

HOLOGIC INC
Form DEF 14A
January 25, 2008

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

SCHEDULE 14A INFORMATION

Proxy Statement Pursuant to Section 14(A) of the
Securities Exchange Act of 1934

Filed by the Registrant ☒ x

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Check the appropriate box:

- ☐ Preliminary Proxy Statement
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- ☒ Definitive Proxy Statement
- ☐ Definitive Additional Materials
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Hologic, Inc.

(Name of Registrant as Specified In Its Charter)

(Name of Person(s) Filing Proxy Statement, if other than the Registrant)

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- (1) Amount Previously Paid:
- (2) Form, Schedule or Registration Statement No.:
- (3) Filing Party:
- (4) Date Filed:

HOLOGIC, INC.

NOTICE OF ANNUAL MEETING OF STOCKHOLDERS

MARCH 11, 2008

TO THE STOCKHOLDERS OF HOLOGIC, INC.:

NOTICE IS HEREBY GIVEN that the annual meeting of stockholders of Hologic, Inc., a Delaware corporation (the "Company"), will be held on March 11, 2008 at 9:00 a.m., local time, at the offices of the Company, 35 Crosby Drive, Bedford, Massachusetts 01730 for the following purposes:

1. To elect eleven (11) directors to serve for the ensuing year and until their successors are duly elected.
2. To approve an amendment to our Certificate of Incorporation to increase the number of authorized shares of common stock from 300,000,000 to 750,000,000.
3. To approve the Hologic, Inc. 2008 Employee Stock Purchase Plan.
4. To approve the Hologic, Inc. 2008 Equity Incentive Plan.
5. If submitted to a vote of Hologic stockholders, to approve an adjournment of the annual meeting, including, if necessary, to solicit additional proxies in favor of the foregoing proposals if there are not sufficient votes for those proposals.
6. To transact such other business as may properly come before the meeting or any adjournment thereof.

The foregoing items of business are more fully described in the proxy statement accompanying this Notice.

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The Board of Directors has fixed the close of business on January 18, 2008 as the record date. Only stockholders of record at the close of business on the record date are entitled to notice of, and to vote at, the meeting and any adjournment or postponement thereof. All stockholders are cordially invited to attend the meeting. However, to assure your representation at the meeting, you are urged to mark, sign, date and return the enclosed proxy as promptly as possible in the enclosed postage-prepaid envelope. Any stockholder attending the meeting may vote in person even if he or she returned a proxy.

By order of the Board of Directors

Philip J. Flink, *Secretary*

Bedford, Massachusetts

January 25, 2008

IMPORTANT

WHETHER OR NOT YOU PLAN TO ATTEND THE MEETING, PLEASE SIGN AND RETURN THE ENCLOSED PROXY CARD AS PROMPTLY AS POSSIBLE IN THE ENCLOSED POSTAGE-PREPAID ENVELOPE. EVEN IF YOU HAVE GIVEN YOUR PROXY, THE PROXY MAY BE REVOKED AT ANY TIME PRIOR TO EXERCISE BY FILING WITH THE SECRETARY OF THE COMPANY A WRITTEN REVOCATION, BY EXECUTING A PROXY WITH A LATER DATE, OR BY ATTENDING AND VOTING AT THE MEETING.

THANK YOU FOR ACTING PROMPTLY.

The information in this proxy statement is not complete and may be changed.

IMPORTANT NOTICE REGARDING AVAILABILITY OF PROXY MATERIALS FOR THE STOCKHOLDER MEETING TO BE HELD ON MARCH 11, 2008: The Proxy Statement, the Hologic Annual Report for the fiscal year ended September 29, 2007 and the Proxy Card are available at www.hologic.com.

HOLOGIC, INC.

PROXY STATEMENT

2008 ANNUAL MEETING OF STOCKHOLDERS

March 11, 2008

INFORMATION CONCERNING SOLICITATION AND VOTING

This proxy statement is being furnished in connection with the solicitation of proxies by the Board of Directors of Hologic, Inc., a Delaware corporation, for use at the annual meeting of stockholders to be held on March 11, 2008 at 9:00 a.m., local time, at our offices, 35 Crosby Drive, Bedford, Massachusetts 01730, or at any adjournments or postponements thereof. This proxy statement, the accompanying notice of the annual meeting and our annual report to stockholders are being mailed on or about February 5, 2008 to all stockholders entitled to vote at the annual meeting.

Record Date

The Board of Directors has fixed the close of business on January 18, 2008 as the record date (the **Record Date**). Accordingly, only holders of record of our common stock, \$.01 par value per share (**Common Stock**), as of the close of business on the Record Date will be entitled to notice of, and to vote at, the annual meeting or any adjournment or postponement thereof. As of the Record Date, an aggregate of 127,640,620 shares of our Common Stock were issued and outstanding. The holders of our Common Stock are entitled to one vote per share on any proposal presented at the annual meeting.

Business to be Transacted

At the annual meeting, stockholders will act upon the following proposals:

1. To elect eleven (11) directors to serve for the ensuing year and until their successors are duly elected.
2. To approve an amendment to our Certificate of Incorporation to increase the number of authorized shares of Common Stock from 300,000,000 to 750,000,000.

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3. To approve the Hologic, Inc. 2008 Employee Stock Purchase Plan.
4. To approve the Hologic, Inc. 2008 Equity Incentive Plan.
5. If submitted to a vote of Hologic stockholders, to approve an adjournment of the annual meeting, including, if necessary, to solicit additional proxies in favor of the foregoing proposals if there are not sufficient votes for those proposals.
6. To transact such other business as may properly come before the meeting or any adjournment thereof.

Board of Directors Recommendation for Voting on the Proposals

The Board of Directors recommends a vote FOR each of the nominees for director, a vote FOR the amendment to our Certificate of Incorporation, a vote FOR the approval of the Hologic, Inc. 2008 Employee Stock Purchase Plan, a vote FOR the approval of the Hologic, Inc. 2008 Equity Incentive Plan and a vote FOR the adjournment of the annual meeting, including, if necessary, to solicit additional proxies in favor of any of the proposals to be acted upon at the annual meeting.

Voting of Shares by Proxy

Stockholders may vote in person or by proxy. Execution of a proxy will not in any way affect a stockholder's right to attend the annual meeting and vote in person. Any proxy given pursuant to this solicitation

may be revoked by the person giving it any time before it is voted. Proxies may be revoked by (1) filing with our Secretary, before the taking of the vote at the annual meeting, a written notice of revocation bearing a date later than the date of such proxy, (2) duly executing a later dated proxy relating to the same shares and delivering it to our Secretary before the taking of the vote at the annual meeting or (3) attending the annual meeting and voting in person (although attendance at the annual meeting will not in and of itself constitute a revocation of a proxy). If your shares are held in street name, that is, you hold your shares in an account with a bank, broker or other holder of record, you must obtain a proxy, executed in your favor, from your broker or other holder of record, to be able to vote at the annual meeting. Any written notice of revocation or subsequent proxy should be sent so as to be delivered to Hologic, Inc., 35 Crosby Drive, Bedford, MA 01730, Attention: Secretary, at or before the taking of the vote at the annual meeting.

Quorum and Votes Required

The representation in person or by proxy of at least a majority of the outstanding shares of Common Stock entitled to vote at the annual meeting is necessary to establish a quorum for the transaction of business at the annual meeting. Votes withheld from the nominee, abstentions and broker non-votes are counted as present or represented for purposes of determining the presence or absence of a quorum. A non-vote occurs when a broker holding shares for a beneficial owner votes on one proposal, but does not vote on another proposal because, in respect of such other proposal, the broker does not have discretionary voting power and has not received instructions from the beneficial owner.

Directors are elected by a plurality of the votes cast by stockholders entitled to vote at the annual meeting. The proposal to amend our certificate of incorporation requires the affirmative vote of at least a majority of the outstanding shares of our Common Stock entitled to vote on the proposal. On all other matters being submitted to stockholders, the affirmative vote of a majority of shares present, in person or represented by proxy, and voting on each such matter at the annual meeting is required for approval.

An automated system administered by our transfer agent tabulates the votes. The vote on each matter submitted to stockholders is tabulated separately. Abstentions and broker non-votes are included in the number of shares present or represented for purposes of quorum, but are not considered as shares voting or as votes cast with respect to any matter presented at the annual meeting. As a result, abstentions and broker non-votes will not have any effect on the proposals to elect directors, to approve the Hologic, Inc. 2008 Employee Stock Purchase Plan, to approve the Hologic, Inc. 2008 Equity Incentive Plan and to adjourn the annual meeting, but will have the effect of a vote against the proposal to amend our certificate of incorporation.

The persons named as the proxies, John W. Cumming, Patrick J. Sullivan and Glenn P. Muir, were selected by the Board of Directors and are our officers. All properly executed proxies returned in time to be counted at the annual meeting will be voted. Any stockholder giving a proxy has the right to withhold authority to vote for any individual nominee to the Board of Directors by writing that nominee's name in the space provided on the proxy. In addition to the election of Directors, the stockholders will consider and vote upon a proposal to amend our certificate of incorporation, to approve the Hologic, Inc. 2008 Employee Stock Purchase Plan, to approve the Hologic, Inc. 2008 Equity Incentive Plan and to adjourn the annual meeting, all as further described in this proxy statement. **All proxies will be voted in accordance with the stockholders instructions, and if no choice is specified, the enclosed proxy card (or any signed and dated copy thereof) will be voted in favor of the matters set forth in the accompanying notice of annual meeting of stockholders.**

Other Business

The Board of Directors knows of no other matter to be presented at the annual meeting. If any other matter should be presented at the annual meeting upon which a vote may properly be taken, shares represented by all proxies received by our Secretary will be voted with respect thereto in accordance with the judgment of the persons named as the proxies.

PROPOSAL NO. 1

ELECTION OF DIRECTORS

Eleven (11) directors are to be elected at the annual meeting. Our Board of Directors (referred to herein as the Board), upon the recommendation of the Nominating and Corporate Governance Committee, has nominated the persons listed below for election as directors. Unless otherwise instructed, the proxy holders will vote the proxies received by them for the Board's nominees named below. All nominees are currently our directors. In the event that any nominee is unable or declines to serve as a director at the time of the annual meeting, the proxies will be voted for the nominee, if any, who shall be designated by the present Board to fill the vacancy. Each nominee has consented to serving as a director if elected. The proposed nominees are being nominated in accordance with the provisions of our bylaws, and not pursuant to any other arrangement or understanding with any person. The term of office of each person elected as a director will continue until the next annual meeting of stockholders or until a successor has been elected and qualified.

In connection with our business combination transaction with Cytyc which was consummated on October 22, 2007, we amended and restated our bylaws to provide that our directors shall consist of (i) six continuing Hologic directors, consisting of four persons designated by the continuing Hologic directors, each of whom shall be independent and two persons who are not independent, and (ii) five continuing Cytyc directors, consisting of three persons designated by the continuing Cytyc directors, each of whom shall be independent and two persons who are not independent. At the effective time of the consummation of our business combination transaction with Cytyc, John W. Cumming, Glenn P. Muir, Nancy L. Leaming, David R. LaVance, Jr. and Lawrence M. Levy continued as continuing Hologic directors, Ms. Elaine S. Ullian was appointed as an additional continuing Hologic director, and Patrick J. Sullivan, Daniel J. Levangie, Sally W. Crawford, Wayne Wilson and C. William McDaniel were appointed as the continuing Cytyc directors. Until immediately prior to the annual meeting of stockholders to be held in 2009: (i) all vacancies on the Board created by the cessation of service of a continuing Hologic director who is an independent director shall be filled by a nominee proposed to the Nominating and Corporate Governance Committee of the Board by a majority of the remaining continuing Hologic directors; (ii) all vacancies on the Board created by the cessation of service of a continuing Cytyc director who is an independent director shall be filled by a nominee proposed to the Nominating and Corporate Governance Committee by a majority of the remaining continuing Cytyc directors, and (iii) all remaining vacancies on the Board created by the cessation of service of any other continuing Hologic director or continuing Cytyc director shall be filled by a nominee proposed and selected by the Nominating and Corporate Governance Committee. Our bylaws also provide that any continuing Hologic director or continuing Cytyc director who is then serving as one of our directors shall be nominated by our Nominating and Corporate Governance Committee for election as a Hologic Director at our annual meeting of stockholders to be held in 2008, subject to the fiduciary duties of the members of the Nominating and Corporate Governance Committee. For the 2009 annual meeting and thereafter, our nominations for persons to serve on the Board shall be determined by the Nominating and Corporate Governance Committee of the Board. Prior to the 2009 annual meeting, any amendment of, or change to, Section 2.16 of our bylaws shall require the affirmative vote of at least 75% of the full Board.

Vote Required

Directors are elected by a plurality of the votes cast by stockholders entitled to vote at the annual meeting. Abstentions and broker non-votes will not have any effect on this proposal.

Recommendation of the Board

Our Board of Directors unanimously recommends that you vote *FOR* the nominees listed below.

Set forth below is certain biographical information regarding the nominees as of January 11, 2008:

Name	Age	Position	Director Since
Continuing Hologic Directors			
John W. Cumming	62	Chief Executive Officer and Director	2001
Glenn P. Muir	48	Executive Vice President, Finance and Administration, Chief Financial Officer, Treasurer and Director	2001
David R. LaVance, Jr. (1)(2)(3)(4)	53	Director	2002
Nancy L. Leaming (3)(4)	60	Director	2003
Elaine S. Ullian (4)	60	Director	2007
Lawrence M. Levy (1)(2)(3)	69	Director	2005
Continuing Cytoc Directors			
Patrick J. Sullivan	56	Executive Chairman of the Board	2007
Sally W. Crawford (4)	54	Director	2007
Wayne Wilson (2)(3)(4)	58	Director	2007
Daniel J. Levangie	57	Director	2007
C. William McDaniel (1)(3)(4)	67	Director	2007

- (1) Member of our Nominating and Corporate Governance Committee
- (2) Member of our Corporate Development Committee
- (3) Member of our Audit Committee
- (4) Member of our Compensation Committee

Mr. Cumming was appointed as Chief Executive Officer and director in July 2001. From November 2002 until October 2007, Mr. Cumming also served as our Chairman. Mr. Cumming served as our President from July 2001 through September 2003. Prior to July 2001 and since joining our company, Mr. Cumming held the position of Senior Vice President and President, Lorad. Prior to joining us, Mr. Cumming served as President and Managing Director of Health Care Markets Group, a strategic advisory and investment banking firm that he founded in 1984.

Mr. Muir, a certified public accountant, was appointed to our Board in July 2001, and has held the positions of Executive Vice President, Finance and Administration and Treasurer since September 2000. Prior to that, Mr. Muir served as our Vice President of Finance and Treasurer since February 1992 and Controller since joining us in October 1988. Mr. Muir has been our Chief Financial Officer since 1992. Mr. Muir received an M.B.A. from the Harvard Graduate School of Business Administration in 1986.

Mr. LaVance has been one of our directors since December 2002. Since 1997, Mr. LaVance has served as President of Century Capital Associates LLC, an investment banking firm that he founded specializing in biosciences fields. From 1995 to 1997, Mr. LaVance was Managing Director for KPMG Health Ventures, leading the life sciences consulting practice of the KPMG accounting firm. Mr. LaVance currently serves as Chairman of the Board of Directors, CEO and President of Scivanta Medical Corporation (SCVM.OB) (previously known as Medi-Hut Co., Inc.).

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Ms. Leaming has been one of our directors since September 2003. Ms. Leaming, an independent consultant, was the Chief Executive Officer and President of Tufts Health Plan, a provider of healthcare insurance, from 2003 to 2005. Prior to that, Ms. Leaming served as Tufts Health Plan's President and Chief Operating Officer from 1998 to 2003, the Chief Operating Officer from 1995 to 1998 and the Chief Operating Officer/Chief Financial Officer from 1986 to 1995. Ms. Leaming currently serves as chair of the Board of the American Red

Cross of Massachusetts Bay and as a director of Edgewater Technology, Inc., The Jacobson Group, the Massachusetts Taxpayer Foundation, Biogen Idec Inc. (BIIB) and the Boston Chamber of Commerce.

Mr. Levy has been one of our directors since December 2005. Mr. Levy has been Senior Counsel at Brown Rudnick Berlack Israels LLP, an international law firm, since February, 2005 and, for more than 30 years before that, had been a Partner at Brown Rudnick, specializing in Corporate and Securities Law. Mr. Levy served as our Secretary from our formation in 1985 until December 2005. Mr. Levy is also a director of Option N.V. of Belgium, Scivanta Medical Corporation and the Facing History and Ourselves National Foundation. Mr. Levy received a B.A. from Yale University and a LLB from Harvard Law School.

Ms. Ullian has been one of our directors since October 22, 2007. Since 1996, Ms. Ullian has served as President and Chief Executive Officer of Boston Medical Center, the successor of Boston University Medical Center Hospital. In April 1994, Ms. Ullian was appointed President and Chief Executive Officer of Boston University Medical Center Hospital. From January 1987 to March 1994, Ms. Ullian held the position of President and Chief Executive Officer of Faulkner Corporation/Faulkner Hospital. She holds two academic appointments: Associate Professor at Boston University School of Medicine; lecturer at Harvard University School of Public Health. Ms. Ullian also serves as a director of Vertex Pharmaceuticals and ThermoFisher Scientific. Ms. Ullian had previously served as one of our directors from 1996 to 2003.

Mr. Sullivan has served as our Executive Chairman and one of our directors since our merger with Cytyc on October 22, 2007, having previously served Cytyc as Chief Executive Officer and a director since March 1994, Vice Chairman of the Board of Directors since January 2001, Chairman-elect since January 2002 and Chairman since May 2002. From March 1994 to January 2002 and from July 2002 to October 2007, Mr. Sullivan also served as President of Cytyc and from January 1991 to March 1994, as Vice President of Sales and Marketing of Cytyc. Prior to joining Cytyc, Mr. Sullivan was employed in several senior marketing positions for five years by Abbott Laboratories, a diversified healthcare company, and was a consultant with McKinsey and Company, an international management consulting firm. Mr. Sullivan is a graduate, with distinction, of the United States Naval Academy and received an M.B.A., with distinction, from Harvard University.

Ms. Crawford became one of our directors effective upon our merger with Cytyc on October 22, 2007, having previously served as a director of Cytyc since January 1998. From April 1985 until January 1997, Ms. Crawford served as Chief Operating Officer of Healthsource, Inc., a publicly held managed care organization headquartered in New Hampshire. During her tenure at Healthsource, Inc., Ms. Crawford held a variety of positions and responsibilities, including leading that company's Northern Region operations and marketing efforts. Since January 1997, Ms. Crawford has been a health care consultant in New Hampshire. Ms. Crawford serves as a director of Universal American, Exact Sciences Corporation and CombinatoRx, Inc. (CRXX).

Mr. Wilson became one of our directors effective upon our merger with Cytyc on October 22, 2007, having previously served as a director of Cytyc since July 2003. A certified public accountant, Mr. Wilson has been an independent business advisor since September 2002. From January 1998 to September 2002, Mr. Wilson served as President and Chief Operating Officer and from August 1995 to January 1998, he served as Senior Vice President, Chief Operating Officer and Chief Financial Officer, of PC Connection, Inc., a direct marketer of information technology products and services. From June 1986 to August 1995, he was a partner in the Assurance and Advisory Services practice of Deloitte & Touche LLP. Mr. Wilson also serves as a director of Edgewater Technology, Inc.

Mr. Levangie became one of our directors effective upon our merger with Cytyc on October 22, 2007, having previously served as a director of Cytyc since July 2003. He served as Executive Vice President and President of Cytyc Surgical Products, from July 2006 to October 2007. Prior to that, Mr. Levangie served as Cytyc's Executive Vice President, Commercial Operations from August 2003 to June 2006. From August 2002 to July 2003, Mr. Levangie served as President and Chief Executive Officer of Cytyc Health Corporation, a wholly-owned subsidiary of Cytyc. From January to July 2002, he served as President and Chief Operating

Officer of Cytyc. From 1994 to 2002 Mr. Levangie held a variety of executive positions and responsibilities with Cytyc. Prior to joining Cytyc, Mr. Levangie was employed in several sales and marketing positions for seventeen years by Abbott Laboratories, a diversified healthcare company. Mr. Levangie received a B.S. in Pharmacy from Northeastern University. Mr. Levangie serves as a director of Dune Medical Devices Ltd., a privately held medical device company and ev3 Inc., a publicly traded medical device company.

Mr. McDaniel became one of our directors effective upon our merger with Cytyc on October 22, 2007, having previously served as a director of Cytyc since April 1987 and served as a consultant to Cytyc from March 1995 to February 1997. In January 2001, he was named Vice Chairman of the Board of Directors and he served as Cytyc's Lead Independent from 2004 until our merger with Cytyc. Mr. McDaniel served as a consultant to and a director of CP Ventures, Inc., a venture capital firm, from April 1995 to April 1996 and June 1996, respectively. From 1987 to March 1995, Mr. McDaniel was the President and a director of CP Ventures, Inc.

EXECUTIVE OFFICERS

The names of our executive officers, who are not directors, along with certain biographical information furnished by them, are set forth below:

Name	Age	Title
Robert A. Cascella	53	President and Chief Operating Officer
John R. Pekarsky	54	Senior Vice President, Sales and Strategic Accounts
Jay A. Stein	65	Chairman Emeritus, Chief Technical Officer
Howard B. Doran, Jr.	47	President of Diagnostic Products
Stuart A. Kingsley	44	President of GYN Surgical
Dr. Peter K. Soltani	47	Vice President of Breast Health Line of Business
Mark J. Casey	44	Senior Vice President and General Counsel

Executive officers are chosen by and serve at the discretion of our Board of Directors.

Mr. Cascella joined us in February 2003 as Chief Operating Officer and was promoted to President in September 2003. Prior to joining us, from 1998 to 2003, Mr. Cascella was a managing partner of CFG Capital LLC, an investment banking firm specializing in healthcare. Prior to joining CFG Capital, from 1995 to 1998, Mr. Cascella was Chief Operating Officer and Vice President of Finance for NeoVision Corporation, a developer of 3D ultrasound technology used for real-time guidance of interventional breast procedures. Mr. Cascella received a B.S. in Finance from Fairfield University in 1978.

Mr. Pekarsky joined us in September 2000 in connection with the acquisition of the mammography assets of Trex Medical where he served as Vice President, National Accounts. In August 2002, Mr. Pekarsky was appointed as our Senior Vice President, Sales and Strategic Accounts. From February 1998 to September 2000, Mr. Pekarsky served in a number of enterprise and national account roles at Trex Medical. Prior to joining Trex Medical, Mr. Pekarsky was employed with CTI PET Systems from October 1996 to February 1998 and with Siemens Medical Systems from January 1984 to October 1996 serving in a variety of sales and sales management roles. Mr. Pekarsky received a Master of Public Health degree in Health Services Administration from the University of Pittsburgh.

Dr. Stein, a co-founder, Chairman Emeritus and the Chief Technical Officer of the Company, has served as Executive or Senior Vice President, Chief Technical Officer and a director of the Company since its organization in October 1985 and served as Chairman of the Company's Board from June 2001 to November 2002. Dr. Stein received a Ph.D. in Physics from The Massachusetts Institute of Technology. He is the principal author of nineteen patents involving X-ray technology.

Mr. Doran joined us in October 2007 in connection with our merger with Cytyc. Mr. Doran is one of our Senior Vice Presidents and President of Diagnostic Products. Prior to joining us, Mr. Doran joined Cytyc in 1997 as an account executive and has held several senior sales and marketing positions at Cytyc. Since 2004 he has served as Vice President of Cytyc Diagnostic Products, responsible for sales and marketing execution for ThinPrep® products and FullTerm®, the Fetal Fibronectin Test. Prior to joining Cytyc, Mr. Doran was an account manager at Sage Products, an international company specializing in innovative healthcare/laboratory products. He holds a B.A. from West Chester (Pennsylvania) University.

Mr. Kingsley, joined us in October 2007 in connection with our merger with Cytyc. Mr. Kingsley is one of our Senior Vice Presidents and President of GYN Surgical. Prior to joining us, Mr. Kingsley served Cytyc as President, Cytyc Diagnostic Products division and Senior Vice

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President since July 2006. Mr. Kingsley was Partner and Associate with McKinsey & Company, Inc. from November 1991 to July 2006.

Dr. Soltani, joined us in November 2000 as Vice President and General Manager of Direct Radiography Corp. and served as such until September 30, 2007, when he was appointed Vice President, Breast Health Line of Business. Prior to joining us, Dr. Soltani served as General Manager, NDT Business Group, Digital Systems at AGFA Corporation from 1999 to November 2000. From 1994 to 1999, Dr. Soltani served as General Manager, Imaging Systems Division of Liberty Technologies, a division of Crane Nuclear, Inc. Prior to joining Liberty Technologies, Dr. Soltani was with Quantex Corporation, serving as Vice President, Technology from 1992 to 1994, Director, Product Development from 1990 to 1992 and as a Senior Staff Scientist from 1986 to 1990. Dr. Soltani is the principal author or co-author of a number of patents related to digital imaging technologies and has published numerous articles on digital imaging. Dr. Soltani received a Ph.D. in Materials Engineering from the University of Maryland in 1994.

Mr. Casey joined us in October 2007 in connection with our merger with Cytac. Mr. Casey is one of our Senior Vice Presidents and is our General Counsel. Prior to joining us, Mr. Casey joined Cytac in 2002 as Assistant General Counsel and Chief Patent Counsel and most recently held the position of Vice President, Deputy General Counsel and Chief Patent Counsel. Prior to joining Cytac, Mr. Casey served as an attorney for Boston Scientific from 1998-2002 and EMC Corporation from 1996-1998. Mr. Casey joined Digital Equipment Corporation's (DEC) law department in 1992, where he served as an attorney from 1995-1996. Prior to this, Mr. Casey held various engineering positions with DEC and AT&T Network Systems from 1985 through 1992. Mr. Casey received a B.S. in Electrical Engineering from Syracuse University and a J.D. from Suffolk University.

GOVERNANCE OF OUR COMPANY

The Board of Directors has a standing Audit Committee, Compensation Committee, Nominating and Corporate Governance Committee and Corporate Development Committee. The Board is composed of a majority of independent directors, and all of the committees are composed entirely of independent directors, as such term is defined in the listing standards of The Nasdaq Stock Market. The Board has determined that the following directors are independent, according to the above definition: Nancy Leaming, David LaVance, Lawrence Levy, Elaine Ullian, William McDaniel, Sally Crawford and Wayne Wilson. In addition, the Audit Committee is composed entirely of independent directors as such term is defined in Section 10A(m)(3) of the Securities Exchange Act of 1934.

The Board has adopted a charter for each of the four standing committees that address the make-up and functioning of such committee. The Board has also adopted a code of business conduct and ethics that applies to all of our employees, officers and directors.

Meetings of the Board of Directors and its Committees

The Board met 18 times during the fiscal year ending September 29, 2007 and each of our directors attended at least 75 percent of the total number of meetings of the Board and all committees of the Board on which he or she served.

Nomination of Directors

As provided in its charter, the Nominating and Corporate Governance Committee is responsible for identifying individuals qualified to become directors. The Nominating and Corporate Governance Committee seeks to identify director candidates based on input provided by a number of sources, including (1) the Nominating and Corporate Governance Committee members, (2) our other directors or officers, (3) our stockholders and (4) third parties such as professional search firms. In evaluating potential candidates for director, the Nominating and Corporate Governance Committee considers the entirety of each candidate's credentials.

Our bylaws also provide that any continuing Hologic director and continuing Cytoc director who serves as our director shall be nominated by our Nominating and Corporate Governance Committee of our Board for election as one of our directors at the annual meeting of stockholders to be held in 2008, subject to the fiduciary duties of the members of the Nominating and Corporate Governance Committee. For the 2009 annual meeting and thereafter, our nominations for persons to serve on the Board shall be determined by the Nominating and Corporate Governance Committee. Prior to the 2009 annual meeting, any amendment of or change to the section of our bylaws which includes this requirement shall require the affirmative vote of at least 75% of the full Board.

The Nominating and Corporate Governance Committee will consider director candidates recommended by stockholders provided such recommendations are submitted in accordance with the procedures set forth below. In order to provide for an orderly and informed review and selection process for director candidates, our Board has determined that stockholders who wish to recommend director candidates for consideration by the Nominating and Corporate Governance Committee must comply with the advance notice provisions and other requirements of Section 1.4 of our bylaws, as if such recommendation were a nomination. This notification must be received by us not earlier than September 11, 2008 and not later than December 11, 2008 and, and must provide information about the nominee's qualifications for Board membership and other information required by the bylaws. Stockholders who intend to recommend a director candidate to the Nominating and Corporate Governance Committee for consideration are urged to obtain and thoroughly review a copy of our bylaws. To obtain a copy of our bylaws, stockholders should contact Hologic, Inc., Investor Relations, at 35 Crosby Drive, Bedford, MA 01730.

All candidates submitted by stockholders will be evaluated by the Nominating and Corporate Governance Committee in the same manner as all other director candidates.

Audit Committee

The Audit Committee is responsible for assisting our Board in the oversight of (i) our financial reporting process, accounting functions and internal controls and (ii), the qualifications, independence appointment, retention, compensation and performance of our independent auditors, and our internal financial and accounting controls. In addition, the Audit Committee, among other things, reviews and approves related party transactions (unless such review and approval has been delegated to another committee consisting solely of independent directors).

A copy of the written charter of the Audit Committee is attached to this Proxy Statement as *Appendix A* and is publicly available on the Company's website at www.hologic.com. None of the current members of the Audit Committee are employees of our company and our Board has determined that each member of the Audit Committee is independent (as independence is defined in the current listing standards of the Nasdaq Stock Market and Section 10A(m)(3) of the Securities Exchange Act of 1934). The Audit Committee met six (6) times during fiscal year 2007. Ms. Leaming and Messrs. Wilson, LaVance, Levy and McDaniel are the current members of the Audit Committee, and Ms. Leaming serves as Chairperson.

Audit Committee Financial Expert. The Board has determined that each of Messrs. Wilson and LaVance and Ms. Leaming qualify as an audit committee financial expert, as that term is defined in Item 401(h) of Regulation S-K, and independent for purposes of current listing standards of The Nasdaq Stock Market and Section 10A(m)(3) of the Securities Exchange Act of 1934.

Compensation Committee

The primary functions of the Compensation Committee include (i) reviewing and approving the compensation for each of our officers who is a named executive officer as defined in Item 402(a) of Regulations S-K and such other of our senior officers as the Compensation Committee

deems appropriate, (ii) evaluating the performance of the Chief Executive Officer, the other of our named executive officers and

such other of our senior officers as the Committee deems appropriate as it relates to their compensation, (iii) overseeing the administration and the approval of grants and terms of stock options or other equity awarded under our stock option and restricted stock and other equity-based compensation plans, which may include the delegation of authority to our Chief Executive Officer for the purpose of issuing options to our non-executive officers, and (iv) recommending compensation for members of the Board and each Committee thereof, for review and approval by the Board. In fiscal 2006, the Compensation Committee delegated limited authority to Jack Cumming, our Chief Executive Officer, as a special stock option committee, to award stock options to non-executives.

A copy of the Compensation Committee's written charter is publicly available on our website at www.hologic.com. The Compensation Committee met eight (8) times during fiscal year 2007. Messrs. LaVance, McDaniel and Wilson and Ms. Crawford, Ms. Leaming and Ms. Ullian are the current members of the Compensation Committee, and Ms. Crawford serves as Chairperson.

Compensation Committee Interlocks and Insider Participation The current members of the Compensation Committee are Ms. Crawford, Ms. Ullian, Ms. Leaming and Messrs. LaVance, Wilson and McDaniel. The members in our fiscal year 2007 consisted of Mr. LaVance, who served as the Chairperson, and Mr. Jacobs, Ms. Leaming and Dr. Lerner. No member of the Compensation Committee is or has ever been an executive officer or employee of our company (or any of its subsidiaries), and no compensation committee interlocks existed during fiscal year 2007.

For further information about our processes and procedures for the consideration and determination of executive and director compensation, please see Compensation and Other Information Concerning Directors and Officers Compensation Discussion and Analysis, below.

Nominating and Corporate Governance Committee

In October 2007 we restructured our Nominating Committee and our Corporate Governance Committee into one Committee: The Nominating and Corporate Governance Committee. The Nominating and Corporate Governance Committee is responsible for recommending to the Board potential candidates to be nominated for election or appointment as our directors as well as consideration of issues relating to the corporate governance of our company, including periodically reviewing our corporate governance guidelines, reviewing and recommending to the Board any changes to the committee charters, recommending the membership and chair of our Board committees and leading the succession planning process for our executive officers. The Nominating and Corporate Governance Committee also considers suggestions regarding possible candidates for director as described above under Nomination of Directors.

A copy of the Nominating and Corporate Governance Committee's written charter is publicly available on our website at www.hologic.com. The Nominating Committee met once during fiscal year 2007 and the Corporate Governance Committee met twice during fiscal year 2007. Messrs. Levy, McDaniel and LaVance are the current members of the Nominating Committee, and Mr. LaVance serves as Chairperson.

Corporate Development Committee

The Corporate Development Committee was formed in September 2004 to assist the Board in its oversight of strategic transactions and to assist management in reviewing and evaluating strategic transactions. The primary functions of the committee include (i) assisting management and our Board in its oversight of strategic transactions, (ii) assisting management and our Board in reviewing and evaluating strategic transactions, and (iii) reporting to the Board on the status of strategic transactions.

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The Corporate Development Committee's written charter is publicly available on our website at www.hologic.com. Messrs. LaVance, Wilson and Levy are the members of the Company's Corporate Development Committee. Mr. Levy serves as Chairperson.

Code of Ethics

Pursuant to Section 406 of the Sarbanes-Oxley Act of 2002, we have, as a part of our Code of Business Conduct, adopted a Code of Ethics for Senior Financial Officers that applies to our principal executive officer, 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. We intend to satisfy the disclosure requirement under Item 5.05 of our 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.

Attendance by Directors at the Annual Meeting of Stockholders

Our Board has scheduled a Board meeting in conjunction with the annual meeting of stockholders. Our directors are encouraged to attend the annual meeting of stockholders on March 11, 2008. All nine directors then serving on our Board attended the annual meeting of stockholders held on March 6, 2007.

Stockholder Communications with the Directors

Stockholders may contact our Board of Directors and committees thereof by writing to them c/o Investor Relations, Hologic, Inc., 35 Crosby Drive, Bedford, MA 01730. All communications directed to our Board of Directors or a committee thereof will be delivered to our Board of Directors or the appropriate committee.

COMPENSATION AND OTHER INFORMATION CONCERNING DIRECTORS AND OFFICERS

Compensation Discussion and Analysis

Introduction

We are a diversified medical technologies company specializing in diagnostic imaging products and interventional devices dedicated to serving the healthcare needs of women. 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. Many of our competitors and potential competitors are larger and have greater financial resources than we do and offer a range of products broader than our products. Our ability to compete effectively in the markets within which we operate depends to a large extent on our success in identifying, recruiting, developing and retaining key management personnel. A key element of our human resource strategy is the design and implementation of a comprehensive approach to executive compensation that provides competitive and differentiated levels of pay based on corporate and individual performance and reinforces the alignment of the interests of the members of our executive management team with those of our stockholders.

This Compensation Discussion and Analysis provides narrative disclosure regarding the compensation plans, programs and arrangements we employed for our senior executive officers during our 2007 fiscal year. During our 2007 fiscal year, we had five executive officers. This number

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of our executive officers has increased to ten since our business combination with Cytyc Corporation on October 22, 2007. Specific details regarding the compensation paid to our Chief Executive Officer (CEO), Chief Financial Officer (CFO) and three other most highly compensated executive officers (collectively called our named executive officers) during our 2007 fiscal year are set forth herein.

Due in large part to the consummation of our business combination with Cytyc, we have grown from a company of approximately 1,600 employees at the beginning of our 2007 fiscal year to a company of more than 3,500 employees as of November 12, 2007 and have recently added 20 senior level executives. Because of this rapid growth, the need to rationalize the compensation principles and practices employed by the two companies and the need to address important retention objectives with respect to a large number of new key employees added as a result of the Cytyc transaction, we are currently undertaking a comprehensive review of our

compensation plans, programs and arrangements. We expect that a number of critical changes will result from this review. As further described herein, among the changes we have already implemented are the establishment of higher base salary levels and a return to the granting of stock options as a meaningful component of long term incentive compensation.

Oversight of our Executive Compensation Plans, Programs and Arrangements

All of our compensation and benefit programs are overseen by the Compensation Committee (the Committee) of our Board. Committee membership is determined by our Board and, consistent with the listing requirements of the Nasdaq Global Select Market as well as Section 162(m) of the Internal Revenue Code (the Code), the Committee is composed entirely of independent, non-employee members of the Board. During fiscal year 2007, Messrs. LaVance and Jacobs and Dr. Lerner and Ms. Leaming served on the Committee with Mr. LaVance serving as Chairperson. In connection with our business combination with Cytac, Mr. Jacobs and Dr. Lerner retired from the Board and from the Committee effective October 22, 2007. As of October 22, 2007, Ms. Crawford assumed the role of Chairperson of the Committee, and the Committee is now comprised of Ms. Crawford, Ms. Leaming, Ms. Ullian, and Messrs. LaVance, Wilson and McDaniel. Ms. Crawford, Ms. Ullian and Messrs. Wilson and McDaniel, all of whom became members of our Board and the Committee at the time of our business combination with Cytac, made no determinations with respect to our compensation and benefit programs during our fiscal year 2007.

The Committee's responsibilities are specified in the Committee's charter. The Committee meets regularly throughout the year. The Chairperson regularly reports on Committee actions and recommendations at full meetings of our Board. At Committee meetings, non-Committee members of the Board and others such as the CEO, the Senior Vice President of Human Resources, the Chief Financial Officer and other senior human resource employees, legal officers or external consultants or counsel, may be invited to provide information, respond to inquiries of the Committee and generally provide support to the Committee. The Committee also works directly with senior employees in our human resources department.

Glenn Muir, our Chief Financial Officer, is responsible for providing input relating to the financial targets to be established for the Key Employee Bonus Program described below, and for presenting data and analysis regarding the impact of the executive compensation programs on our financial performance.

Jack Cumming, our Chief Executive Officer, is responsible for reviewing the performance of his direct reports (including, during our fiscal 2007, Messrs. Cascella, Muir, Pekarsky and Dr. Stein) with the Committee, recommending base salary increases, reviewing bonus targets for the Key Employee Bonus Program, reviewing equity award levels under our long-term incentive plans, reviewing and assisting in the establishment of our short-term financial and non-financial performance goals for the company that are used as benchmarks in many of our compensation plans, and advising the Committee regarding the compensation program's ability to attract, retain and motivate the level of executive talent necessary for our continued success. The Committee retains the sole authority to review Mr. Cumming's performance and compensation.

Our Compensation Principles

Our executive compensation plans and programs are designed to attract and retain superior executive talent, to provide competitive and differentiated levels of pay based on corporate and individual performance and to closely align the interests of our executives with those of our stockholders.

Compensation Committee decisions are guided by the following basic principles:

Pay for performance We believe that our compensation plans should motivate high performance among our executive officers within an entrepreneurial, incentive-driven culture. We believe that compensation levels should reflect both our short term and long term performance objectives. With respect to our short-term performance, we believe that our compensation plans should provide the flexibility to reflect the extent

to which goals are missed, met, or exceeded, while taking into account an individual's ability to directly influence company results. We believe that employees should receive increased compensation for superior performance and their compensation should be reduced if they underperform. We believe that with respect to our long-term performance, rewards realized under our long-term equity compensation plans should be driven largely by shareholder value;

Support our business strategy We aim to design compensation plans that closely align compensation objectives with our business strategies and that enable a focus on creating sustainable, long-term growth and stockholder value;

Pay competitively We aim to establish overall target compensation (compensation received when achieving expected results) that is competitive with that being offered to individuals holding comparable positions and producing similar results at other public companies with which we compete for business and talent; and

Focus on total compensation We seek to use a mix of all available compensation components including base salary, annual incentives, long-term incentives, benefits and perquisites, in designing competitive compensation packages.

Over time, we believe these principles will help us to successfully identify, recruit, develop and retain talented employees who are committed to our success.

Our Executive Compensation Objectives

Consistent with the basic principles of our compensation philosophy, the Committee's compensation decisions with respect to our executive officers are guided by the following objectives, each of which is designed to facilitate our long-term success:

Drive superior performance Our compensation plans for executive officers are designed to encourage our leaders to achieve and exceed established performance targets;

Focus on long-term success Our compensation plans for executive officers include a variety of long term incentive plans designed to encourage executives to focus on our long-term success and the creation of lasting stockholder value; and

Retain key executives Our compensation plans for executive officers are focused on enabling the retention of those executives who have demonstrated superior talent and performance and whose continued employment is crucial to our future success.

Executive Compensation Process

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During our 2007 fiscal year, the Committee undertook the following actions to establish and implement our compensation plans, programs and arrangements for executive officers:

1. *Review of the annual performance of named executive officers to finalize fiscal year 2006 compensation decisions.*

In October 2006, following the conclusion of our prior fiscal year, our CEO met with the Committee to discuss the performance and contribution of each of our executive officers, with specific attention paid to progress against operational and financial goals for the company and for the executive established during the prior year. This assessment included a discussion of each officer's strengths and weaknesses and each officer's place in our future. As it deemed appropriate, the Committee also met with specific executive officers in order to allow the Committee to form its own opinion of each individual's performance. Based on this assessment of each executive officer's performance during the prior fiscal year and our overall performance, on October 30, 2006, the Committee approved discretionary cash bonuses under our Key Employee Bonus Pool (as described below),

cash contributions to our Supplemental Executive Retirement Plan (as described below), and restricted stock unit grants pursuant to our Second Amended and Restated 1999 Equity Incentive Plan (referred to herein as the 1999 Equity Incentive Plan).

2. Establishment of base salaries and equity compensation targets for fiscal year 2007.

In October 2006, following the conclusion of our prior fiscal year, the Committee began the process of establishing appropriate overall compensation levels for our executive officers for fiscal year 2007. In conducting this process the Committee considered the recommendations of our CEO as well as our Senior Vice President, Human Resources regarding adjustments to base salaries and variable and equity compensation targets for our executive officers. Each of our executive officers outlined their respective goals and objectives (both quantitative and qualitative) for fiscal year 2007 in consultation with our CEO and our Senior Vice President, Human Resources. Our CEO developed his objectives in consultation with the Committee. The individualized goals and objectives were each presented to the Committee for its review and approval. After assessing the competitive landscape, our business strategy, our short term and long term performance goals and the individualized goals and objectives of our executive officers, the Committee employed its business judgment to set final base salary, target bonus amounts and equity compensation levels. The Committee did not use a quantitative method or use a mathematical formula to set any elements of compensation for a particular executive officer but rather utilized its discretion in establishing the overall compensation levels required to achieve our compensation objectives. The Committee did, however, verify its compensation decisions against the results of a comprehensive compensation survey of more than 650 public and private companies prepared by Radford Surveys (the Radford Survey) and against a smaller subset of survey respondents represented by life science companies with annual revenues of between \$200 million and \$1 billion.

Based upon all of this input, in December 2006 the Committee approved base salaries for our named executive officers effective January 1, 2007. In December 2006 the Committee also affirmed the continuation of our Key Employee Bonus Program and resolved to set aside 10% of our pre-tax income (calculated prior to the payment of bonus amounts) for discretionary bonus awards under this program with such amount subject to the periodic review of the Committee and established a target contribution amount to our Supplemental Executive Retirement Plan of \$1.5 million for fiscal year 2007.

3. Engagement of Compensation Consultant and Development of Peer Group.

In January 2007, the Committee engaged DolmatConnell & Partners Inc. (the Compensation Consultant) as our independent compensation consultant. The Compensation Consultant does not perform any services for us other than for the Committee. The Committee sought the services of the Compensation Consultant in order to perform a comprehensive review of our compensation policies and to help establish the guiding principles and objectives of our overall compensation philosophy. One of the tasks undertaken by the Compensation Consultant during fiscal year 2007 was to construct a more tailored group of peer companies to enable the Committee to benchmark the elements of the total direct compensation (base salary, bonus and all long-term incentive plan benefits) paid to our named executive officers. This peer group was established after taking into account our projected revenues following our business combination with Cytac. The Committee in consultation with the Compensation Consultant selected peer group companies based on the following factors:

Similarities in revenue levels and size of market capitalization;

Similarities to the industries within which we operate;

The generally overlapping labor market for top management talent; and

Our status as a publicly-traded, U.S.-based firm.

Based upon these factors, the following companies were selected as our peer group:

Allergan, Inc.	Beckman Coulter, Inc.	Biogen Idec, Inc.
C.R. Bard, Inc.	Celgene Corp.	Dade Behring Holdings, Inc.
DENTSPLY International, Inc.	Forest Laboratories	Genzyme Corp.
Kinetic Concepts, Inc.	Millipore Corp.	Waters Corp
Sepracor Inc.	St. Jude Medical, Inc.	Varian Medical Systems, Inc.
Pharmaceutical Product Development, Inc.		

4. Review of the annual performance of named executive officers to finalize fiscal year 2007 compensation decisions.

On October 19, 2007, following the conclusion of fiscal year 2007 and prior to the consummation of our business combination transaction with Cytac, the Committee, after taking into account our superior performance during fiscal year 2007 and the realization of virtually every individual and company performance target previously established by the Committee, approved discretionary cash bonuses under our Key Employee Bonus Pool, cash contributions to our Supplemental Executive Retirement Plan, restricted stock unit grants pursuant to our 1999 Equity Incentive Plan as amended and base salaries to be effective immediately following the completion of the business combination.

Components of our Executive Compensation Programs

Short-Term Compensation Elements

Base Salary

An executive's base salary represents annual fixed compensation, and is a standard element of compensation, necessary to attract and retain talent. Base salary represents the minimum payment for a satisfactory level of individual performance as long as the executive remains employed with us. Base salary is set at the Committee's discretion after taking into account the competitive landscape, our business strategy, our short term and long term performance goals and individual factors such as position, salary history, individual performance, an individual's length of service with us and placement within the general base salary range offered to our named executive officers. Based upon the data available to the Committee, the Committee employed its business judgment to establish base salary amounts for fiscal year 2007. The Committee then verified its compensation determinations against the results of the Radford Survey, which confirmed the Committee's establishment of base salary compensation levels within the 50th percentile of similarly situated executives at companies who participated in the Radford Survey. At a Committee meeting held on December 12, 2006, the Compensation Committee approved increases in fiscal year 2007 base salaries for our named executive officers ranging between 4.17% and 7.14%, or approximately 5.53% on average. Effective January 1, 2007, Mr. Cumming's base salary was increased from \$485,000 to \$510,000, Mr. Cascella's base salary was increased from \$350,000 to \$375,000, Mr. Muir's base salary was increased from \$292,500 to \$310,000, Dr. Stein's base salary was increased from \$230,000 to \$240,000 and Mr. Pekarsky's base salary was increased from \$200,000 to \$210,000.

In October 2007, the Committee reassessed the base salaries of our named executive officers on the assumption that the Cytac business combination would be completed. This reassessment included the realization that the Cytac business combination was a transforming transaction for our company and that as a result our executive officers would be assuming additional responsibilities given the significant increased size and

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scope of the combined companies. The Committee also took into account the critical need to retain our executive officers to facilitate the integration of the two companies and to achieve the desired benefits of the transaction, and the ongoing outstanding performance of our executives that translated into our unprecedented growth and success as

detailed further below under the heading *Key Employee Bonus Program*, which among other things enabled us to complete the Cytac business combination. With this background, the Committee further compared the base salaries of our named executive officers against the peer group constructed by our Compensation Consultant as described above and the base salaries of the executive officers of Cytac and determined that our named executive officers were being paid less than the 50th percentile for comparable positions among peer group companies, and lower than the Cytac executives as well. Based upon our executive officers' importance to us and the success of the Cytac business combination, and their strong track record of achievement, as well as what would have been our lagging position in the competitive marketplace, the Committee acted to substantially increase base salaries at a Committee meeting held on October 19, 2007. Effective as of October 22, 2007, Mr. Cumming's base salary was increased from \$510,000 to \$925,000, Mr. Cascella's base salary was increased from \$375,000 to \$550,000, Mr. Muir's base salary was increased from \$310,000 to \$425,000, Dr. Stein's base salary was increased from \$240,000 to \$275,000 and Mr. Pekarsky's base salary was increased from \$210,000 to \$250,000.

Key Employee Bonus Program

The Key Employee Bonus Program presents each named executive officer (other than Mr. Pekarsky, who earns commission-based incentive compensation based on sales levels of products and services under his supervision) with the opportunity to earn a performance-based cash bonus. In keeping with our pay for performance philosophy, bonus payments are entirely subject to the discretion of the Committee and are contingent upon an executive officer's achievement of stated goals and objectives as well as our overall financial performance. The Committee allocated funding for the Key Employee Bonus Program by benchmarking the total bonus pool against a percentage of our pre-tax earnings (before reduction for bonuses) and reserves the right to adjust the total bonus pool at its discretion. For fiscal 2007, the total bonus pool for the entire company, of which the executive bonuses are a portion, was established as 10% of pre-tax income. The Key Employee Bonus Program makes up a large portion of an executive's annual compensation thereby linking a significant component of annual compensation to both individual and company performance.

Under the Key Employee Bonus Program and at the discretion of the Committee, cash bonuses