) the last date on which tenders or exchanges may be made pursuant to any tender or exchange offer pursuant to subsection (e) of this Section 12.04 (each an “**Adjustment Determination Date**”), the Company may elect to defer until the occurrence of the applicable Adjustment Event (as hereinafter defined) (x) issuing to the Holder of any Note converted after such Adjustment Determination Date and before the occurrence of such Adjustment Event, the additional cash and, if applicable, shares of Common Stock or other securities issuable upon such conversion by reason of the adjustment required by such Adjustment Event over and above the amounts deliverable upon such conversion before giving effect to such adjustment and (y) paying to such Holder any amount in cash in lieu of any fraction pursuant to Section 12.03. For purposes of this subsection (i), the term “**Adjustment Event**” shall mean:

(i) in any case referred to in clause (1) hereof, the date any dividend or distribution of Common Stock, shares of Capital Stock, evidences of Indebtedness, other assets or property or cash is paid or made, the effective date of any share split or combination or the date of expiration of any rights or warrants; and

(ii) in any case referred to in clause (2) hereof, the date a sale or exchange of Common Stock pursuant to such tender or exchange offer is consummated and becomes irrevocable.

(j) For purposes of this Section 12.04, the number of shares of Common Stock at any time outstanding shall not include shares held in the treasury of the Company but shall include shares issuable in respect of scrip certificates issued in lieu of fractions of shares of Common Stock.

(k) For the avoidance of doubt, if a Holder converts Notes prior to the effective date of a Fundamental Change, and the Fundamental Change does not occur, the Holder shall not be entitled to Additional Shares in connection with such conversion.

(l) With respect to a conversion of Notes pursuant to this Article 12, on the date the Shares issuable upon conversion of the Notes are delivered to the converting Holder pursuant to Section 12.02(a) (the “**Delivery Date**”), the Person in whose name any certificate representing any shares of Common Stock issuable upon such conversion is registered shall be treated as a stockholder of record of the Company on such Delivery Date. On and after the Delivery Date with respect to a conversion of Notes pursuant hereto, all rights of the Holders of such Notes shall terminate. A Holder of a Note is not entitled, as such, to any rights of a holder of Common Stock unless and until such Holder converts such Note and receives shares of Common Stock in respect of such conversion on the Delivery Date with respect to such conversion.

(m) Whenever any provision of this Article 12 requires a calculation of Last Reported Sale Prices over a span of multiple days, the Company shall make appropriate adjustments to account for any adjustment to the Conversion Rate that becomes effective, or any event requiring an adjustment to the Conversion Rate where the Ex-Date of the event occurs, at any time during the period from which such calculation is to be calculated; *provided* that such adjustments shall only be made to the Conversion Rate relating to days prior to the date that the adjustment to the Conversion Rate becomes effective.

(n) If the effective date of any adjustment event described in this Section 12.04 occurs during an Observation Period for any Notes, the Company shall make proportional adjustments to the number of Deliverable Shares (in the same manner as the Conversion Rate) for each VWAP Trading Day during the portion of the Observation Period preceding the effective date of such adjustment event.

SECTION 12.05 *Notice of Adjustments of Conversion Rate.*

Whenever the Conversion Rate is adjusted as herein provided:

(a) the Company shall compute the adjusted Conversion Rate in accordance with Section 12.04 and shall prepare a certificate signed by the Chief Financial Officer of the Company setting forth the adjusted Conversion Rate and showing in reasonable detail the facts upon which such adjustment is based, and such certificate shall promptly be filed with the Trustee and with each Conversion Agent (if other than the Trustee); and

(b) upon each such adjustment, a notice stating that the Conversion Rate has been adjusted and setting forth the adjusted Conversion Rate shall be required, such notice shall be provided by the Company to all Holders in accordance with Section 1.6 of the Base Indenture.

Neither the Trustee nor any Conversion Agent shall be under any duty or responsibility with respect to any such certificate or the information and calculations contained therein, except to exhibit the same to any Holder desiring inspection thereof at its office during normal business hours or in such other manner of inspection as the Trustee deems practicable.

SECTION 12.06 *Company to Reserve Common Stock.*

The Company shall at all times reserve and keep available, free from preemptive rights, out of its authorized but unissued Common Stock, for the purpose of effecting the conversion of Notes, the full number of shares of Common Stock then issuable upon the conversion of all Outstanding Notes.

SECTION 12.07 *Taxes on Conversions.*

Except as provided in the next sentence, the Company shall pay all documentary, stamp or similar issue or transfer tax due that may be payable in respect of the issue or delivery of shares of Common Stock on conversion of Notes pursuant hereto. The Company shall not, however, be required, and the Holder shall instead be required, to pay any tax or duty that may be payable in respect of (i) income of the Holder, or (ii) any transfer involved in the issue and

delivery of shares of Common Stock in a name other than that of the Holder of the Note or Notes to be converted, and no such issue or delivery shall be made unless and until the Person requesting such issue has paid to the Company the amount of any such tax or duty, or has established to the satisfaction of the Company that such tax or duty has been paid.

SECTION 12.08 *Certain Covenants.*

Before taking any action which would cause an adjustment reducing the Conversion Rate below the then par value, if any, of the shares of Common Stock issuable upon conversion of the Notes, the Company shall take all corporate action, if any, which it reasonably determines may be necessary in order that the Company may validly and legally issue shares of such Common Stock at such adjusted Conversion Rate.

The Company covenants that all shares of Common Stock issued upon conversion of Notes shall be fully paid and non-assessable by the Company and free from all liens created by the Company.

SECTION 12.09 *Cancellation of Converted Notes.*

All Notes delivered for conversion shall be delivered to the Trustee or its agent and canceled by the Trustee as provided in Section 3.11.

SECTION 12.10 *Provision in Case of Effect of Reclassification, Consolidation, Merger or Sale.*

If there shall occur (i) any Fundamental Change described in clause (2) of the definition of Fundamental Change, (ii) any reclassification or change of the outstanding shares of Common Stock (other than a change in par value, or from par value to no par value, or from no par value to par value, or as a result of a split, subdivision or combination), (iii) any consolidation, binding share exchange, recapitalization, reclassification, merger, combination or other similar event, or (iv) any sale or conveyance of all or substantially all of the property and assets of the Company to any other Person, in any case as a result of which holders of Common Stock shall be entitled to receive cash, securities or other property or assets with respect to or in exchange for their shares of Common Stock (any such event described in clauses (i) through (iv) a “**Merger Event**”), then:

(a) the Company or the successor or purchasing Person, as the case may be, shall execute with the Trustee (subject to the Trustee’s rights as provided herein) a supplemental indenture (which shall comply with the Trust Indenture Act as in force at the date of execution of such supplemental indenture if such supplemental indenture is then required to so comply) permitted under Section 8.01(f) providing for the conversion and settlement of the Notes as set forth in this Supplemental Indenture. Such supplemental indenture shall provide for adjustments which shall be as nearly equivalent as may be practicable to the adjustments provided for in this Article 12 and the Trustee may conclusively rely on the determination by the Company of the equivalency of such adjustments. If, in the case of any Merger Event, the Reference Property includes shares of stock or other securities and assets of a company other than the successor or purchasing company, as the case may be, in such change of control, consolidation, binding share exchange, recapitalization, reclassification, merger,

combination, sale or conveyance or Fundamental Change described in clause (2) of the definition of Fundamental Change, then such supplemental indenture shall also be executed by such other company and shall contain such additional provisions to protect the interests of the Holders of the Notes as the Board of Directors shall reasonably consider necessary by reason of the foregoing, including to the extent required by the Board of Directors and practicable the provisions providing for the repurchase rights set forth in Article 11.

In the event a supplemental indenture is executed pursuant to this Section 12.10, the Company shall promptly file with the Trustee an Officers' Certificate (and the documents and information provided for in Section 9.3 of the Base Indenture) briefly stating the reasons therefore, the kind or amount of cash, securities, property or assets that will constitute the Reference Property after any such Merger Event, any adjustment to be made with respect thereto and that all conditions precedent have been complied with, and shall promptly mail notice thereof to all Holders, and the Trustee shall be protected in relying on such Officers' Certificate; it being understood that the Trustee shall have no responsibility to determine the correctness of any provisions contained in any supplemental indenture executed pursuant to this Section 12.10.

If any securities to be provided for the purpose of conversion of Notes hereunder require registration with or approval of any governmental authority under any federal or state law before such securities may be validly issued upon conversion, each supplemental indenture executed pursuant to this Section 12.10 shall provide that the Company or the successor or the purchasing Person, as the case may be, or if the Reference Property includes shares of stock or other securities and assets of a company other than the successor or purchasing company, as the case may be, then such company, shall use all commercially reasonable efforts, to the extent then permitted by the rules and interpretations of the Commission (or any successor thereto), to secure such registration or approval in connection with the conversion of Notes.

Notwithstanding the provisions of Section 12.02 and Section 12.03, and subject to the provisions of Section 12.01, at the effective time of such Merger Event, the right to convert each \$1,000 in principal amount of Notes shall be changed to a right to convert such Notes by reference to the kind and amount of cash, securities, or other property that a holder of a number of shares of Common Stock equal to the Conversion Rate immediately prior to such transaction would have owned or been entitled to receive (the "**Reference Property**") such that from and after the effective time of such transaction, a Holder shall be entitled thereafter to convert its Notes into the same type (and in the same proportion) of Reference Property, subject to the Company's right to elect to settle conversions, in whole or in part, in shares of Common Stock, cash or a combination of cash and shares of Common Stock, *provided* that if the Company makes the Net Share Settlement Election, upon conversion, Holders will receive Reference Property as follows: (x) either (i) all cash or (ii) cash up to the Specified Dollar Amount, and (y) in lieu of the shares of Common Stock otherwise deliverable, Reference Property. The amount of consideration, and, consequently, Reference Property, Holders receive upon conversion will be based on the Daily Conversion Values of Reference Property and the applicable Conversion Rate, as described in Section 12.02. For purposes of determining the constitution of Reference Property, the type and amount of consideration that a holder of Common Stock would have been entitled to in the case of any Merger Event that causes the Common Stock to be converted into the right to receive more than a single type of consideration determined, based in part upon any

form of stockholder election, such consideration will be deemed to be the weighted average of the types and amounts of consideration received by the holders of Common Stock that affirmatively make such an election, or (ii) if no holders of Common Stock affirmatively make such an election, the types and amount of consideration actually received by such holders. The Company shall not become a party to any such transaction unless its terms are consistent with the preceding. None of the foregoing provisions shall affect the right of a Holder to convert its Notes in accordance with the provisions of this Article 12 prior to the effective date.

(b) The Company shall cause notice of the execution of such supplemental indenture to be mailed to each Holder, at his address appearing on the Securities Register provided for in this Supplemental Indenture, within 20 calendar days after execution thereof. Failure to deliver such notice shall not affect the legality or validity of such supplemental indenture.

(c) The above provisions of this Section 12.10 shall similarly apply to successive Merger Events.

SECTION 12.11 *Company Responsible for Making Calculations .*

Except as otherwise provided herein, the Company will be responsible for making all calculations required under the Notes and this Supplemental Indenture. The Company will make these calculations in good faith and absent manifest error, these calculations will be final and binding on the Holders. The Company will provide a schedule of such calculations to each of the Trustee and the Conversion Agent, and each of the Trustee and the Conversion Agent is entitled to conclusively rely upon the accuracy of such calculations without independent verification. The Trustee will forward the Company's calculations to any Holder upon the written request of such Holder.

SECTION 12.12 *Responsibility of Trustee for Conversion Provisions .*

The Trustee and any Conversion Agent shall not at any time be under any duty or responsibility to any Holder to determine whether any facts exist which may require any adjustment of the Conversion Rate, or with respect to the nature or extent of any such adjustment when made, or with respect to the method employed, herein or in any supplemental indenture provided to be employed, in making the same, or whether a supplemental indenture need be entered into. Neither the Trustee nor any Conversion Agent shall be accountable with respect to the validity or value (or the kind or amount) of any Common Stock, or of any other securities or property or cash, which may at any time be issued or delivered upon the conversion of any Notes; and it or they do not make any representation with respect thereto. Neither the Trustee nor any Conversion Agent shall be responsible for any failure of the Company to make or calculate any cash payment or to issue, transfer or deliver any shares of Common Stock or share certificates or other securities or property or cash upon the surrender of any Note for the purpose of conversion; and the Trustee and any Conversion Agent shall not be responsible for any failure of the Company to comply with any of the covenants of the Company contained in this Article 12.

This instrument may be executed in any number of counterparts, each of which so executed shall be deemed to be an original, but all such counterparts shall together constitute but one and the same instrument.

IN WITNESS WHEREOF, the parties hereto have caused this Supplemental Indenture to be duly executed all as of the day and year first above written.

HOLOGIC, INC.

By: /s/ Glenn P. Muir

Name: Glenn P. Muir

Title: Executive Vice President, Finance and
Administration, Chief Financial Officer, Assistant
Treasurer and Assistant Secretary

WILMINGTON TRUST COMPANY,
as Trustee

By: /s/ Geoffrey J. Lewis

Name: Geoffrey J. Lewis

Title: Assistant Vice President

SCHEDULE A

The following table sets forth the hypothetical “Stock Price,” “Make-Whole Reference Date” and the adjustments to the Conversion Rate, expressed as a number of Additional Shares by which the Conversion Rate shall be increased in the event of a Fundamental Change (other than events described in clauses (3) and (5) of the definition of a Fundamental Change), in accordance with the Supplemental Indenture:

Make-Whole Reference Date	Stock Price												
	\$16.50	\$19.00	\$21.50	\$24.00	\$26.50	\$29.00	\$31.50	\$34.00	\$36.50	\$39.00	\$41.50	\$44.00	\$46.50
November 23, 2010	16.3663	12.5995	9.9598	8.0492	6.6312	5.5474	4.7054	4.0372	3.4989	3.0605	2.6989	2.3966	2.1719
December 15, 2011	16.4892	12.0901	8.9274	6.8396	5.6347	4.7137	3.9983	3.4305	2.9731	2.6005	2.2933	2.0364	1.8456
December 15, 2012	16.6051	11.6101	7.9545	5.6997	4.6956	3.9281	3.3319	2.8588	2.4776	2.1671	1.9111	1.6970	1.5380
December 15, 2013	16.7210	11.1301	6.9816	4.5598	3.7565	3.1425	2.6655	2.2870	1.9821	1.7337	1.5289	1.3576	1.2304
December 15, 2014	16.8368	10.6500	6.0087	3.4198	2.8174	2.3569	1.9991	1.7153	1.4866	1.3003	1.1467	1.0182	0.9228
December 15, 2015	16.9527	10.1700	5.0358	2.2799	1.8782	1.5712	1.3328	1.1435	0.9910	0.8668	0.7644	0.6788	0.6152
December 15, 2016	17.1845	9.2100	3.0900	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000

SCHEDULE B

The following table sets forth the Accreted Principal Amounts as of the specified dates during the period from December 15, 2016 through the Maturity Date.

<u>Date</u>	<u>Accreted Principal Amount</u>
December 15, 2016	\$ 1,000.00
June 15, 2017	\$ 1,010.00
December 15, 2017	\$ 1,020.10
June 15, 2018	\$ 1,030.30
December 15, 2018	\$ 1,040.60
June 15, 2019	\$ 1,051.01
December 15, 2019	\$ 1,061.52
June 15, 2020	\$ 1,072.14
December 15, 2020	\$ 1,082.86
June 15, 2021	\$ 1,093.69
December 15, 2021	\$ 1,104.62
June 15, 2022	\$ 1,115.67
December 15, 2022	\$ 1,126.83
June 15, 2023	\$ 1,138.09
December 15, 2023	\$ 1,149.47
June 15, 2024	\$ 1,160.97
December 15, 2024	\$ 1,172.58
June 15, 2025	\$ 1,184.30
December 15, 2025	\$ 1,196.15
June 15, 2026	\$ 1,208.11
December 15, 2026	\$ 1,220.19
June 15, 2027	\$ 1,232.39
December 15, 2027	\$ 1,244.72
June 15, 2028	\$ 1,257.16
December 15, 2028	\$ 1,269.73
June 15, 2029	\$ 1,282.43
December 15, 2029	\$ 1,295.26
June 15, 2030	\$ 1,308.21
December 15, 2030	\$ 1,321.29
June 15, 2031	\$ 1,334.50
December 15, 2031	\$ 1,347.85
June 15, 2032	\$ 1,361.33
December 15, 2032	\$ 1,374.94
June 15, 2033	\$ 1,388.69
December 15, 2033	\$ 1,402.58
June 15, 2034	\$ 1,416.60
December 15, 2034	\$ 1,430.77
June 15, 2035	\$ 1,445.08
December 15, 2035	\$ 1,459.53
June 15, 2036	\$ 1,474.12
December 15, 2036	\$ 1,488.86
June 15, 2037	\$ 1,503.75
December 15, 2037	\$ 1,518.79

The accreted principal amount of a note between the dates listed above will include an amount reflecting the additional principal accretion that has accrued as of such date since the immediately preceding date in the table.

Schedule to Senior Vice President Change of Control Agreement

The following is a list of our officers who are party to the company's Senior Vice President Change of Control Agreement, the form of which was filed as an exhibit to the company's Quarterly Report on Form 10-Q for the period ending 12/27/2008:

David Brady
Mark Casey
Arthur Friedman
Stephen Furlong
David Harding
William Healy
Zhenxue Jing
Robert Lavalley
Roger Mills
Michael Parrilla
John Pekarsky
David Rudzinsky
Peter Soltani
Thomas Umbel
Steve Williamson

COMPUTATION OF RATIO OF EARNINGS TO FIXED CHARGES

The following table presents the computation of our ratio of earnings to fixed charges for each of the periods indicated (in thousands, except ratio).

	Fiscal Year Ended				
	September 25, 2010	September 26, 2009	September 27, 2008	September 29, 2007	September 30, 2006
Earnings:					
(Loss) earnings before provision for income taxes	\$ (54,991)	\$ (2,154,130)	\$ (327,272)	\$ 148,489	\$ 53,223
Fixed charges	133,603	142,400	140,311	6,072	4,234
Interest capitalized during the period	(25)	(372)	(533)	—	—
Amortization of capitalized interest	—	—	—	—	—
Total earnings (losses)	<u>\$ 78,587</u>	<u>\$ (2,012,102)</u>	<u>\$ (187,494)</u>	<u>\$ 154,561</u>	<u>\$ 57,457</u>
Fixed charges:					
Interest expense	\$ 127,107	\$ 134,957	\$ 133,043	\$ 2,511	\$ 1,230
Interest capitalized during the period	25	372	533	—	—
Estimate of interest within rental expense	6,471	7,071	6,735	3,561	3,004
Total fixed charges	<u>\$ 133,603</u>	<u>\$ 142,400</u>	<u>\$ 140,311</u>	<u>\$ 6,072</u>	<u>\$ 4,234</u>
Ratio of earnings to fixed charges (a)	<u>—</u>	<u>—</u>	<u>—</u>	<u>25.45</u>	<u>13.57</u>

For the purpose of calculating the ratio of earnings to fixed charges, earnings consist of net (loss) income plus the provision for income taxes and fixed charges. Fixed charges consist of interest expense, amortization of debt discount and debt issuance costs and an estimate of the interest portion of rental expense. Interest expense recorded on uncertain tax positions has been recorded in the provision for income taxes and therefore has been excluded from the calculation.

- (a) In 2010, 2009 and 2008, we incurred losses from operations, and as a result, our earnings were insufficient to cover our fixed charges by \$55.0 million, \$2.15 billion and \$327.8 million, respectively.

Subsidiaries of Hologic

2247491 Ontario Inc.
 AEG Elektrofotografie GmbH
 AEG Photoconductor Corporation
 BioLucent, LLC
 Cruiser, Inc.
 Hologic (Australia) PTY Ltd.
 Hologic Canada, Ltd
 Cytyc Cayman Limited
 Cytyc Corporation
 Cytyc Development Company, LLC
 Hologic Benelux B.V.
 Hologic Europe Middle East and Africa, S.A.
 Hologic France, Sarl
 Hologic Deutschland GmbH
 Hologic Asia Pacific Limited
 Hologic Iberia (Spain), SL
 Cytyc Interim, Inc.
 Cytyc International, Inc.
 Hologic Italia S.r.l.
 Cytyc S.a.r.l.
 Cytyc Limited Liability Company
 Cytyc Prenatal Products Corp.
 Cytyc Securities Corporation
 Hologic Suisse, S.A.
 Cytyc Surgical Products II, Limited Partnership.
 Cytyc Surgical Products III, Inc.
 Cytyc Surgical Products Limited Partnership
 Direct Radiography Corp.
 Hologic Asia Limited
 Hologic Espana S.A.
 Hologic N.V.
 Hologic France S.A.
 Hologic International Holdings B.V.
 Hologic Investment Corp.
 Hologic Limited Partnership
 Hologic Surgical Products Costa Rica, S.A.
 Hologic (UK) Limited
 R2 Technology Canada, Inc.
 SST Merger Corp.
 Sentinelle Medical, Inc.
 Sentinelle Medical USA, Inc.
 Suros Surgical Systems, Inc.
 Third Wave Technologies, Inc.
 Third Wave Agbio Inc.
 Third Wave Japan, Inc.

Jurisdiction of Incorporation or Organization

Canada
 Germany
 Delaware
 Delaware
 Delaware
 Australia
 Canada
 Cayman Islands
 Delaware
 Delaware
 Netherlands
 Switzerland
 France
 Germany
 Hong Kong
 Spain
 Delaware
 Delaware
 Italy
 Switzerland
 Delaware
 Delaware
 Massachusetts
 Switzerland
 Massachusetts
 Delaware
 Massachusetts
 Delaware
 Hong Kong
 Spain
 Belgium
 France
 Netherlands
 Massachusetts
 Massachusetts
 Costa Rica
 England and Whales
 Ontario
 Delaware
 Canada
 Nevada
 Delaware
 Delaware
 Delaware
 Japan

Consent of Independent Registered Public Accounting Firm

We consent to the incorporation by reference in the following Registration Statements of our reports dated November 24, 2010, with respect to the consolidated financial statements of Hologic, Inc. and the effectiveness of internal control over financial reporting of Hologic, Inc., included in this Annual Report (Form 10-K) for the year ended September 25, 2010.

- (1) Registration Statement (Form S-8 No. 33-35191) pertaining to the Hologic, Inc. 1986 Combination Stock Option Plan and 1990 Non-Employee Director Stock Option Plan.
- (2) Registration Statement (Form S-8 No. 33-47830) pertaining to the Hologic, Inc. 1990 Non-Employee Director Stock Option Plan.
- (3) Registration Statement (Form S-8 No. 33-87792) pertaining to the Hologic, Inc. Amended and Restated 1990 Non-Employee Director Stock Option Plan, 1986 Combination Stock Option Plan, and Savings and Investment Plan.
- (4) Registration Statement (Form S-8 No. 33-11849) pertaining to the Hologic, Inc. 1990 Combination Stock Option Plan and the Hologic, Inc. Amended & Restated 1990 Non-Employee Director Stock Option Plan.
- (5) Registration Statement (Form S-8 No. 333-34003) pertaining to the Hologic, Inc. 1997 Employee Equity Incentive Plan.
- (6) Registration Statement (Form S-8 No. 333-79167) pertaining to the Hologic, Inc. 1997 Employee Equity Incentive Plan and the Hologic, Inc. Amended and Restated 1999 Equity Incentive Plan.
- (7) Registration Statement (Form S-8 No. 333-34634) pertaining to Hologic, Inc. 1997 Employee Equity Incentive Plan.
- (8) Registration Statement (Form S-8 No. 333-60046) pertaining to the Hologic, Inc. Amended and Restated 1999 Equity Incentive Plan, the Hologic, Inc. 2000 Acquisition Equity Incentive Plan and the Hologic, Inc. 2000 Employee Stock Purchase Plan.
- (9) Registration Statement (Form S-8 No. 333-112222) pertaining to the Hologic, Inc. Amended and Restated 1999 Equity Incentive Plan.
- (10) Registration Statement (Form S-8 No. 333-121111) pertaining to the Hologic, Inc. Amended and Restated 1999 Equity Incentive Plan.
- (11) Registration Statement (Form S-8 No. 333-130170) pertaining to the Hologic, Inc. Amended and Restated 1999 Equity Incentive Plan.
- (12) Registration Statement (Form S-8 No. 333-139341) pertaining to the Hologic, Inc. Second Amended and Restated 1999 Equity Incentive Plan.
- (13) Registration Statement (Form S-8 No. 333-146887) pertaining to the Cytyc Corporation 1995 Stock Plan, the Cytyc 1995 Non-Employee Director Stock Option Plan, the Cytyc Corporation 1998 Stock Plan of Pro Duct Health, Inc., the Cytyc Corporation 2001 Non-Employee Director Stock Plan, the Cytyc Corporation 2004 Omnibus Stock Plan, and the Hologic Second Amended and Restated 1999 Equity Incentive Plan.
- (14) Registration Statement (Form S-3ASR No. 333-147784) pertaining to Hologic, Inc.'s shelf registration statement for common stock, preferred stock, debt securities, rights, warrants, purchase contracts, units or any combination of the foregoing.
- (15) Registration Statement (Form S-8 No. 333-150796) pertaining to the Hologic, Inc. 2008 Equity Incentive Plan, the Hologic, Inc. Employee Stock Purchase Plan, Hologic, Inc.'s two-for one stock split in the form of a dividend of one share of common stock for each share of common stock outstanding as of March 21, 2008 and the adjustment of shares registered under Hologic, Inc.'s Stock Plans.
- (16) Registration Statement (Form S-8 No. 333-152577) pertaining to the Third Wave Technologies, Inc. 1999 Incentive Stock Option Plan and the Third Wave Technologies, Inc. 2000 Stock Plan, as amended.

/s/ Ernst & Young LLP

Boston, Massachusetts
November 24, 2010

CERTIFICATION PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Robert A. Cascella, Chief Executive Officer of Hologic, Inc., certify that:

1. I have reviewed this annual report on Form 10-K of Hologic, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, 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;
 - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 24, 2010

/S/ ROBERT A. CASCELLA

Robert A. Cascella
Chief Executive Officer

CERTIFICATION PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Glenn P. Muir, Chief Financial Officer of Hologic, Inc., certify that:

1. I have reviewed this annual report on Form 10-K of Hologic, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, 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;
 - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 24, 2010

/s/ GLENN P. MUIR

Glenn P. Muir
Chief Financial Officer

Certification
Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
(Subsections (a) and (b) of Section 1350, Chapter 63 of Title 18, United States Code)

I, Robert A. Cascella, Chief Executive Officer of Hologic, Inc., a Delaware corporation (the "Company"), do hereby certify, pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (subsections (a) and (b) of Section 1350, Chapter 63 of Title 18, United States Code) that,

(1) The Annual Report on Form 10-K for the year ended September 25, 2010 (the "Form 10-K") of the Company fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Form 10-K fairly presents, in all material respects, the financial condition and results of operations of the Company.

Dated: November 24, 2010

/S/ ROBERT A. CASCELLA

Robert A. Cascella
Chief Executive Officer

A SIGNED ORIGINAL OF THIS WRITTEN STATEMENT REQUIRED BY SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002 HAS BEEN PROVIDED TO HOLOGIC, INC. AND WILL BE RETAINED BY HOLOGIC, INC. AND FURNISHED TO THE SECURITIES AND EXCHANGE COMMISSION OR ITS STAFF UPON REQUEST.

Certification
Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
(Subsections (a) and (b) of Section 1350, Chapter 63 of Title 18, United States Code)

I, Glenn P. Muir, Chief Financial Officer of Hologic, Inc., a Delaware corporation (the "Company"), do hereby certify, pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (subsections (a) and (b) of Section 1350, Chapter 63 of Title 18, United States Code) that:

(1) The Annual Report on Form 10-K for the year ended September 25, 2010 (the "Form 10-K") of the Company fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Form 10-K fairly presents, in all material respects, the financial condition and results of operations of the Company.

Dated: November 24, 2010

/s/ GLENN P. MUIR

Glenn P. Muir
Chief Financial Officer

A SIGNED ORIGINAL OF THIS WRITTEN STATEMENT REQUIRED BY SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002 HAS BEEN PROVIDED TO HOLOGIC, INC. AND WILL BE RETAINED BY HOLOGIC, INC. AND FURNISHED TO THE SECURITIES AND EXCHANGE COMMISSION OR ITS STAFF UPON REQUEST.

