Radius Health, Inc.
Form 4
January 26, 2016

FORM 4

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

OMB APPROVAL

OMB Number:	3235-0287
Expires:	January 31, 2005
Estimated average burden hours per response...	0.5

Check this box if no longer subject to Section 16. Form 4 or Form 5 obligations may continue. *See* Instruction 1(b).

STATEMENT OF CHANGES IN BENEFICIAL OWNERSHIP OF SECURITIES

Filed pursuant to Section 16(a) of the Securities Exchange Act of 1934, Section 17(a) of the Public Utility Holding Company Act of 1935 or Section 30(h) of the Investment Company Act of 1940

(Print or Type Responses)

1. Name and Address of Reporting Person *
Fitzpatrick Lorraine A.

(Last) (First) (Middle)

C/O RADIUS HEALTH, INC., 950 WINTER ST.

(Street)

WALTHAM, MA 02451

(City) (State) (Zip)

2. Issuer Name **and** Ticker or Trading Symbol
Radius Health, Inc. [RDUS]

3. Date of Earliest Transaction (Month/Day/Year)
11/25/2015

4. If Amendment, Date Original Filed(Month/Day/Year)

5. Relationship of Reporting Person(s) to Issuer

(Check all applicable)

_____ Director _____ 10% Owner
__X__ Officer (give title below) _____ Other (specify below)
Chief Medical Officer

6. Individual or Joint/Group Filing(Check Applicable Line)
_X_ Form filed by One Reporting Person
___ Form filed by More than One Reporting Person

Table I - Non-Derivative Securities Acquired, Disposed of, or Beneficially Owned

1.Title of Security (Instr. 3)	2. Transaction Date (Month/Day/Year)	2A. Deemed Execution Date, if any (Month/Day/Year)	3. Transaction Code (Instr. 8)		4. Securities Acquired (A) or Disposed of (D) (Instr. 3, 4 and 5)			5. Amount of Securities Beneficially Owned Following Reported Transaction(s) (Instr. 3 and 4)	6. Ownership Form: Direct (D) or Indirect (I) (Instr. 4)	7. Nature of Indirect Beneficial Ownership (Instr. 4)
			Code	V	Amount	(A) or (D)	Price			
Common Stock	01/25/2016		P		100	A	$ 37.97	200	D	
Common Stock	11/25/2015		P		100	A	$ 60.595	100	D	

Reminder: Report on a separate line for each class of securities beneficially owned directly or indirectly.

Persons who respond to the collection of information contained in this form are not required to respond unless the form displays a currently valid OMB control number.

SEC 1474 (9-02)

Table II - Derivative Securities Acquired, Disposed of, or Beneficially Owned
(*e.g.*, puts, calls, warrants, options, convertible securities)

1. Title of Derivative Security (Instr. 3)	2. Conversion or Exercise Price of Derivative Security	3. Transaction Date (Month/Day/Year)	3A. Deemed Execution Date, if any (Month/Day/Year)	4. Transaction Code (Instr. 8)		5. Number of Derivative Securities Acquired (A) or Disposed of (D) (Instr. 3, 4, and 5)		6. Date Exercisable and Expiration Date (Month/Day/Year)		7. Title and Amount of Underlying Securities (Instr. 3 and 4)		8. Price of Derivative Security (Instr. 5)	9. Nu Deriv Secur Bene Owne Follo Repo Trans (Instr
				Code	V	(A)	(D)	Date Exercisable	Expiration Date	Title	Amount or Number of Shares		

Reporting Owners

Reporting Owner Name / Address	Relationships			
	Director	10% Owner	Officer	Other
Fitzpatrick Lorraine A. C/O RADIUS HEALTH, INC. 950 WINTER ST. WALTHAM, MA 02451			Chief Medical Officer	

Signatures

/s/ B. Nicholas Harvey, Attorney-in-fact	01/26/2016
**Signature of Reporting Person	Date

Explanation of Responses:

* If the form is filed by more than one reporting person, *see* Instruction 4(b)(v).

** Intentional misstatements or omissions of facts constitute Federal Criminal Violations. *See* 18 U.S.C. 1001 and 15 U.S.C. 78ff(a).

Note: File three copies of this Form, one of which must be manually signed. If space is insufficient, *see* Instruction 6 for procedure.
Potential persons who are to respond to the collection of information contained in this form are not required to respond unless the form displays a currently valid OMB number. D VALIGN="bottom" COLSPAN="2" ALIGN="center" STYLE="border-bottom:1px solid #000000">**December 29,**
2007 **September 29,**
2007 ASSETS

CURRENT ASSETS:

Cash and cash equivalents

$154,663 $100,403

Restricted cash

34,666

Accounts receivable, less reserves of $4,608 and $4,598, respectively

288,404 152,743

Inventories (Note 5)

150,070 105,289

Deferred income tax asset, net

36,763 29,356

Income tax refundable

71,074

Prepaid expenses and other current assets

17,239 11,389

Total current assets

752,879 399,180

PROPERTY AND EQUIPMENT, net: (Note 5)

258,741 69,769

OTHER ASSETS:

Developed technology and know-how, net of accumulated amortization of $39,756 and $19,625, respectively

2,013,572 112,632

Customer relationship, net of accumulated amortization of $10,553 and $6,303, respectively

471,569 49,389

Intangible assets, net of accumulated amortization of $11,191 and $9,149, respectively

145,104 12,340

Goodwill

4,191,182 407,528

Other net

65,581 15,511

Total assets

$7,898,628 $1,066,349 LIABILITIES AND STOCKHOLDERS EQUITY

CURRENT LIABILITIES:

Current portion of long-term debt

$2,914 $1,977

Accounts payable

60,104 42,289

Accrued expenses (Note 5)

127,049 88,577

Deferred revenue

60,333 45,769

Total current liabilities

250,400 178,612

Long-term debt, net of current portion

304,980 9,222

Convertible debt (Note 6b and d)

1,728,694

Deferred income tax liabilities, net

945,470 54,866

Deferred service obligations long term

9,985 10,135

Other long term liabilities (Note 5)

49,357 7,791

Commitments and contingencies (Notes 6, 7, 8, 13, 15 and 16)

STOCKHOLDERS EQUITY:

Preferred stock, $0.01 par value 1,623 shares authorized; 0 shares issued

Common stock, $0.01 par value 300,000 shares authorized; 127,362 and 55,150 shares issued, respectively

1,274 551

Capital in excess of par value

4,794,813 634,029

Retained (deficit) earnings

(190,635) 168,453

Accumulated other comprehensive income

5,723 4,123

Treasury stock, at cost 107 shares

(1,433) (1,433)

Total stockholders equity

4,609,742 805,723

Total liabilities and stockholders equity

$7,898,628 $1,066,349

See accompanying notes.

3

Table of Contents

HOLOGIC, INC.

CONSOLIDATED STATEMENTS OF OPERATIONS

(Unaudited)

(In thousands, except per share data)

	Three Months Ended	
	December 29, 2007	December 30, 2006
Revenues:		
Product sales	$ 334,790	$ 139,620
Service and other revenue	36,655	23,592
	371,445	163,212
Costs and expenses (1):		
Cost of product sales	139,377	61,385
Cost of product sales amortization of intangible assets	20,155	3,200
Cost of service and other revenue	44,078	24,400
Research and development	20,147	10,722
Selling and marketing	56,986	21,039
General and administrative	34,334	14,541
Amortization of acquired intangible assets	6,249	1,408
Impairment of acquired intangible assets (Note 19)	2,900	
Acquired in-process research and development	370,000	
	694,226	136,695
(Loss) income from operations	(322,781)	26,517
Interest income	2,253	261
Interest expense	(31,660)	(994)
Other (expense) income, net	(15)	152
(Loss) income before income taxes	(352,203)	25,936
Provision for income taxes	6,405	9,850
Net (loss) income	$ (358,608)	$ 16,086
Net (loss) income per common and common equivalent share:		
Basic	$ (3.31)	$ 0.31
Diluted	$ (3.31)	$ 0.30
Weighted average number of common shares outstanding:		
Basic	108,441	52,617
Diluted	108,441	54,394

(1) Stock-based compensation included in costs and expenses during the three months ended December 29, 2007 was $725 for cost of revenues, $686 for research and development, $715 for selling and marketing and $5,457 for general and administrative. Stock-based compensation included in costs and expenses for the three months ended December 30, 2006 was $173 for cost of revenues, $210 for research and development, $144 for selling and marketing and $989 for general and administrative.

See accompanying notes.

Table of Contents

HOLOGIC, INC.

CONSOLIDATED STATEMENTS OF CASH FLOWS

(Unaudited)

(In thousands, except per share data)

	Three Months Ended	
	December 29, 2007	**December 30, 2006**
OPERATING ACTIVITIES		
Net (loss) income	$ (358,608)	$ 16,086
Adjustments to reconcile net (loss) income to net cash provided by operating activities:		
Depreciation	10,159	3,621
Amortization	26,404	4,610
Fair value write up of Cytyc Inventory	41,500	
Non-cash interest expense	5,653	43
Tax benefit related to exercise of non-qualified stock options		(2,244)
Charge for in-process research and development	370,000	
Charge for impairment of acquired intangible assets	2,900	
Stock-based compensation expense	7,192	1,516
Deferred income taxes	(20,002)	993
Loss on disposal of property and equipment	57	32
Changes in assets and liabilities, net of acquisitions:		
Accounts receivable	(21,977)	1,124
Inventories	(10,767)	(4,648)
Income tax refundable	19,191	
Prepaid expenses and other current assets	4,404	(27)
Accounts payable	(3,705)	2,862
Accrued expenses	(30,435)	5,706
Deferred revenue	7,764	1,469
Net cash provided by operating activities	49,730	31,143
INVESTING ACTIVITIES		
Acquisition of Cytyc Corporation, net of cash acquired	(2,022,338)	
Increase in restricted cash	(34,666)	
Increase in other assets	(4,291)	(4,210)
Purchase of property and equipment	(12,444)	(5,930)
Increase in equipment under customer usage agreements	(4,854)	
Purchases of investment securities	(2,637)	
Proceeds from sales and maturities of investment securities	2,638	
Increase in other liabilities	1,737	
Net cash used in investing activities	(2,076,855)	(10,140)
FINANCING ACTIVITIES		
Proceeds from issuance of convertible notes, net of issuance costs	1,688,998	
Proceeds under credit agreement, net of issuance costs	2,335,942	
Repayments under credit agreement	(2,055,353)	(15,000)
Payment upon conversion of Cytyc convertible note	(38,334)	
Increase in notes payable	2,055	
Repayments of notes payable	(290)	(1,406)

Tax benefit related to exercise of non-qualified stock options		2,244
Net proceeds from sale of common stock pursuant to stock plans	148,829	904
Net cash provided by (used) in financing activities	2,081,847	(13,258)
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	(462)	(359)
NET INCREASE IN CASH AND CASH EQUIVALENTS	54,260	7,386
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD	100,403	29,923
CASH AND CASH EQUIVALENTS, end of period	$ 154,663	$ 37,309
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:		
Cash paid during the period for income taxes	$ 12,896	$ 624
Cash paid during the period for interest	$ 23,058	$ 934
SUPPLEMENTAL DISCLOSURE OF NON-CASH FINANCING ACTIVITIES:		
Issuance of common stock upon conversion of Cytyc convertible notes	$ 82,620	$

Table of Contents

HOLOGIC, INC.

CONSOLIDATED STATEMENTS OF CASH FLOWS

(Unaudited)

(In thousands, except per share data)

	Three Months Ended	
	December 29, 2007	**December 30, 2006**
BUSINESS ACQUISITION, NET OF CASH ACQUIRED:		
Fair value of tangible assets acquired	$ 531,100	$
Fair value of liabilities assumed	(261,200)	
Fair value of stock issued	(3,671,400)	
Fair value of options exchanged	(241,400)	
Cost in excess of fair value of assets (Goodwill)	3,844,100	
Fair value of acquired identifiable intangible assets	2,484,900	
In-process research and development	370,000	
Deferred tax liability	(937,500)	
	2,118,600	
Less cash and cash equivalents and investments acquired	90,100	
Less acquisition costs paid prior to September 29, 2007	6,200	
Net cash paid for acquisition	$ 2,022,300	$

See accompanying notes.

6

Table of Contents

HOLOGIC, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)

(In thousands, except per share data)

(1) Basis of Presentation

The consolidated financial statements of Hologic, Inc. (the Company) presented herein have been prepared pursuant to the rules of the Securities and Exchange Commission for quarterly reports on Form 10-Q and do not include all of the information and note disclosures required by generally accepted accounting principles. These statements should be read in conjunction with the consolidated financial statements and notes thereto for the year ended September 29, 2007, included in the Company s Form 10-K as filed with the Securities and Exchange Commission on November 27, 2007.

The consolidated balance sheet at September 29, 2007 has been derived from the audited consolidated financial statements at that date but does not include all of the information and footnotes required by accounting principles generally accepted in the United States for complete financial statements. The consolidated balance sheet as of December 29, 2007, the consolidated statements of operations and the consolidated statements of cash flows for the three months ended December 29, 2007 and December 30, 2006, are unaudited but, in the opinion of management, include all adjustments (consisting of normal, recurring adjustments) necessary for a fair presentation of results for these interim periods.

On October 22, 2007, the Company completed its business combination with Cytyc Corporation (Cytyc), a company that develops, manufactures and markets complementary products covering a range of cancer and women s health applications, including cervical cancer screening, treatment of excessive menstrual bleeding, and radiation treatment of early-stage breast cancer.

The results of operations for the three months ended December 29, 2007 are not necessarily indicative of the results to be expected for any other interim period or the entire fiscal year ending September 27, 2008. The results of operations include Cytyc s operating results from the date of acquisition through December 29, 2007 (See Note 4).

Amortization expense for patents previously recorded within general and administrative expense and research and development expenses totaling $129 for first quarter of fiscal 2007 has been reclassified to cost of product sales amortization of intangible assets. Certain customer support expenses previously recorded in general and administrative expenses totaling $156 for the first quarter of fiscal 2007 have been reclassified to selling and marketing. Both of these statement of operations reclassifications have been made to conform with the current period presentation.

(2) Significant Estimates and Assumptions

The preparation of financial statements in conformity with accounting principles generally accepted in the United States 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 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, reserves for excess and obsolete inventories, valuations and purchase price allocations related to business combinations, expected future cash flows used to evaluate the recoverability of long-lived assets, estimated fair values of intangible assets and goodwill, amortization periods, warranty reserves, certain accrued expenses, restructuring and other related charges, stock-based compensation, pension liabilities, contingent liabilities, 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. Actual results could differ from management s estimates if past experience or other assumptions do not turn out to be substantially accurate.

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, competition, limited number of suppliers, customer concentration, integration of acquisitions, substantial indebtedness, government

regulations, management of international activities, protection of proprietary rights, patent and other litigation and dependence on key individuals.

(3) Revenue recognition

As a result of the merger with Cytyc, the Company now sells disposable supplies under customer usage agreements. 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 supplies 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 supplies are delivered. Accordingly, no revenue is recognized upon delivery of the equipment.

As a result of the merger with Cytyc, the Company also rents certain other equipment to customers. Revenues from rental agreements are recorded over the terms of the rental agreements.

Table of Contents

HOLOGIC, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Unaudited) Continued

(In thousands, except per share data)

(4) Business Combinations

(a) Acquisition of Cytyc Corporation

On October 22, 2007 the Company completed its merger with Cytyc pursuant to the Agreement and Plan of Merger (Merger Agreement) entered into on May 20, 2007. Under the terms and conditions of the Merger Agreement, at the effective time of the merger, Cytyc became a wholly-owned subsidiary of the Company and each share of common stock of Cytyc, issued and outstanding immediately prior to the closing was cancelled and converted into the right to receive (i) 0.52 shares of common stock of the Company and (ii) $16.50 in cash. In accordance with Statement of Financial Accounting Standards (SFAS) 141, *Business Combinations,* and based on the terms of the merger, the Company is the accounting acquirer. This conclusion was based on the facts that Hologic board members and senior management control and represent 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 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 approximately 66,019 shares of Hologic common stock and approximately $2,094,800 in cash. In connection with the close of the merger, the Company entered into a credit agreement relating to a senior secured credit facility (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 $2,550,000 to pay for the cash portion of the merger consideration, for repayment of existing debt of Cytyc, for expenses relating to the merger and for working capital following the completion of the merger. As of the closing of the merger, the Company borrowed $2,350,000 under this Credit Agreement. See Note 6(a) for further discussion.

The estimated aggregate purchase price of approximately $6,156,600 includes $2,094,800 in cash; approximately 66,019 shares of Hologic common stock at an estimated fair value of $3,671,400; approximately 8,200 of fully vested stock options granted to Cytyc employees in exchange for their vested Cytyc stock options, with an estimated fair value of approximately $241,400; the fair value of Cytyc s outstanding convertible notes assumed in the merger of approximately $125,000; and approximately $24,000 of direct acquisition costs. There are no potential contingent consideration arrangements payable to the former Cytyc shareholders in connection with this transaction.

The Company has measured the fair value of the 66,019 shares of the Company common stock issued as consideration in connection with the merger under EITF Issue No. 99-12, *Determination of the Measurement Date for the Market Price of Acquirer Securities Issued in a Purchase Business Combination.* 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 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 approximately $55.61.

(i) Purchase price

The preliminary purchase price is as follows:

Cash portion of consideration	$ 2,094,800
Fair value of securities issued	3,671,400
Fair value of vested options exchanged	241,400

Fair value of Cytyc s outstanding convertible notes	125,000
Direct acquisition costs	24,000
Total estimated purchase price	$ 6,156,600

The fair value of vested Hologic common stock options exchanged for vested Cytyc 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. The Company estimated the fair value of the stock options assuming no expected dividends and the following weighted-average assumptions:

Table of Contents

HOLOGIC, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Unaudited) Continued

(In thousands, except per share data)

Expected life	2.50 years
Expected volatility	35.10%
Risk free interest rate	4.82%
Fair value per share determined in accordance with EITF Issue No. 99-12	$ 55.61

(ii) Preliminary 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. The Company is in the process of gathering information to finalize its valuation of certain assets and liabilities. The purchase price allocation will be finalized once the Company has all necessary information to complete its estimate, but generally no later than one year from the date of acquisition. As a result of the merger, the Company has assumed Cytyc s obligation to Adiana s former stockholders to make contingent earn-out payments based on the achievement of milestones. The Company has considered the provision of EITF Issue No. 95-8, *Accounting for Contingent Consideration Paid to the Shareholders of an Acquired Enterprise in a Purchase Business Combination*, and concluded that this contingent consideration will represent additional purchase price. As a result, goodwill will be increased by the amount of the additional consideration, if any, when it becomes due and payable. As of December 29, 2007, the Company has not recorded any amounts for the potential earn-outs. The Company has begun to assess and formulate a plan to restructure certain of Cytyc s activities. The Company has recorded a liability of approximately $2,800 in accordance with EITF Issue No. 95-3, *Recognition of Liabilities in Connection with a Purchase Business Combination (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. As of December 29, 2007, payments of $327 have been made related to the termination of employees. The Company believes its plan will be finalized within one year of the date of acquisition and will record any additional liability as a result of its plan as an increase to goodwill.

Book value of net assets acquired as of October 22, 2007	$ 1,143,400
Less: write-off of existing deferred financing costs, goodwill and intangible assets, including related deferred taxes	(791,500)
Adjusted book value of assets acquired	351,900
Remaining allocation:	
Increase inventory to fair value	42,400
Increase property and equipment to fair value	3,200
Increase in liabilities recorded in accordance with EITF No. 95-3	(2,800)
Decrease deferred revenue to fair value	400
Identifiable intangible assets at fair value	2,484,900
Acquired in process research and development	370,000
Deferred taxes	(937,500)
Goodwill	3,844,100
Total purchase price	$ 6,156,600

(iii) Valuation of Intangible Assets and Goodwill

The purchase price for the merger with Cytyc will be allocated to assets acquired and liabilities assumed based on management s estimate of their estimated fair values. Management will then allocate the purchase price in excess of net tangible assets acquired to identifiable intangible assets and in-process research and development, based upon a detailed valuation that relies on information and assumptions further described below. Any excess purchase price over the fair value of the net tangible and intangible assets acquired and liabilities assumed is allocated to goodwill.

Identifiable Intangible Assets

As part of the preliminary purchase price allocation, the Company determined that Cytyc s identifiable intangible assets include 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 have been approved by the Food and Drug Administration (FDA). Cytyc s customer relationship assets relate to relationships that Cytyc s sales force has developed with OB/GYNS, breast surgeons, clinical laboratories and other physicians. The trade names relate to both the Cytyc name as well as key product names.

Table of Contents

HOLOGIC, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Unaudited) Continued

(In thousands, except per share data)

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 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 paragraph 11 of SFAS No. 142, *Goodwill and Other Intangible Assets,* 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 expects to amortize 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.

Acquired In-Process Research and Development

As part of the preliminary purchase price allocation for Cytyc, approximately $370,000 of the purchase price has been allocated to acquired in-process research and development projects. The amount allocated to acquired in-process research and development represents the estimated fair value based on risk-adjusted cash flows related to in-process projects that have not yet reached technological feasibility and have no alternative future uses as of the date of the acquisition. The primary basis for determining the technological feasibility of these projects is 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 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 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 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 of Cytyc relates to the following research and development projects: Adiana Complete TransCervical Sterilization (TCS) System® and expanded labeling of the NovaSure® System, Gestiva , the ThinPrep® Imaging System, the ThinPrep Processor and Helica s Thermal Coagulator System (Helica).

The most significant acquired in-process technology relates to the Adiana Complete TCS System for which the Company has estimated a value of approximately $220,000. The TCS product is an incision-less trans-cervical permanent sterilization device to be used during an office based procedure. The system consists of three different parts: a disposable applicator, an implantable polymer matrix and a radio frequency controller. The procedure can be performed in a hospital or physician s office, and generally takes twelve minutes, with a thirty to forty minute recovery time. As of October 22, 2007 the estimated remaining costs to complete the clinical trials were expected to be approximately $800.

Cytyc s other in-process research and development projects are 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 has not been granted for any of the products classified as in-process research and development, nor has 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 in the aggregate to complete these remaining products is expected to be approximately $13,800.

Table of Contents

HOLOGIC, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Unaudited) Continued

(In thousands, except per share data)

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 pre-market approval 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. For additional risks that may affect the Company s business and prospects following completion of the merger, see Risk Factors in Item 1A of the Company s Form 10-K for the year ended September 29, 2007 and in Item 1.A in Part II of this report.

Goodwill

The preliminary purchase price allocation has resulted in goodwill of approximately $3,844,100. The factors contributing to the recognition of this amount of goodwill are based upon several strategic and synergistic benefits that are expected to be realized from the combination. These benefits include the expectation that the Company s complementary products and technologies will create a leading women s healthcare company with an enhanced presence in hospitals, private practices and healthcare organizations. The Company also expects to realize substantial synergies through the use of Cytyc s OB/GYN and breast surgeon sales channel to cross-sell the Company s existing and future products. The merger provides 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.

Supplemental Pro-forma Information

The following unaudited pro forma information presents the consolidated results of operations of the Company and Cytyc as if the acquisition had occurred at the beginning of each period presented, 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:

(approximate amounts in thousands except per share data)	**Three Months ended December 29, 2007**	**Three Months ended December 30, 2006**
Net revenue	$ 408,351	$ 340,959
Net income	$ 41,298	$ 29,298
Net income per common share:		
Basic	$ 0.33	$ 0.24
Diluted	$ 0.31	$ 0.23

The $370,000 charge for acquired in-process research and development, the fair value of the inventory step-up of $41,500, stock based compensation of $60,000, direct acquisition fees and expenses of $28,000 and change of control payments of $18,600 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 acquisitions of Cytyc occurred at the beginning of the periods presented.

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.

Subsequent to the close of the Cytyc merger through December 29, 2007, stock options, originally issued by Cytyc and converted into options to purchase Hologic common stock, were exercised. The Company recorded the tax benefit of approximately $59,900 related to the exercise of these options as a reduction to goodwill as of December 29, 2007.

Table of Contents

HOLOGIC, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Unaudited) Continued

(In thousands, except per share data)

(b) Acquisition of BioLucent, Inc.

On September 18, 2007 the Company completed the acquisition of BioLucent, Inc. (BioLucent) pursuant to a definitive agreement dated June 20, 2007. The results of operations for BioLucent have been included in the Company s consolidated financial statements from the date of acquisition as part of its Breast Health business segment. The Company has concluded that the acquisition of BioLucent does not represent a material business combination and therefore no pro forma financial information has been provided herein.

BioLucent, previously located in Aliso Viejo, California, develops, markets and sells MammoPad® breast cushions to decrease the discomfort associated with mammography. Prior to the acquisition, BioLucent s primary research and development efforts were directed at its brachytherapy business which was focused on breast cancer therapy. Prior to the acquisition, BioLucent spun-off its brachytherapy technology and business to the holders of BioLucent s outstanding shares of capital stock. As a result, the Company only acquired BioLucent s MammoPad cushion business and related assets. The Company invested $1,000 directly in the spun-off brachytherapy business in exchange for shares of preferred stock issued by the new business.

The aggregate purchase price for BioLucent was approximately $73,200 (subject to adjustment) consisting of approximately $6,800 in cash and 1,157 shares of Hologic Common Stock valued at approximately $63,200, debt assumed and paid off of approximately $1,600 and approximately $1,600 for acquisition related fees and expenses. The Company determined the fair value of the shares 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 Securities Issued in a Purchase Business Combination.*

The acquisition also provides for up to two annual earn-out payments not to exceed $15,000 in the aggregate based on BioLucent s achievement of certain revenue targets. The Company has considered the provision of EITF Issue No. 95-8, *Accounting for Contingent Consideration Paid to the Shareholders of an Acquired Enterprise in a Purchase Business Combination*, and concluded that this contingent consideration will represent additional purchase price. As a result, goodwill will be increased by the amount of the additional consideration, if any, when it becomes due and payable. As of December 29, 2007, the Company has not recorded any amounts for this potential earn-out. The allocation of the purchase price is based upon preliminary estimates of the fair value of assets acquired and liabilities assumed as of September 18, 2007. The Company is in the process of gathering information to finalize its valuation of certain assets and liabilities. The purchase price allocation is preliminary and will be finalized once the Company has all necessary information to complete its estimate, but generally no later than one year from the date of acquisition. The components and initial allocation of the purchase price, consists of the following approximate amounts:

Net tangible assets acquired as of September 18, 2007	$ 3,400
Developed technology and know-how	12,300
Customer relationship	17,000
Trade name	2,800
Deferred income tax liabilities, net	(9,500)
Goodwill	47,200
Estimated Purchase Price	$ 73,200

As part of the purchase price allocation, all intangible assets that were a part of the acquisition were identified and valued. It was determined that only customer relationship, trade name and developed technology and know how had separately identifiable values. The fair value of these intangible assets was determined through the application of the income approach. Customer relationship represents a large customer base that is expected to purchase the disposable MammoPad product on a regular basis. Trade name represents the BioLucent product name that the Company intends to continue to use. Developed technology and know-how represents currently marketable purchased products that the Company continues to sell as well as utilize to enhance and incorporate into the Company s existing products. The Company reduced goodwill related to the BioLucent acquisition in the amount of approximately $600 during the three months ended December 29, 2007. The reduction was

primarily related to a change in the preliminary valuation of certain liabilities acquired based on information received during the period.

Table of Contents

HOLOGIC, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Unaudited) Continued

(In thousands, except per share data)

The deferred income tax liability relates to the tax effect of acquired identifiable intangible assets, and fair value adjustments to acquired inventory as such amounts are not deductible for tax purposes partially offset by acquired net operating loss carryforwards of approximately $2,400.

(5) Other Balance Sheet Information

Components of selected captions in the condensed consolidated balance sheets at December 29, 2007 and September 29, 2007 consisted of:

	December 29, 2007	September 29, 2007
Inventories, net		
Raw material and work-in-process	$ 93,181	$ 69,400
Finished goods	56,889	35,889
	$ 150,070	$ 105,289
Inventories are stated at the lower of cost (first-in, first-out) or market.		
Certain work-in-process and finished goods inventories consist of material, labor and manufacturing overhead.		
Property and Equipment, net		
Equipment and software	$ 240,443	$ 81,390
Furniture and fixtures	9,914	6,044
Building	44,728	28,577
Leasehold improvements	20,292	6,636
Land	8,982	2,710
	324,359	125,357
Less accumulated depreciation and amortization	65,618	55,588
	$ 258,741	$ 69,769
Accrued Expenses		
Accrued compensation and employee benefits	$ 49,119	$ 35,053
Accrued commissions	14,186	9,989
Accrued warranty, current portion	13,040	11,871
Accrued restructuring costs	3,902	
Accrued professional fees	3,075	
Accrued income taxes	6,824	22,356
Other accrued expenses	36,903	9,308
	$ 127,049	$ 88,577
Other Long Term Liabilities		

Accrued lease obligation long-term	$	12,594	$	
Deferred rent long-term		17,753		
Other		19,010		7,791
	$	49,357	$	7,791

13

HOLOGIC, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Unaudited) Continued

(In thousands, except per share data)

Restricted Cash

The Company s restricted cash balance at December 29, 2007 represents amounts placed in escrow at the close of the Cytyc merger related to the outstanding Cytyc convertible notes, net of proceeds distributed to satisfy the Company s obligation to pay a portion of the conversion price in cash upon conversion of those notes. The amount in this escrow account is limited to repayment or conversion of the Cytyc convertible notes or amounts outstanding under the Company s Credit Agreement.

Other Assets

As of December 29, 2007, other assets was comprised primarily of the value of certain Company owned life insurance contracts, deferred financing costs and cost-method investments. The Company owned life insurance contracts include contracts that were purchased in connection with the Company s Supplemental Executive Retirement Plan (SERP) and were valued at $6,915 as of December 29, 2007 (see Note 18 for further discussion). As of December 29, 2007, other assets also included $35,730 and $10,502 of deferred financing costs related to the Company s Convertible Notes and Credit Agreement, respectively, both of which closed in the first quarter of fiscal 2008 (see Note 6). The Company is amortizing amounts related to the Credit Agreement to interest expense over a five year period, which approximates the level yield method. As a result of the Convertible Note offering, certain of the loans under the credit agreement were repaid and the Company accelerated the amortization of the related deferred financing costs resulting in total amortization expense of $5,020 relating to these loans during the three month period ended December 29, 2007. The Company is amortizing amounts related to the Convertible Notes on a straight-line basis over the period of earliest redemption which is a six year period. As a result the Company recorded amortization expense of $271 during the three months ended December 29, 2007.

Other assets also includes certain other minority cost-method equity investments in non-publicly traded securities. 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 investments. When the carrying value of an investment exceeds the fair value and the decline in the fair value is deemed to be other-than-temporary, the Company writes down the value of the investment to its fair value. During the three months ended December 29, 2007, none of the investments held were deemed to be in a other-than-temporary loss. The carrying value of these investments was approximately $8,628 as of December 29, 2007 which includes $7,495 of investments acquired as a result of the Cytyc merger, as described below.

As a result of the merger with Cytyc, the Company acquired investments Cytyc had entered into prior to the merger with the Company. During 2005, Cytyc entered into a $5,000 private equity investment commitment with a limited liability partnership, which may be paid over the succeeding three years. As of December 29, 2007, approximately $2,500 of this investment has been paid. The Company is accounting for this investment under the cost method, since it does not have the ability to exercise significant influence and, as of December 29, 2007, holds less than three percent of the partnership s voting stock, among other factors. In March 2006, Cytyc had entered into a $1,900 private equity investment agreement with a corporation, in which Cytyc received shares of preferred stock in exchange for granting a non-exclusive license to certain of Cytyc s patents. The Company is accounting for this investment under the cost method, since it does not have the ability to exercise significant influence and, as of December 29, 2007, holds less than 20 percent of the corporation s voting stock, among other factors. In addition, in July 2007, Cytyc entered into an agreement with an early-stage company, under which Cytyc has made an investment in it. Under this investment, Cytyc received 2,100 shares of the company s Preferred Stock Series A at a fair market value of $1 per share. In exchange for the Preferred Stock received by Cytyc under this investment agreement, the company received from Cytyc a fully paid up worldwide license to those patents and patent applications in Cytyc s portfolio that will allow access to certain of Cytyc s intellectual property as part of its development of a surgical device. The Company is accounting for this investment under the cost method, since it does not have the ability to exercise significant influence and, as of December 29, 2007, holds less than 20 percent of the corporation s voting stock, among other factors. The Company s determination of whether it has significant influence over an investment requires judgment. If at any time the private equity investment in the limited liability partnership exceeds three percent of the partnership s voting stock, the private equity investments entered into in March 2006 and July 2007 exceeds 20 percent of the corporation s voting stock, or the Company determines that it has the ability to exercise significant influence over either entity, among other factors, the Company will begin to account for the related investment under the equity method.

Table of Contents

HOLOGIC, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)   Continued

(In thousands, except per share data)

(6) Indebtedness

(a) Credit Agreement

On October 22, 2007, 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 have committed to provide senior secured financing in an aggregate amount of up to $2,550,000. As of the closing of the Cytyc merger, the Company borrowed $2,350,000 under the credit facilities.

The Company s subsidiaries which are party to the Credit Agreement have guaranteed the Company s obligations under the credit facilities and the credit facilities are secured by first-priority liens on, and first-priority security interests in, substantially all of the assets of Hologic, Inc. and substantially all of the Company s U.S. subsidiaries, a first priority security interest in 100% of the capital stock of each of the Company s U.S. subsidiaries, 65% of the capital stock of certain of the Company s first-tier foreign subsidiaries, and all intercompany debt. The security interests are evidenced by a pledge and security agreement with Goldman Sachs Credit Partners L.P., as collateral agent, and other related agreements, including certain stock pledges and mortgages.

The Company used the proceeds from the credit facilities to pay the cash consideration of the Cytyc merger, and to pay fees, commissions and expenses incurred by the Company in connection with the Cytyc merger 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 Cytyc merger.

The credit facilities under the Credit Agreement consist of:

- $600,000 senior secured Term Loan A with a final maturity date of September 30, 2012;
- $250,000 senior secured Term Loan B-1 and $250,000 senior secured Term Loan B-2 (collectively, the Term Loan B facility) with a final maturity date of March 31, 2013;
- $1,250,000 senior secured capital markets term loan (the Term Loan X facility) with a final maturity date of April 22, 2009;
- $200,000 senior secured revolving credit facility (the revolving facility) with a final maturity date of October 22, 2012.

Under the Credit Agreement, the Company may elect, subject in certain circumstances to pro forma compliance by the Company with a ratio of total debt to adjusted consolidated EBITDA specified in the Credit Agreement and other conditions, to increase, under terms and conditions to be determined, the total principal amount of borrowings available under the credit facilities by up to $250,000. EBITDA means earnings before interest, taxes, depreciation and amortization as defined in the Credit Agreement.

The Company applied the net proceeds from its Convertible Notes offering described below to repay amounts outstanding under the Credit Agreement, including all of the remaining amounts outstanding under Term Loan X and Term Loan B-2, $1,100,000 and $250,000, respectively, all of which was outstanding immediately prior to the issuance of the Convertible Notes. Additionally, the Company repaid a pro rata portion of the Company s Term Loan A in the amount of $251,000 and Term Loan B in the amount of $104,000. During the quarter ended December 29, 2007, the Company also made voluntary prepayments of principal under its Term Loan A and Term B-1 of $141,000 and $59,000, respectively.

The terms of the Credit Agreement requires the Company to make scheduled principal payments under the Term Loan A facility in increasing amounts ranging from $7,500 per quarter beginning with the quarter ending December 29, 2007 to $22,500 per quarter commencing on the quarter ending December 25, 2010, and under the Term Loan B facility, in equal quarterly installments of $1,250 beginning on the quarter ending December 29, 2007 and for the first 21 quarters thereafter, with the remaining balance of each term loan facility due at the maturity of the applicable term loan facility. As a result of the repayment of amounts due under the Credit Agreement, the Company does not have any scheduled principal payment in fiscal 2008 and the remaining payments due under these facilities have been reduced pro rata. As a result, all amounts outstanding under the Credit Agreement are classified as long-term obligations on the accompanying consolidated balance sheet as of December 29, 2007. The revolving credit facility will become due at maturity. No scheduled payments were required under the revolving facility or the Term Loan X facility.

The Company is required to make principal repayments first, pro rata among the term loan facilities and second to the revolving credit facility from specified excess cash flows from operations and from the net proceeds of specified types of asset sales, debt issuances, insurance recoveries and equity offerings, provided, however, that net proceeds from certain debt issuances and equity offerings were contemplated to be applied first to the Term Loan X facility until such facility is repaid in full.

HOLOGIC, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Unaudited) Continued

(In thousands, except per share data)

The Company may voluntarily prepay any of the credit facilities without premium or penalty (other than applicable breakage costs related to interest on Eurodollar loans).

As of December 29, 2007, the Company had an aggregate of $295,000 of principal outstanding under this credit facility of which $208,000 was under the Term Loan A and $87,000 was under the Term Loan B-1, and the Company has no amounts outstanding under its revolving facility.

All amounts outstanding under the credit facilities will bear interest, at the Company s option, initially, with respect to all loans made under the revolving facility and the Term Loan A facility: (i) at the Base Rate plus 1.25% per annum; or (ii) at the reserve adjusted Eurodollar Rate plus 2.25% per annum. With respect to loans made under the Term Loan B facility: (i) at a rate per annum equal to the Base Rate plus 1.5%; or (ii) at a rate per annum equal to the reserve adjusted Eurodollar Rate plus 2.50%; and with respect to loans made under the Term Loan X facility: (i) at a rate per annum equal to the Base Rate plus 0.75%; or (ii) at a rate per annum equal to the reserve adjusted Eurodollar Rate plus 1.75%. The margin applicable to loans under the revolving credit facility and the Term Loan A facility subject to specified changes based on certain change in the leverage ratio as specified in the Credit Agreement. Under the terms of the Credit Agreement, the Company was required to enter into interest rate hedge agreements or otherwise fix the interest rate on up to 50% of its outstanding debt within 18 months of the close. The Company s completion of the fixed rate Convertible Notes offering has satisfied this requirement. Outstanding borrowings had a weighted average interest rate of 7.26% as of December 29, 2007. Interest expense under the credit facilities totaled $28,400 during the first quarter ended December 29, 2007, which included non-cash interest expense of $5,020 related to the amortization of the capitalized deferred financing costs related to the Credit Agreement.

The Company is required to pay a quarterly commitment fee, at an annual rate of 0.50%, on the undrawn commitments available under the revolving credit facility, subject to reduction based on a leverage ratio as specified in the Credit Agreement.

The Credit Agreement contains affirmative and negative covenants customarily applicable to senior secured credit facilities, including covenants restricting the Company s ability, subject to negotiated exceptions, to: incur additional indebtedness and additional liens on its assets, engage in mergers or acquisitions or dispose of assets, enter into sale-leaseback transactions, pay dividends or make other distributions, voluntarily prepay other indebtedness, enter into transactions with affiliated persons, make investments, and change the nature of its businesses.

The Credit Agreement requires the Company to maintain maximum leverage and minimum interest coverage ratios, as of the last day of each fiscal quarter, as defined within the Credit Agreement. The maximum leverage ratio is 5.50:1.00 beginning on the Company s fiscal quarter ending December 29, 2007, and then decreases over time to 3:00:1.00 for the quarters ending September 25, 2010 and thereafter. The minimum interest coverage ratio is 2.00:1.00 beginning with the Company fiscal quarter ending March 29, 2008, and then increases over time to 2.75:1.00 for the quarters ending September 25, 2010 and thereafter. The leverage ratio is defined as the ratio of the Company s consolidated total debt to the Company s consolidated adjusted EBITDA for the four-fiscal quarter period ending on the measurement date. The interest coverage ratio is defined as the ratio of the Company s annualized consolidated adjusted EBITDA for the applicable periods to the Company s annualized consolidated interest expense. The Company was in compliance with its financial covenants as of December 29, 2007.

HOLOGIC, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Unaudited) Continued

(In thousands, except per share data)

The amounts above do not include any potential mandatory prepayments in such periods, including the Company s excess cash flows, as required by the Credit Agreement.

(b) Convertible Notes

On December 4, 2007, the Company entered into an Underwriting Agreement (the Underwriting Agreement) with the several underwriters named therein, for whom Goldman Sachs & Co. has acted as the representative (collectively, the Underwriters), for the issuance and sale by the Company of up to $1,725,000 aggregate original principal amount of its 2.00% Convertible Senior Notes due 2037 (the Convertible Notes).

Pursuant to Underwriting Agreement, on December 10, 2007, the Company issued and sold $1,725,000 aggregate original principal amount of the Convertible Notes, which amount included the exercise in full by the Underwriters of the $225,000 overallotment option granted to them by the Company. The Convertible Notes were registered under an effective Registration Statement and were issued pursuant to an Indenture between the Company and Wilmington Trust Company, as Trustee (the Indenture) and a First Supplemental Indenture thereto (the Supplemental Indenture), both dated December 10, 2007.

The net proceeds from the offering of approximately $1,689,000, after deducting the underwriters discounts of $34,500 and estimated offering expenses of approximately $1,500 payable by the Company, were used to repay the Company s outstanding senior secured indebtedness under its Credit Agreement, including all of the Company s Term Loan X and Term Loan B-2, $1,100,000 and $250,000, respectively, all of which was outstanding immediately prior to the issuance of the Convertible Notes, and a pro rata portion of the Company s $600,000 Term Loan A and $250,000 Term Loan B-1.

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 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. The holders of the Convertible Notes may convert the notes into shares of the Company s common stock at a conversion price of approximately $77.19 per share, subject to adjustment, prior to the close of business on September 15, 2037, subject to prior redemption or repurchase of the 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 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.

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 solely in cash, the Company will deliver cash in an amount as provided in the Indenture. If the Company elects to satisfy its conversion obligation in a combination of cash and shares of the Company s common stock, the Company will deliver up to a specified dollar amount of cash per $1,000 original principal amount of Convertible Notes, and will settle the remainder of our conversion obligation in shares of its common stock, in each case as provided in the Indenture. In addition, at any time on or prior to the 35th scheduled trading day prior to the maturity date of the Convertible Notes, the Company may make an irrevocable election to settle conversions of the notes either solely in cash or in a combination of cash and shares of its common stock with a specified cash amount at least equal to the accreted principal amount of the notes. This net share settlement election is in the Company s sole discretion and does not require the consent of holders of the Convertible Notes. 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.

Holders may require the Company to repurchase the Convertible Notes on December 13 of 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.

17

HOLOGIC, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Unaudited) Continued

(In thousands, except per share data)

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.

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 EITF Issue No. 00-19, *Accounting for Derivative Financial Instruments Indexed to, and Potentially Settled in, a Company's Own Stock*, and SFAS No. 133, *Accounting for Derivative Instruments and Hedging Activities*, 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 December 10, 2007 and December 29, 2007.

As of December 29, 2007, upon conversion, without regard to any premium that could be payable on a fundamental change (as defined), the Company would issue a maximum of approximately 28,000 common shares to the Convertible Note holders.

(c) AEG Debt

The Company s AEG subsidiary has approximately $13,200 outstanding at December 29, 2007 under certain debt agreements. The terms of the agreements have various maturities ranging from December 30, 2010 through March 30, 2014. Outstanding borrowings had a weighted-average interest rates ranging from 5.6% to 7.2% and 5.2% to 7.9% during the three months ended December 29, 2007 and December 30, 2006, respectively. Interest expense incurred under these debt agreements totaled $132 and $166 during the three months ended December 29, 2007 and December 30, 2006, respectively.

(d) Cytyc Convertible Notes

In connection with the Cytyc merger the Company assumed the obligations under Cytyc s 2.25% Senior Convertible Notes due 2024 (the Cytyc Notes) and the Indenture entered into by Cytyc and U.S. Bank Trust National Association, as trustee thereunder (the Trustee) on March 22, 2004, pursuant to which the Cytyc Notes were issued (the Cytyc Indenture). Interest on the Cytyc Notes is payable semi-annually and the Cytyc Notes were previously convertible into shares of Cytyc common stock. At the closing of the Cytyc merger with the Company, the Company, Cytyc and the Trustee entered into the First Supplemental Indenture (the Cytyc Supplemental Indenture) as required by the Cytyc Supplemental Indenture as a result of the merger in order to provide, among other things, that the Company guaranteed the obligations under the Cytyc Notes and the Cytyc Supplemental Indenture, and as a result of the merger, the Cytyc Notes ceased to be convertible into shares of Cytyc common stock but rather into the kind and amount of shares of stock and cash which a holder of shares of Cytyc common stock would have been entitled to receive upon the merger had the Cytyc Notes been converted into shares of Hologic common stock immediately prior to the merger, such that each $1,000 principal face amount of Cytyc Notes may be converted at any time and from time to time into $556.12 in cash and 17.53 shares of Hologic common stock. Pursuant to the terms of the Cytyc Supplemental Indenture, the Company offered to repurchase all of the outstanding Cytyc Notes in exchange for the principal face amount of such Cytyc Notes plus accrued but unpaid interest thereon. The obligations of the Company under the Cytyc Notes and the Indenture may be accelerated upon the occurrence of certain customary events of default including, without limitation, payment defaults, uncured defaults in the performance of certain covenants and agreements under the Cytyc Supplemental Indenture and bankruptcy and insolvency related defaults. The Cytyc Supplemental Indenture further provides that at any time after March 20, 2009, the Cytyc Notes may be redeemed by the Company at a cash redemption price equal to the principal amount of the Cytyc Notes, plus

accrued and unpaid interest.

As of the close of the Cytyc merger the Company assumed the outstanding principal amount under the Cytyc Notes of $73,258. Subsequent to the close of the merger through De