

LA-Z-BOY INC  
Form 10-K  
June 20, 2017

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**UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

**FORM 10-K**

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

For the fiscal year ended April 29, 2017

COMMISSION FILE NUMBER 1-9656

**LA-Z-BOY INCORPORATED**

(Exact name of registrant as specified in its charter)

**MICHIGAN**

(State or other jurisdiction of  
incorporation or organization)

**38-0751137**

(I.R.S. Employer  
Identification No.)

**One La-Z-Boy Drive, Monroe, Michigan**

(Address of principal executive offices)

**48162-5138**

(Zip Code)

Registrant's telephone number, including area code **(734) 242-1444**

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

**Title of each class**

Common Shares, \$1.00 Par Value

**Name of each exchange on which registered**

New York Stock Exchange

Securities registered pursuant to Section 12(g) of the Act: **None**

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

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

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

Indicate by check mark whether the Registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that

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the Registrant was required to submit and post such files). Yes  No

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

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

Large accelerated filer  Accelerated filer  Non-accelerated filer  Smaller reporting company   
(Do not check if a smaller reporting company) Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

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

Based on the closing price on the New York Stock Exchange on October 29, 2016, the aggregate market value of Registrant's common shares held by non-affiliates of the Registrant on that date was \$1,139.9 million.

The number of common shares outstanding of the Registrant was 48,301,542 as of June 13, 2017.

**DOCUMENTS INCORPORATED BY REFERENCE:**

- (1) Portions of the Registrant's Proxy Statement to be filed with the Securities and Exchange Commission pursuant to Regulation 14A for its 2017 Annual Meeting of Shareholders are incorporated by reference into Part III.
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**FORM 10-K ANNUAL REPORT FISCAL 2017**

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Note: The responses to Items 10 through 14 will be included in the Company's definitive proxy statement to be filed pursuant to Regulation 14A for the 2017 Annual Meeting of Shareholders. The required information is incorporated into this Form 10-K by reference to that document and is not repeated herein.

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**Cautionary Statement Concerning Forward-Looking Statements**

La-Z-Boy Incorporated and its subsidiaries (individually and collectively, "we," "our" or the "Company") make forward-looking statements in this report, and its representatives may make oral forward-looking statements from time to time. Generally, forward-looking statements include information concerning possible or assumed future actions, events or results of operations. More specifically, forward-looking statements may include information regarding:

future income, margins and cash flows	future economic performance
future sales	industry and importing trends
adequacy and cost of financial resources	management plans

Forward-looking statements also include those preceded or followed by the words "anticipates," "believes," "estimates," "hopes," "plans," "could," "intends" and "expects" or similar expressions. With respect to all forward-looking statements, we claim the protection of the safe harbor for forward-looking statements contained in the Private Securities Litigation Reform Act of 1995.

Actual results could differ materially from those we anticipate or project due to a number of factors, including: (a) changes in consumer confidence and demographics; (b) the possibility of a recession; (c) changes in the real estate and credit markets and their effects on our customers, consumers and suppliers; (d) international political unrest, terrorism or war; (e) volatility in energy and other commodities prices; (f) the impact of logistics on imports and exports; (g) tax rate, interest rate, and currency exchange rate changes; (h) operating factors, such as supply, labor or distribution disruptions (e.g. port strikes); (i) changes in legislation or changes in the domestic or international regulatory environment (including new or increased duties); (j) adoption of new accounting principles; (k) fires, severe weather or other natural events such as hurricanes, earthquakes, flooding, tornadoes and tsunamis; (l) our ability to procure or transport fabric rolls, leather hides or cut-and-sewn fabric and leather sets domestically or abroad; (m) information technology conversions or system failures and our ability to recover from a system failure; (n) effects of our brand awareness and marketing programs; (o) the discovery of defects in our products resulting in delays in manufacturing, recall campaigns, reputational damage, or increased warranty costs; (p) litigation arising out of alleged defects in our products; (q) unusual or significant litigation; (r) our ability to locate new La-Z-Boy Furniture Galleries® stores (or store owners) and negotiate favorable lease terms for new or existing locations; (s) the impact of potential goodwill or intangible asset impairments; and (t) those matters discussed in Item 1A of this Annual Report and other factors identified from time-to-time in our reports filed with the Securities and Exchange Commission. We undertake no obligation to update or revise any forward-looking statements, whether to reflect new information or new developments or for any other reason.

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**PART I**

**ITEM 1. BUSINESS.**

Edward M. Knabusch and Edwin J. Shoemaker started Floral City Furniture in 1927, and in 1928 the newly formed company introduced its first recliner. In 1941, we were incorporated in the state of Michigan as La-Z-Boy Chair Company, and in 1996 we changed our name to La-Z-Boy Incorporated. Today, our La-Z-Boy brand is the most recognized brand in the furniture industry and we are proud to be celebrating our 90<sup>th</sup> anniversary this fiscal year.

We manufacture, market, import, export, distribute and retail upholstery furniture products. In addition, we import, distribute and retail accessories and casegoods (wood) furniture products. We are the leading global producer of reclining chairs and the second largest manufacturer/distributor of residential furniture in the United States. The La-Z-Boy Furniture Galleries® stores retail network is the third largest retailer of single-branded furniture in the United States. We have seven major North American manufacturing locations and six regional distribution centers in the United States to support our speed-to-market and customization strategy.

We sell our products, primarily in the United States and Canada, to furniture retailers and directly to consumers through stores that we own and operate. The centerpiece of our retail distribution strategy is our network of 347 La-Z-Boy Furniture Galleries® stores and 557 Comfort Studio® locations, each dedicated to marketing our La-Z-Boy branded products. We consider this dedicated space to be "branded outlets" or "proprietary." In addition to the over 900 branded outlets dedicated to selling La-Z-Boy product (La-Z-Boy Furniture Galleries® stores and Comfort Studio® locations), approximately 1,900 other dealers also sell La-Z-Boy, including some of the best known names in the industry, such as Art Van, Nebraska Furniture Mart and Slumberland. We own 143 of the La-Z-Boy Furniture Galleries® stores. The remainder of the La-Z-Boy Furniture Galleries® stores, as well as all 557 Comfort Studio® locations, are independently owned and operated. La-Z-Boy Furniture Galleries® stores help consumers furnish their homes by combining the style, comfort, and quality of La-Z-Boy furniture with our available design services. La-Z-Boy Comfort Studio® locations are defined spaces within larger independent retailers that are dedicated to displaying and selling La-Z-Boy branded products. Our other brands, which include England, Kincaid, American Drew, and Hammary, enjoy distribution through many of the same outlets, with approximately half of Hammary's sales originating through the La-Z-Boy Furniture Galleries® store network. Kincaid and England have their own dedicated proprietary in-store programs with 527 outlets and over 1.7 million square feet of proprietary floor space. In total, our proprietary floor space encompasses approximately 9.7 million square feet.

**Principal Products and Industry Segments**

Our reportable operating segments are the Upholstery segment, the Casegoods segment and the Retail segment.

*Upholstery Segment.* Our Upholstery segment is our largest business and consists primarily of two operating units: La-Z-Boy, our largest operating unit, and our England subsidiary. The Upholstery segment also includes our international businesses, including the recently acquired La-Z-Boy wholesale business in the United Kingdom and Ireland. Our Upholstery segment manufactures and imports upholstered furniture such as recliners and motion furniture, sofas, loveseats, chairs, sectionals, modulars, ottomans and sleeper sofas. The Upholstery segment sells directly to La-Z-Boy Furniture Galleries® stores, operators of Comfort Studio® locations and England Custom Comfort Center locations, major dealers, and a wide cross-section of other independent retailers.

*Casegoods Segment.* Our Casegoods segment is an importer, marketer and distributor of casegoods (wood) furniture such as bedroom sets, dining room sets, entertainment centers and occasional pieces, and also manufactures some coordinated upholstered furniture. The Casegoods segment consists of

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three brands: American Drew, Hammary, and Kincaid. The Casegoods segment sells directly to major dealers, as well as La-Z-Boy Furniture Galleries® stores, and a wide cross-section of other independent retailers.

*Retail Segment.* Our Retail segment consists of 143 company-owned La-Z-Boy Furniture Galleries® stores. The Retail segment primarily sells upholstered furniture, in addition to some casegoods and other accessories, to the end consumer through these stores.

We have provided additional detailed information regarding our segments and their products in Note 16 to our consolidated financial statements and our "Management's Discussion and Analysis" section, both of which are included in this report.

**Raw Materials and Parts**

The principal raw materials and parts used in our Upholstery segment are purchased cover (primarily fabrics and leather), polyester batting and polyurethane foam for cushioning and padding, lumber and plywood for frames, steel for motion mechanisms, and electrical components for power units. We purchase about 50% of our polyurethane foam from one supplier, which has several facilities across the United States that deliver to our plants. We purchase cover from a variety of sources, but we rely on a limited number of major suppliers. We purchase approximately 55% of our cover in a raw state (fabric rolls or leather hides) and cut and sew it into cover, and 45% in covers that have already been cut and sewn to our specifications by third-party offshore suppliers. We buy cut-and-sewn leather and fabric products from four primary suppliers. Of the products that we import, two suppliers that operate in China manufacture over 90% of the leather cut-and-sewn sets, and two other suppliers that also operate in China manufacture almost 85% of the fabric products. We primarily use these suppliers for their product design capabilities, to leverage our buying power, and to control quality and product flow, in addition to their ability to handle the volume of product we require to operate our business. If any of these suppliers experienced financial or other difficulties, we could experience temporary disruptions in our manufacturing process until we obtained alternate suppliers.

We have identified efficiencies, savings opportunities, and managed relationships with our Asian suppliers through our global trading company in Hong Kong, which procures raw materials and parts from our suppliers. During fiscal 2017, the prices of materials we used in our upholstery manufacturing process were essentially unchanged compared with fiscal 2016. We expect to experience a slight increase in raw material costs in fiscal 2018. In an effort to somewhat offset the projected rise in raw material costs we have slightly increased our selling prices.

**Finished Goods Imports**

We import 100% of the casegoods products that we offer for sale. In fiscal 2017, we purchased approximately 50% of this imported product from three suppliers. We primarily use these suppliers to leverage our buying power, to control quality and product flow, and because their capabilities align with our product design needs. In addition, these suppliers have the ability to handle the volume of product we require. If any of these suppliers experienced financial or other difficulties, we could experience disruptions in our product flow until we obtained alternate suppliers, which could be lengthy due to the longer lead time required for sourced wood furniture from Asian manufacturers.

We use an all-import model for our wood furniture primarily to remain competitive for these products. The prices we paid for these imported products, including associated transportation costs, decreased slightly in fiscal 2017 compared with fiscal 2016. We currently expect these prices and associated transportation costs to increase slightly in fiscal 2018 compared with fiscal 2017. Looking across our wholesale segments, imported finished goods represented 8% of our consolidated sales in both fiscal 2017 and fiscal 2016.

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We believe that the demand for furniture generally reflects sensitivity to overall economic conditions, including consumer confidence, housing market conditions and unemployment rates. The table below shows our highest and lowest sales quarters based on historical experience, including fiscal 2017, by segment:

Segment	Highest sales quarter	Lowest sales quarter
Upholstery	4 <sup>th</sup>	1 <sup>st</sup>
Casegoods	4 <sup>th</sup>	1 <sup>st</sup> or 3 <sup>rd</sup>
Retail	3 <sup>rd</sup>	1 <sup>st</sup>

We schedule production to maintain consistent manufacturing activity throughout the year whenever possible. We typically shut down our domestic plants for one week each fiscal year to perform routine maintenance on our equipment.

**Economic Cycle and Purchasing Cycle**

Our sales are impacted by the overall growth of the furniture industry, which is primarily influenced by consumer discretionary spending and existing and new housing activity. In addition, consumer confidence, employment rates, and other factors could affect demand. Upholstered furniture has a shorter life cycle than casegoods furniture because upholstered furniture is typically more fashion and design-oriented, and is often purchased one or two pieces at a time. Casegoods products, in contrast, are longer-lived and frequently purchased in groupings or "suites," resulting in a much larger cost to the consumer. As a result, casegoods sales are more sensitive to economic conditions, and upholstered furniture normally exhibits a less volatile sales pattern over an economic cycle.

**Practices Regarding Working Capital Items**

The following describes our significant practices regarding working capital items.

*Inventory:* For our upholstery segment, we maintain raw materials and work-in-process inventory at our manufacturing locations. Finished goods inventory is maintained at our six regional distribution centers as well as our manufacturing locations. Our regional distribution centers allow us to streamline the warehousing and distribution processes for our La-Z-Boy Furniture Galleries® store network, including both company-owned stores and independently-owned stores. Our regional distribution centers also allow us to reduce the number of individual warehouses needed to supply our retail outlets and help us reduce inventory levels at our manufacturing and retail locations.

For our Casegoods segment, we import wood furniture from Asian vendors, resulting in long lead times on these products. To address these long lead times and meet our customers' delivery requirements, we maintain higher levels of finished goods inventory in our domestic warehouses, as a percentage of sales, of our casegoods products than our upholstery products.

Our company-owned La-Z-Boy Furniture Galleries® stores maintain finished goods inventory at the stores for display purposes.

Our inventory remained flat in dollars and as a percent of sales during fiscal 2017 compared with fiscal 2016. We will continue to manage our inventory levels to ensure they are appropriate relative to our sales, while maintaining our focus on service to our customers.

*Accounts Receivable:* During fiscal 2017, our accounts receivable increased \$4.3 million compared with fiscal 2016, or 0.3 percentage points as a percent of sales. This increase was mostly attributable to the timing of sales in our fiscal 2017 fourth quarter occurring late in the quarter as compared with the

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fourth quarter sales in the prior fiscal year. We monitor our customers' accounts and limit our credit exposure to certain independent dealers, and strive to decrease our days' sales outstanding where possible. Our days' sales outstanding is a measure of the time needed to collect outstanding accounts receivable once we have completed a sale. Our days' sales outstanding decreased by approximately two days during fiscal 2017.

*Accounts Payable:* During fiscal 2017, our accounts payable increased \$6.6 million compared with fiscal 2016, or 0.4 percentage points as a percent of sales. This increase in accounts payable is primarily due to our third quarter fiscal 2017 acquisition of the La-Z-Boy wholesale business in the United Kingdom and Ireland.

**Customers**

Our wholesale customers are furniture retailers located primarily throughout the United States and Canada. Sales in our Upholstery and Casegoods segments are almost entirely to furniture retailers, but we also sell directly to end consumers through our company-owned La-Z-Boy Furniture Galleries® stores that make up our Retail segment.

We have formal agreements with many furniture retailers for them to display and merchandise products from one or more of our operating units and sell them to consumers in dedicated retail space, either in stand-alone stores or dedicated proprietary galleries or studios within their stores. We consider this dedicated space to be "proprietary." For our Upholstery and Casegoods segments, our fiscal 2017 customer mix based on sales was 58% proprietary, 15% major dealers such as Art Van Furniture, Nebraska Furniture Mart and Slumberland Furniture, and 27% other independent retailers.

The success of our product distribution model relies heavily on having retail floor space that is dedicated to displaying and marketing our products. The 347-store La-Z-Boy Furniture Galleries® network is central to this approach. In addition, we sell product through proprietary space within other retail furniture stores, primarily La-Z-Boy Comfort Studio® locations, England Custom Comfort Center locations, and Kincaid Shoppes.

Maintaining, updating, and, when appropriate, expanding our proprietary distribution network is a key part of our overall sales and marketing strategy. Our 4-4-5 initiative, through which we plan to expand the La-Z-Boy Furniture Galleries® stores network to 400 stores averaging \$4 million in sales per store over the five-year period that began with fiscal 2014, is a key growth strategy for us. With improved store performance we believe the network may deliver our targeted economic value over time with fewer stores. We now expect the build-out of our store network to extend beyond five years. Also, through this initiative, we intend not only to increase the number of stores in the network but also to improve their quality, including upgrading old format stores to our new concept design through remodels and relocations. At the end of fiscal 2017, less than seven percent of the La-Z-Boy Furniture Galleries® stores in the network were in the old format. As we continue to maintain and update our current stores to improve the quality of the network, the La-Z-Boy Furniture Galleries® store network plans to open, relocate or remodel 25 to 30 stores during fiscal 2018, all of which will feature the new concept store design.

We select independent dealers for our proprietary La-Z-Boy Furniture Galleries® store network based on factors such as their management and financial qualifications and the potential for distribution in specific geographical areas. This proprietary distribution benefits La-Z-Boy, our dealers and our consumers. It enables La-Z-Boy to concentrate our marketing with sales personnel dedicated to our entire product line, and only that line and approved accessories. It allows dealers who join this proprietary group to take advantage of best practices with which other proprietary dealers have succeeded, and we facilitate forums for these dealers to share best practices. These La-Z-Boy Furniture Galleries® stores provide our consumers a full-service shopping experience with a large variety of products, knowledgeable sales associates, and design service consultants.



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**Orders and Backlog**

We typically build upholstery units based on specific dealer orders, either for dealer stock or to fill consumers' custom orders. We import casegoods product primarily to fill our internal orders, rather than customer or consumer orders, resulting in higher finished goods inventory on hand as a percentage of sales. Because the size of our backlog at a given time may not be indicative of our future sales, we do not rely entirely on backlogs to predict future sales.

Our Upholstery segment backlogs as of April 29, 2017, and April 30, 2016, were approximately \$45.1 million and \$50.8 million, respectively, and our Casegoods segment backlogs were approximately \$6.9 million and \$7.6 million, respectively. Our Upholstery segment backlog for fiscal 2017 declined compared with the prior year due to supply chain efficiencies that have improved our shipping performance, and our Casegoods segment backlog for fiscal 2017 was lower than the prior year due to being in a better in-stock position at April 29, 2017.

**Competitive Conditions**

We are the second largest manufacturer/distributor of residential (living and family room, bedroom, and dining room) furniture in the United States, as measured by annual sales volume.

Alternative distribution channels have increasingly affected our retail markets. Furniture companies that operate primarily online, such as JoyBird and Article, or that have developed a product that can be shipped more easily than traditional upholstered furniture, have increased competition for our products. The increased ability of consumers to purchase furniture through various furniture manufacturers' and retailers' internet websites, including companies such as Amazon, QVC, and Wayfair, which operate with lower overhead costs than a brick-and-mortar retailer, has also increased competition in the industry. Companies such as Costco, Home Depot, IKEA, Sam's Club, Target, Wal-Mart, and others, also offer products that compete with some of our product lines.

The home furnishings industry competes primarily on the basis of product styling and quality, customer service (product availability and delivery), price, and location. We compete primarily by emphasizing our brand and the value, comfort, quality, and styling of our products. In addition, we remain committed to innovation while striving to provide outstanding customer service, exceptional dealer support, and efficient on-time delivery. Maintaining, updating, and expanding our proprietary distribution system, including identifying desirable retail locations, is a key strategic initiative for us in striving to remain competitive. We compete in the mid-to-upper-mid price point, and a shift in consumer taste and trends to lower priced products could negatively affect our competitive position.

In the Upholstery segment, our largest competitors are Ashley, Bassett, Bernhardt, Best Chair, Ethan Allen, Flexsteel, Heritage Home Group, Klaussner, Man Wah, and Natuzzi.

In the Casegoods segment, our main competitors are Bassett, Bernhardt, Ethan Allen, Heritage Home Group, Hooker Furniture, Lacquer Craft, and Stanley Furniture. The Casegoods segment faces additional market pressures from foreign manufacturers entering the United States market and increased direct purchases from foreign suppliers by large United States retailers.

The La-Z-Boy Furniture Galleries® stores operate in the retail furniture industry throughout North America, and different stores have different competitors based on their geographic locations. Competitors include: Arhaus, Ashley, Bassett Furniture Direct, Crate and Barrel, Ethan Allen, Restoration Hardware, Thomasville Home Furnishings Stores, Williams-Sonoma, several other regional competitors (for example Art Van Furniture, Raymour & Flanigan Furniture, and Slumberland Furniture), and family-owned independent furniture stores.

In addition to the larger competitors listed above, a substantial number of small and medium-sized companies operate within our business segments, all of which are highly competitive.

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**Research and Development Activities**

We remain committed to innovation, with construction currently underway on our new state-of-the-art Innovation Center located in Dayton, Tennessee. This new facility will replace our existing structure and house a model shop, technology center, test lab, and three-dimensional printing lab. This new Innovation Center will help us continue to develop new products to meet our customers' needs.

We provide additional information regarding our research and development activities in Note 1 to our consolidated financial statements, which are included in Item 8 of this report.

**Trademarks, Licenses and Patents**

We own several trademarks, including the La-Z-Boy trademark, which is essential to the Upholstery and Retail segments of our business. To protect our trademarks, we have registered them in the United States and various other countries where our products are sold. These trademarks have a perpetual life, subject to renewal. We license the use of the La-Z-Boy trademark to our major international partners and dealers outside of North America. We also license the use of the La-Z-Boy trademark on contract office furniture, outdoor furniture, and non-furniture products, and these arrangements enhance our brand awareness, broaden the perceptions of La-Z-Boy, and create visibility of the La-Z-Boy brand in channels outside of the residential furniture industry. In addition, we license to our branded dealers the right to use our La-Z-Boy trademark in connection with the sale of our products and related services, on their signs, and in other ways, which we consider to be a key part of our marketing strategies. We provide more information about those dealers, under "Customers."

We hold a number of patents that we actively enforce, but we believe that the loss of any single patent or group of patents would not significantly affect our business.

**Compliance with Environmental Regulations**

Our manufacturing operations involve the use and disposal of certain substances regulated under environmental protection laws, and we are involved in a small number of remediation actions and site investigations concerning these substances. Based on a review of all currently known facts and our experience with previous environmental matters, we currently do not believe it is probable that we will have any additional loss for environmental matters that would be material to our consolidated financial statements.

**Employees**

We employed approximately 8,950 full-time equivalent employees as of April 29, 2017, compared with 8,700 employees at the end of fiscal 2016. We employed approximately 7,200 in our Upholstery segment, 200 in our Caseloads segment, 1,300 in our Retail segment, and the remaining employees as corporate personnel. Our employment growth during fiscal 2017 was primarily attributable to the new and acquired La-Z-Boy Furniture Galleries® stores in our Retail segment. We employ the majority of our employees on a full-time basis except in our Retail segment, where many of our employees are part-time.

**Financial Information about Foreign and Domestic Operations and Export Sales**

In fiscal 2017, our direct export sales, including sales in Canada, were approximately 11% of our total sales. In the third quarter of fiscal 2017, we acquired the La-Z-Boy wholesale business in the United Kingdom and Ireland. Prior to this acquisition, we were capturing approximately half the sales volume from this operation with the licensing agreement that was in place, and we are now in a position to realize the full value of this business. We are part of a manufacturing joint venture in Thailand which distributes furniture in Australia, New Zealand, Thailand and other countries in Asia. We also

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participate in a sales and marketing joint venture in Asia, which sells and distributes furniture in Korea, Taiwan, Japan, India, Malaysia, and other Asian countries. In addition, our global trading company in Hong Kong continues to enhance our ability to source products and materials from our Asian suppliers, and provides quality assurance and logistics expertise.

We operate a facility in Mexico which produces cut-and-sewn fabric sets for our domestic upholstery manufacturing facilities. We provide information on sales in the United States, Canada, and other countries in Note 16 to our consolidated financial statements, which are included in Item 8 of this report. Our net property, plant, and equipment value in the United States was \$161.6 million and \$164.2 million at the end of fiscal 2017 and fiscal 2016, respectively. Our net property, plant, and equipment value in foreign countries was \$7.5 million and \$7.4 million in fiscal 2017 and fiscal 2016, respectively.

See Item 1A of this report for information about the risks related to our foreign operations.

**Internet Availability**

Our Forms 10-K, 10-Q, 8-K, proxy statements on Schedule 14A, and amendments to those reports are available free of charge through links on our internet website, [www.la-z-boy.com](http://www.la-z-boy.com), as soon as reasonably practicable after they are electronically filed with, or furnished to, the Securities and Exchange Commission (SEC). Copies of any materials we file with the SEC can also be obtained free of charge through the SEC's website at [www.sec.gov](http://www.sec.gov). The information on our website is not part of this report.

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**ITEM 1A. RISK FACTORS.**

Our business is subject to a variety of risks. Interest rates, consumer confidence, housing starts and the overall housing market, increased unemployment, tightening of the financial and consumer credit markets, downturns in the economy, and other general economic factors that affect many other businesses are particularly significant to us because our principal products are consumer goods.

The risks and uncertainties described below are those that we currently believe may significantly affect our business. Additional risks and uncertainties of which we are unaware or that we do not currently deem significant may also become important factors that affect us at a later date. You should carefully consider the risks and uncertainties described below, together with the other information provided in this document and our subsequent filings with the Securities and Exchange Commission. Any of the following risks could significantly and adversely affect our business, results of operations, and financial condition.

***Fluctuations in the price, availability and quality of raw materials could cause delays that could result in our inability to provide goods to our customers or could increase our costs, either of which could decrease our earnings.***

In manufacturing furniture, we use various types of wood, fabrics, leathers, upholstered filling material, steel, and other raw materials. Because we are dependent on outside suppliers for our raw materials, fluctuations in their price, availability, and quality could have a negative effect on our cost of sales and our ability to meet our customers' demands. Competitive and marketing pressures may prevent us from passing along price increases to our customers, and the inability to meet our customers' demands could cause us to lose sales. We have a higher concentration (about 65%) in upholstery sales, including motion furniture, than many of our competitors, and the effects of steel, polyurethane foam, wood, electrical components for power units, leather and fabric price increases or quantity shortages could be significant to our business.

About 50% of our polyurethane foam comes from one supplier. This supplier has several facilities across the United States, but severe weather or natural disasters could result in delays in shipments of polyurethane foam to our plants.

A change in the financial condition of some of our domestic and foreign fabric suppliers could impede their ability to provide products to us in a timely manner. Upholstered furniture is fashion oriented, and if we were unable to acquire sufficient fabric variety, or to predict or respond to changes in fashion trends, we might lose sales and have to sell excess inventory at reduced prices. Doing so would have a negative effect on our sales and earnings.

***Changes in United States trade policy, availability and cost of foreign sourcing, and economic uncertainty in countries outside of the United States in which we operate or from which we purchase product, could adversely affect our business and results of operations.***

We have operations in countries outside the United States, some of which are located in emerging markets. Long-term economic and political uncertainty in some of the countries in which we operate, such as Mexico and Thailand, could result in the disruption of markets and negatively affect our business. Our Caseloads segment imports products manufactured by foreign sources, mainly in China and Vietnam, and our Upholstery segment purchases cut-and-sewn fabric and leather sets, electronic component parts, and some finished goods from Chinese and other foreign vendors. Our cut-and-sewn leather kits are primarily purchased from two suppliers that operate in China, and the majority of our fabric products are purchased from two other suppliers that also operate in China. Our sourcing partners may not be able to produce goods in a timely fashion or the quality of their product may lead us to reject it, causing disruptions in our domestic operations and delays in our shipments to our customers.

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There are other risks that are inherent in our operations, including the potential for changes in socio-economic conditions, changes in laws and regulations, including import, export, labor and environmental laws, port strikes, tariffs, duties and trade barriers, monetary and fiscal policies, investments, taxation, and exchange controls. Additionally, unsettled political conditions, possible terrorist attacks, organized crime, and public health concerns present a risk to our operations. All of these items could make servicing our customers more difficult or cause disruptions in our plants that could reduce our sales, earnings, or both in the future.

Changes in the political environment in the United States may also have a material adverse effect on our business in the future or require us to modify our current business practices. Because we manufacture components in Mexico and purchase components and finished goods manufactured in foreign countries including China, we are subject to risks relating to increased tariffs on U.S. imports, changes in the North American Free Trade Agreement, and other changes affecting imports. Our business in the United Kingdom could be affected by the United Kingdom's exit from the European Union, and our sales and margins there and in other foreign countries could be adversely affected by the imposition in foreign countries of import bans, quotas, and increases in tariffs.

***Inability to maintain and enhance our brand and respond to changes in our current and potential consumers' tastes and trends in a timely manner could adversely affect our business and operating results.***

The success of our business depends on our ability to maintain and enhance our brands to increase our business by retaining consumers and attracting new ones. Furniture product is fashion oriented so changes in consumers' tastes and trends and the resultant change in our product mix, as well as failure to offer our consumers multiple avenues for purchasing our products, could adversely affect our business and operating results. We attempt to minimize these risks by maintaining strong advertising and marketing campaigns promoting our brands. We also attempt to minimize our risk by updating our current product designs, styles, quality, prices, and options to purchase our products in-store or online. If these efforts were unsuccessful or required us to incur substantial costs, our business, operating results and financial or competitive condition could be adversely affected.

***Loss of market share and other financial or operational difficulties due to competition would likely result in a decrease in our sales, earnings, and liquidity.***

The residential furniture industry is highly competitive and fragmented. We compete with many other manufacturers and retailers, including online retailers, some of which offer widely advertised products, and others of which are large retail furniture dealers offering their own store-branded products. Competition in the residential furniture industry is based on quality, style of products, perceived value, price, service to the customer, promotional activities, and advertising. The highly competitive nature of the industry means we are constantly subject to the risk of losing market share, which would likely decrease our future sales, earnings, and liquidity. In addition, due to the large number of competitors and their wide range of product offerings, we may not be able to differentiate our products (through styling, finish, and other construction techniques) from those of our competitors. Additionally, a majority of our sales are to distribution channels that rely on physical stores to merchandise and sell our products and a significant shift in consumer preference to purchase product online could have a materially adverse impact on our sales and operating margin. These and other competitive pressures could result in a decrease in our sales, earnings, and liquidity.

***Our current retail markets and other markets that we enter in the future may not achieve the growth and profitability we anticipate. We could incur charges for the impairment of long-lived assets, goodwill, or other intangible assets if we fail to meet our earnings expectations for these markets.***

From time to time we acquire retail locations and related assets, remodel and relocate existing stores, experiment with new store formats, and close underperforming stores. Our assets include goodwill and

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other indefinite-lived intangible assets acquired in connection with these acquisitions. Profitability of acquired, remodeled, relocated, and new format stores will depend on lease rates (for stores we lease) and retail sales and profitability justifying the costs of acquisition, remodeling, and relocation. If we do not meet our sales or earnings expectations for these stores, we may incur charges for the impairment of long-lived assets, the impairment of goodwill, or the impairment of other indefinite-lived intangible assets.

We recently acquired the La-Z-Boy wholesale business in the United Kingdom and Ireland. Our assets include goodwill and other intangible assets, including acquired customer relationships, in connection with this acquisition. If we do not meet our sales or earnings expectations for this operation, we may incur charges for the impairment of long-lived assets, the impairment of goodwill, or the impairment of other intangible assets.

***Changes in regulation of our international operations could adversely affect our business and results of operations.***

Because we have operations outside of the United States and sell product in various countries, we are subject to many laws governing international relations, including the UK Bribery Act 2010, the U.S. Foreign Corrupt Practices Act and the U.S. Export Administration Act. These laws include prohibitions on improper payments to government officials, restrictions on where we can do business, what products we can supply to certain countries, and what information we can provide to certain governments. We are also subject to laws and regulations on the collection and use of electronic data, including the General Data Protection Regulation that will become effective in May 2018 in the European Union and will subject violators that operate in the European Union to penalties of up to 4% of their global revenue. Violations of these laws, which are complex, may result in criminal penalties or sanctions that could have a significant adverse effect on our business and results of operations. Although we have implemented policies and procedures designed to ensure compliance with these laws, there can be no assurance that our employees, contractors, or agents will not violate our policies.

***We rely extensively on computer systems to process transactions, summarize results, and manage our business and that of certain independent dealers. Disruptions in both our primary and back-up systems could adversely affect our business and operating results.***

Our primary and back-up computer systems are subject to damage or interruption from power outages, computer and telecommunications failures, computer viruses, phishing attempts, security breaches, natural disasters, and errors by employees. Though losses arising from some of these issues would be covered by insurance, interruptions of our critical business computer systems or failure of our back-up systems could reduce our sales or result in longer production times. If our critical business computer systems or back-up systems were damaged or ceased to function properly, we might have to make a significant investment to repair or replace them.

We have been implementing an enterprise resource planning (ERP) system in our largest operating unit over the last several years. We expect to finish implementing the sales order management component of the system by the end of fiscal 2018. ERP implementations are complex and time-consuming projects that involve substantial expenditures on system software and implementation activities. ERP implementations also require transformation of business and financial processes in order to reap the benefits of the ERP system; any such transformation involves risks inherent in the conversion to a new computer system, including loss of information and potential disruption to our normal operations. Our business and results of operations may be adversely affected if we experience operating problems or cost overruns during the ERP implementation process, or if the ERP system and the associated process changes do not give rise to the benefits that we expect. Additionally, if we do not effectively implement the ERP system as planned, or the system does not operate as intended, the effectiveness of our internal control over financial reporting could be adversely affected or our ability

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to assess those controls adequately could be delayed. Significant delays in documenting, reviewing and testing our internal control could cause us to fail to comply with our SEC reporting obligations related to our management's assessment of our internal control over financial reporting.

***We may be subject to product liability claims or undertake to recall one or more products, with a negative impact on our financial results and reputation.***

Millions of our products, sold over many years, are currently used by consumers. We may be named as a defendant in lawsuits instituted by persons allegedly injured while using one of our products. We have insurance that we believe is adequate to cover such claims, but we are self-insured for the first \$1.5 million in liability and for all defense costs. Furthermore, such claims could damage our brands and reputation and negatively affect our operating results. We have voluntarily recalled products in the past, and while none of those recalls has resulted in a material expense or other significant adverse effect, it is possible that recalls could result in future additional expense, penalties, and injury to our brands and reputation, and negatively impact our operating results.

***Our business and our reputation could be adversely affected by the failure to protect sensitive employee, customer and consumer data, or to comply with evolving regulations relating to our obligation to protect such data.***

Cyber attacks designed to gain access to sensitive information by breaching security systems of large organizations leading to unauthorized release of confidential information have occurred recently at a number of major U.S. companies despite widespread recognition of the cyber attack threat and improved data protection methods. During fiscal 2017, we were subject, and will likely continue to be subject, to attempts to breach the security of our networks and IT infrastructure through cyber attack, malware, computer viruses, and other means of unauthorized access. To the best of our knowledge, attempts to breach our systems have not been successful to date. A breach of our systems that resulted in the unauthorized release of sensitive data could adversely affect our reputation and lead to financial losses from remedial actions or potential liability, possibly including punitive damages. An electronic security breach resulting in the unauthorized release of sensitive data from our information systems could also materially increase the costs we already incur to protect against these risks. We continue to balance the additional risk with the cost to protect us against a breach. Additionally, losses arising from a breach would be covered in part by insurance that we carry.

***Changes in the inputs used to calculate our acquisition related contingent consideration liabilities could have a material adverse impact on our financial results.***

Our recent acquisitions included contingent consideration liabilities relating to payments based on the future performance of the operations acquired. Under generally accepted accounting principles we are required to estimate the fair value of any contingent consideration. Our estimates of fair value are based upon assumptions believed to be reasonable but which are uncertain and involve significant judgments by management. Changes in business conditions or other events could materially change the projection of future cash flows or the discount rate used in the fair value calculation of the contingent consideration. We reassess the fair value quarterly, and increases or decreases based on the actual or expected future performance of the acquired operations will be recorded in our results of operations. These quarterly adjustments could have a material effect on our results of operations.

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**ITEM 1B. UNRESOLVED STAFF COMMENTS.**

None.

**ITEM 2. PROPERTIES.**

We owned or leased approximately 11.1 million square feet of active manufacturing, warehousing and distribution centers, office, showroom, and retail facilities, and had approximately 0.3 million square feet of idle facilities, at the end of fiscal 2017. Of the 11.1 million square feet occupied at the end of fiscal 2017, our Upholstery segment occupied approximately 6.7 million square feet, our Caseloads segment occupied approximately 1.4 million square feet, our Retail segment occupied approximately 2.8 million square feet, and our Corporate and other operations occupied the balance.

Our active facilities and retail locations are located in Arkansas, California, Colorado, Connecticut, Delaware, Florida, Illinois, Indiana, Kansas, Kentucky, Maryland, Massachusetts, Michigan, Minnesota, Mississippi, Missouri, Nevada, New Hampshire, New Jersey, New York, North Carolina, Ohio, Pennsylvania, Rhode Island, South Carolina, Tennessee, Virginia, Washington D.C., Wisconsin, Coahuila (Mexico), Bangkok (Thailand), Alberta and Manitoba (Canada), Dongguan (China), Hong Kong, and Berks (United Kingdom). All of our plants and stores are well maintained and insured. We do not expect any major land or building additions will be needed to increase capacity in the foreseeable future for our manufacturing operations. We own all of our domestic plants, and our joint venture owns our Thailand plant. We lease the majority of our retail stores and regional distribution centers, as well as our manufacturing facility in Mexico and our office spaces in China, Hong Kong and the United Kingdom. For information on terms of operating leases for our properties, see Note 10 to our consolidated financial statements, which are included in Item 8 of this report.

**ITEM 3. LEGAL PROCEEDINGS.**

We are involved in various legal proceedings arising in the ordinary course of our business. Based on a review of all currently known facts and our experience with previous legal matters, we have recorded expense in respect of probable and reasonably estimable losses arising from legal matters and we currently do not believe it is probable that we will have any additional loss that would be material to our consolidated financial statements.

**ITEM 4. MINE SAFETY DISCLOSURES.**

Not applicable.



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**EXECUTIVE OFFICERS OF THE REGISTRANT**

Listed below are the names, ages and current positions of our executive officers and, if they have not held those positions for at least five years, their former positions during that period. All executive officers serve at the pleasure of the board of directors.

Kurt L. Darrow, age 62

Chairman, President and Chief Executive Officer since August 2011

Louis M. Riccio Jr., age 54

Senior Vice President and Chief Financial Officer since July 2006

J. Douglas Collier, age 50

Senior Vice President, Chief Commercial Officer and President, International since May 2017

Senior Vice President, Chief Marketing Officer, and President, International from August 2014 through May 2017

Chief Marketing Officer and President, International from August 2011 through August 2014

Darrell D. Edwards, age 53

Senior Vice President and Chief Supply Chain Officer since August 2014

Senior Vice President of Operations, Residential Division from May 2012 through August 2014

Otis S. Sawyer, age 59

Senior Vice President and President, La-Z-Boy Portfolio Brands since February 2017

Senior Vice President and President, England, Inc. from February 2008 through February 2017

President of La-Z-Boy Caseloads from November 2015 through February 2017

President of Non-Branded Upholstery from February 2008 through August 2014

Table of Contents**PART II****ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES.****Dividend and Market Information**

The New York Stock Exchange is the principal market on which our common stock is traded. The tables below show the high and low sale prices of our common stock on the New York Stock Exchange during each quarter of our last two fiscal years.

Fiscal 2017 Quarter Ended	Dividends Paid		Market Price		
	Per Share		High	Low	Close
July 30	\$ 0.10	\$	30.27	\$ 24.31	\$ 30.22
October 29	\$ 0.10	\$	31.22	\$ 22.09	\$ 23.25
January 28	\$ 0.11	\$	32.90	\$ 22.50	\$ 28.80
April 29	\$ 0.11	\$	29.95	\$ 25.85	\$ 27.90
	\$ 0.42				

Fiscal 2016 Quarter Ended	Dividends Paid		Market Price		
	Per Share		High	Low	Close
July 25	\$ 0.08	\$	27.68	\$ 24.96	\$ 24.98
October 24	\$ 0.08	\$	29.34	\$ 24.16	\$ 28.50
January 23	\$ 0.10	\$	29.23	\$ 20.30	\$ 21.35
April 30	\$ 0.10	\$	27.32	\$ 19.56	\$ 25.87
	\$ 0.36				

Our credit agreement allows us to pay dividends or purchase shares as long as we are not in default and our excess availability, as defined in the agreement, is above 17.5% of the revolving credit commitment. If excess availability falls between 12.5% and 17.5%, then to continue paying dividends or purchasing shares, we must maintain a fixed charge coverage ratio of at least 1.10 to 1.00 on a pro-forma basis and not be in default. Currently we are not prohibited from paying dividends or purchasing shares. Refer to Note 9 of the consolidated financial statements in Item 8 for further discussion of our credit agreement. The payment of future cash dividends is within the discretion of our board of directors and will depend on our earnings, capital requirements and operating and financial condition, as well as excess availability under the credit agreement, among other factors.

**Shareholders**

We had approximately 14,000 shareholders of record at June 13, 2017.

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**Equity Plans**

The table below provides information concerning our compensation plans under which common shares may be issued.

**Equity Compensation Plan Information as of April 29, 2017**

Plan category	Number of securities to be issued upon exercise of outstanding options (i)	Weighted-average exercise price of outstanding options (ii)	Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (i)) (iii)
Equity compensation plans approved by shareholders	1,509,060(1) \$	22.70	3,113,095(2)

Note 1: These options were issued under our 2010 Omnibus Incentive Plan.

Note 2: This amount is the aggregate number of shares available for future issuance under our 2010 Omnibus Incentive Plan. The omnibus incentive plan provides for awards of stock options, restricted stock, and performance awards (awards of our common stock based on achievement of pre-set goals over a performance period) to selected key employees and non-employee directors. We have performance awards outstanding under the plan that would reduce the number of shares remaining available for future issuance under the plan by 937,825 shares, assuming the maximum performance targets were achieved.

**Performance Graph**

The graph below shows the cumulative total return for our last five fiscal years that would have been realized (assuming reinvestment of dividends) by an investor who invested \$100 on April 28, 2012, in our common shares, in the S&P 500 Composite Index, and in the Dow Jones U.S. Furnishings Index.

Company/Index/Market	2012	2013	2014	2015	2016	2017
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La-Z-Boy Incorporated	\$	100	\$	115.90	\$	162.19	\$	183.69	\$	175.25	\$	191.90
S&P 500 Composite Index	\$	100	\$	115.32	\$	138.69	\$	160.85	\$	160.35	\$	189.08
Dow Jones U.S. Furnishings Index	\$	100	\$	91.95	\$	101.51	\$	134.47	\$	142.28	\$	159.43

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Table of Contents**Purchases of Equity Securities by the Issuer and Affiliated Purchasers**

Our board of directors has authorized the purchase of company stock. As of April 29, 2017, 2.7 million shares remained available for purchase pursuant to this authorization. In June of 2017, the board of directors authorized an additional six million shares that will be added to this authorization. We spent \$36.0 million in fiscal 2017 to purchase 1.4 million shares. During the fourth quarter of fiscal 2017, pursuant to the existing board authorization, we adopted a plan to purchase company stock pursuant to Rule 10b5-1 of the Securities Exchange Act of 1934. The plan was effective February 16, 2017. Under this plan, our broker has the authority to purchase company shares on our behalf, subject to SEC regulations and the price, market volume and timing constraints specified in the plan. The plan expires at the close of business on June 22, 2017. With the cash flows we anticipate generating in fiscal 2018, we expect to continue being opportunistic in purchasing company stock.

The following table summarizes our purchases of company stock during the fourth quarter of fiscal 2017:

(Shares in thousands)	Total number of shares purchased(1)	Average price paid per share	Total number of shares purchased as part of publicly announced plan(2)	Maximum number of shares that may yet be purchased under the plan
Fiscal February (January 29 - March 4, 2017)	105	\$ 28.18	104	2,972
Fiscal March (March 5 - April 1, 2017)	174	\$ 27.23	174	2,798
Fiscal April (April 2 - April 29, 2017)	119	\$ 27.22	118	2,680
Fiscal Fourth Quarter of 2017	398	\$ 27.47	396	2,680

(1) In addition to the 396,277 shares purchased during the quarter as part of our publicly announced director authorization described above, this column includes 2,003 shares purchased from employees to satisfy their withholding tax obligations upon vesting of restricted shares and performance based shares.

(2) On October 28, 1987, our board of directors announced the authorization of the plan to repurchase company stock. The plan originally authorized 1.0 million shares, and since October 1987, 27.0 million shares were added to the plan for repurchase. The authorization has no expiration date.

**Recent Sales of Unregistered Securities**

There were no sales of unregistered securities during fiscal year 2017.

Table of Contents**ITEM 6. SELECTED FINANCIAL DATA.**

The following table presents our selected financial data. The table should be read in conjunction with Item 7, *Management's Discussion and Analysis of Financial Condition and Results of Operations*, and Item 8, *Financial Statements and Supplementary Data*, of this Annual Report on Form 10-K. This information is derived from our audited financial statements and should be read in conjunction with those statements, including the related notes.

**Consolidated Five-Year Summary of Financial Data**

(Amounts in thousands) Fiscal Year Ended	(52 weeks) 4/29/2017	(53 weeks) 4/30/2016	(52 weeks) 4/25/2015	(52 weeks) 4/26/2014	(52 weeks) 4/27/2013
Sales	\$ 1,520,060	\$ 1,525,398	\$ 1,425,395	\$ 1,357,318	\$ 1,273,877
Cost of sales	913,518	943,362	920,903	892,864	857,022
Gross profit	606,542	582,036	504,492	464,454	416,855
Selling, general and administrative expense	475,961	459,647	401,327	375,158	349,252
Operating income	130,581	122,389	103,165	89,296	67,603
Interest expense	1,073	486	523	548	746
Interest income	981	827	1,030	761	620
Income from Continued Dumping and Subsidy Offset Act, net	273	102	1,212		
Other income (expense), net	(22)	2,211	744	2,050	3,208
Income from continuing operations before income taxes	130,740	125,043	105,628	91,559	70,685
Income tax expense	43,756	44,080	36,954	31,383	23,520
Income from continuing operations	86,984	80,963	68,674	60,176	47,165
Income (loss) from discontinued operations, net of tax			3,297	(3,796)	17
Net income	86,984	80,963	71,971	56,380	47,182
Net income attributable to noncontrolling interests	(1,062)	(1,711)	(1,198)	(1,324)	(793)
Net income attributable to La-Z-Boy Incorporated	\$ 85,922	\$ 79,252	\$ 70,773	\$ 55,056	\$ 46,389
Net income attributable to La-Z-Boy Incorporated:					
Income from continuing operations attributable to La-Z-Boy Incorporated	\$ 85,922	\$ 79,252	\$ 67,476	\$ 58,852	\$ 46,372
Income (loss) from discontinued operations			3,297	(3,796)	17
Net income attributable to La-Z-Boy Incorporated	\$ 85,922	\$ 79,252	\$ 70,773	\$ 55,056	\$ 46,389

Table of Contents**Consolidated Five-Year Summary of Financial Data (Continued)**

(Amounts in thousands, except per share data)	(52 weeks)	(53 weeks)	(52 weeks)	(52 weeks)	(52 weeks)
Fiscal Year Ended	4/29/2017	4/30/2016	4/25/2015	4/26/2014	4/27/2013
Basic weighted average shares	48,963	50,194	51,767	52,386	52,351
Basic net income attributable to La-Z-Boy Incorporated per share:					
Income from continuing operations attributable to La-Z-Boy Incorporated	\$ 1.75	\$ 1.57	\$ 1.30	\$ 1.11	\$ 0.87
Income (loss) from discontinued operations			0.06	(0.07)	
Basic net income attributable to La-Z-Boy Incorporated per share	\$ 1.75	\$ 1.57	\$ 1.36	\$ 1.04	\$ 0.87
Diluted weighted average shares	49,470	50,765	52,346	53,829	53,685
Diluted net income attributable to La-Z-Boy Incorporated per share:					
Income from continuing operations attributable to La-Z-Boy Incorporated	\$ 1.73	\$ 1.55	\$ 1.28	\$ 1.09	\$ 0.85
Income (loss) from discontinued operations			0.06	(0.07)	
Diluted net income attributable to La-Z-Boy Incorporated per share	\$ 1.73	\$ 1.55	\$ 1.34	\$ 1.02	\$ 0.85
Dividends declared per share	\$ 0.42	\$ 0.36	\$ 0.28	\$ 0.20	\$ 0.08
Book value of year-end shares outstanding(1)	\$ 12.17	\$ 11.09	\$ 10.33	\$ 10.04	\$ 9.25

Table of Contents**Consolidated Five-Year Summary of Financial Data (Continued)**

<b>(Dollar amounts in thousands)</b>	<b>(52 weeks)</b>	<b>(53 weeks)</b>	<b>(52 weeks)</b>	<b>(52 weeks)</b>	<b>(52 weeks)</b>
<b>Fiscal Year Ended</b>	<b>4/29/2017</b>	<b>4/30/2016</b>	<b>4/25/2015</b>	<b>4/26/2014</b>	<b>4/27/2013</b>
Return on average total equity(2)	15.0%	14.9%	12.9%	11.8%	10.0%
Gross profit as a percent of sales	39.9%	38.2%	35.4%	34.2%	32.7%
Operating income as a percent of sales	8.6%	8.0%	7.2%	6.6%	5.3%
Effective tax rate(3)	33.5%	35.3%	35.0%	34.3%	33.3%
Return on sales(3)	5.7%	5.3%	4.8%	4.4%	3.7%
Depreciation and amortization	\$ 29,132	\$ 26,517	\$ 22,283	\$ 23,182	\$ 23,140
Capital expenditures	\$ 20,304	\$ 24,684	\$ 70,319	\$ 33,730	\$ 25,912
Property, plant and equipment, net	\$ 169,132	\$ 171,590	\$ 174,036	\$ 127,535	\$ 118,060
Working capital	\$ 318,746	\$ 324,545	\$ 321,560	\$ 355,291	\$ 350,717
Current ratio(4)	2.6 to 1	3.1 to 1	3.1 to 1	3.1 to 1	3.3 to 1
Total assets	\$ 888,855	\$ 800,029	\$ 774,604	\$ 771,295	\$ 720,371
Long-term debt, excluding current portion	\$ 296	\$ 513	\$ 433	\$ 277	\$ 7,576
Total debt	\$ 515	\$ 803	\$ 830	\$ 7,774	\$ 8,089
Total equity	\$ 601,105	\$ 557,212	\$ 533,100	\$ 529,718	\$ 491,968
Debt to equity ratio(5)	0.1%	0.1%	0.2%	1.5%	1.6%
Debt to capitalization ratio(6)	0.1%	0.1%	0.2%	1.4%	1.6%

- (1) Equal to total La-Z-Boy Incorporated shareholders' equity divided by the number of outstanding shares on the last day of the fiscal year
- (2) Equal to income from continuing operations divided by average two year equity
- (3) Based on income from continuing operations
- (4) Equal to total current assets divided by total current liabilities
- (5) Equal to total debt divided by total equity
- (6) Equal to total debt divided by total debt plus total equity



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**Unaudited Quarterly Financial Information Fiscal 2017**

(Amounts in thousands, except per share data) Fiscal Quarter Ended	(13 weeks) 7/30/2016	(13 weeks) 10/29/2016	(13 weeks) 1/28/2017	(13 weeks) 4/29/2017
Sales	\$ 340,783	\$ 376,579	\$ 389,992	\$ 412,706
Cost of sales	207,252	227,885	233,875	244,506
Gross profit	133,531	148,694	156,117	168,200
Selling, general and administrative expense	111,763	115,526	123,235	125,437
Operating income	21,768	33,168	32,882	42,763
Interest expense	115	117	562	279
Interest income	204	234	241	302
Income from Continued Dumping and Subsidy Offset Act, net			273	
Other income (expense), net	(72)	(279)	638	(309)
Income before income taxes	21,785	33,006	33,472	42,477
Income tax expense	7,777	11,901	9,830	14,248
Net income	14,008	21,105	23,642	28,229
Net income attributable to noncontrolling interests	(202)	(272)	(356)	(232)
Net income attributable to La-Z-Boy Incorporated	\$ 13,806	\$ 20,833	\$ 23,286	\$ 27,997
Diluted weighted average common shares	49,594	49,511	49,384	49,181
Diluted net income attributable to La-Z-Boy Incorporated per share	\$ 0.28	\$ 0.42	\$ 0.47	\$ 0.57
Dividends declared per share	\$ 0.10	\$ 0.10	\$ 0.11	\$ 0.11

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**Unaudited Quarterly Financial Information Fiscal 2016**

(Amounts in thousands, except per share data)	(13 weeks)	(13 weeks)	(13 weeks)	(14 weeks)
Fiscal Quarter Ended	7/25/2015	10/24/2015	1/23/2016	4/30/2016
Sales	\$ 341,423	\$ 382,891	\$ 384,014	\$ 417,070
Cost of sales	217,191	237,085	236,024	253,062
Gross profit	124,232	145,806	147,990	164,008
Selling, general and administrative expense	104,266	112,412	113,206	129,763
Operating income	19,966	33,394	34,784	34,245
Interest expense	112	133	120	121
Interest income	205	164	204	254
Income from Continued Dumping and Subsidy Offset Act, net			102	
Other income (expense), net	1,968	512	(93)	(176)
Income before income taxes	22,027	33,937	34,877	34,202
Income tax expense	7,904	12,278	12,643	11,255

"4%">

**Option Awards (1)**  
**Number of Securities**

Name	Date of Grant	Number of Securities Underlying Unexercised Options (#) Exercisable	Number of Securities Underlying Unexercised Options (#) Unexercisable *	Option Exercise Price (\$)	Option Expiration Date
Peter D. Meldrum	8/16/2002	30,000	0	\$ 8.68	8/16/2012
President and Chief Executive Officer	9/09/2003	2	0	\$ 4.44	9/09/2013
	2/19/2004	70,000	0	\$ 6.00	2/19/2014
	9/08/2004	90,000	0	\$ 5.89	9/08/2014
	2/17/2005	100,000	0	\$ 7.82	2/17/2015
	9/14/2005	51,096	0	\$ 7.27	9/14/2015
	2/16/2006	63,804	0	\$ 8.63	2/16/2016
	9/06/2006	72,000	0	\$ 9.04	9/06/2016
	2/21/2007	74,192	0	\$ 12.17	2/21/2017
	9/26/2007	130,000	0	\$ 18.06	9/26/2017
	2/28/2008	200,000	0	\$ 13.28	2/28/2018
	9/10/2008	150,000	50,000	\$ 22.93	9/10/2018
	2/18/2009	165,000	55,000	\$ 30.12	2/18/2019
	9/15/2009	90,000	90,000	\$ 30.34	9/15/2019
	3/03/2010	100,000	100,000	\$ 23.11	3/03/2020
	9/15/2010	55,000	165,000	\$ 16.53	9/15/2020
	2/23/2011	60,000	180,000	\$ 18.00	2/23/2021
9/13/2011	0	416,000	\$ 19.47	9/13/2021	
3/07/2012	0	104,000	\$ 23.98	3/07/2022	
Mark C. Capone	2/16/2006	4,450	0	\$ 8.63	2/16/2016
President, Myriad Genetic Laboratories, Inc.	9/06/2006	15,355	0	\$ 9.04	9/6/2016
	2/21/2007	27,000	0	\$ 12.17	2/21/2017
	9/26/2007	60,000	0	\$ 18.06	9/26/2017
	2/28/2008	67,500	0	\$ 13.28	2/28/2018
	9/10/2008	67,500	22,500	\$ 22.93	9/11/2018
	2/18/2009	60,000	20,000	\$ 30.12	2/19/2019
	9/15/2009	31,000	31,000	\$ 30.34	9/15/2019
	3/03/2010	37,500	37,500	\$ 23.11	3/3/2020
	9/15/2010	25,000	75,000	\$ 16.53	9/15/2020

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2/23/2011	31,250	93,750	\$ 18.00	2/23/2021
9/13/2011	0	208,000	\$ 19.47	9/13/2021
3/07/2012	0	52,000	\$ 23.98	3/7/2022

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Name	Date of Grant	Option Awards (1)		Option Exercise Price (\$)	Option Expiration Date
		Number of Securities Underlying Unexercised Options (#) Exercisable	Number of Securities Underlying Unexercised Options (#) Unexercisable *		
James S. Evans Chief Financial Officer	8/16/2002	15,400	0	\$ 8.68	8/16/2012
	2/13/2003	30,000	0	\$ 3.80	2/13/2013
	9/09/2003	26,250	0	\$ 4.44	9/09/2013
	2/19/2004	8,072	0	\$ 6.00	2/19/2014
	9/08/2004	35,000	0	\$ 5.89	9/08/2014
	2/17/2005	35,000	0	\$ 7.82	2/17/2015
	9/14/2005	30,000	0	\$ 7.27	9/14/2015
	2/16/2006	30,000	0	\$ 8.63	2/16/2016
	9/06/2006	30,000	0	\$ 9.04	9/06/2016
	2/21/2007	34,000	0	\$ 12.17	2/21/2017
	9/26/2007	40,000	0	\$ 18.06	9/26/2017
	2/28/2008	60,000	0	\$ 13.28	2/28/2018
	9/10/2008	52,500	17,500	\$ 22.93	9/10/2018
	2/18/2009	67,500	22,500	\$ 30.12	2/18/2019
	9/15/2009	40,000	40,000	\$ 30.34	9/15/2019
	3/03/2010	40,000	40,000	\$ 23.11	3/03/2020
9/15/2010	21,250	63,750	\$ 16.53	9/15/2020	
2/23/2011	23,750	71,250	\$ 18.00	2/23/2021	
9/13/2011	0	152,000	\$ 19.47	9/13/2021	
3/07/2012	0	38,000	\$ 23.98	3/07/2022	
Jerry S. Lanchbury, Ph.D. Chief Scientific Officer	2/17/2005	36,782	0	\$ 7.82	2/17/2015
	2/16/2006	23,196	0	\$ 8.63	2/16/2016
	9/06/2006	20,000	0	\$ 9.04	9/06/2016
	2/21/2007	50,000	0	\$ 12.17	2/21/2017
	9/26/2007	60,000	0	\$ 18.06	9/26/2017
	2/28/2008	70,000	0	\$ 13.28	2/28/2018
	9/10/2008	42,000	14,000	\$ 22.93	9/10/2018
	2/18/2009	45,000	15,000	\$ 30.12	2/18/2019
	9/15/2009	25,000	25,000	\$ 30.34	9/15/2019
	30/3/2010	27,500	27,500	\$ 23.11	3/03/2020
	9/15/2010	17,500	52,500	\$ 16.53	9/15/2020
	2/23/2011	20,000	60,000	\$ 18.00	2/23/2021
	9/13/2011	0	128,000	\$ 19.47	9/13/2021
3/07/2012	0	32,000	\$ 23.98	3/07/2022	
Richard M. Marsh, Esq. Executive Vice President, General Counsel and Secretary	2/17/2005	40,260	0	\$ 7.82	2/17/2015
	9/04/2005	21,096	0	\$ 7.27	9/04/2015
	2/16/2006	41,804	0	\$ 8.63	2/16/2016
	9/06/2006	50,000	0	\$ 9.04	9/06/2016
	2/21/2007	54,000	0	\$ 12.17	2/21/2017
	9/26/2007	60,000	0	\$ 18.06	9/26/2017
	2/28/2008	70,000	0	\$ 13.28	2/28/2018
	9/10/2008	52,500	17,500	\$ 22.93	9/10/2018
	2/18/2009	60,000	20,000	\$ 30.12	2/18/2019
	9/15/2009	35,000	35,000	\$ 30.34	9/15/2019
	3/03/2010	37,500	37,500	\$ 23.11	3/03/2020
	9/15/2010	20,000	60,000	\$ 16.53	9/15/2020
	2/23/2011	22,500	67,500	\$ 18.00	2/23/2021
	9/13/2011	0	144,000	\$ 19.47	9/13/2021
	3/07/2012	0	36,000	\$ 23.98	3/07/2022

\*

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The vesting of unvested options held by our named executive officers will accelerate upon a change of control of Myriad in accordance with the Executive Retention Agreements described below under Potential Payments Upon Termination or Change-in-Control.

(1) Stock Option Vesting Schedules:

Options granted on and between May 23, 2001 through and including September 9, 2003 were granted pursuant to our 2002 Option Plan and vested 25% of the shares per year on each anniversary of the date of grant, until April 14, 2005 when all remaining unvested shares vested.

Options granted on and between February 19, 2004 through and including February 17, 2005 were granted pursuant to our 2003 Option Plan and vested 25% of the shares per year on each anniversary of the date of grant, until April 14, 2005 when all remaining unvested shares vested.

Options granted on and between September 14, 2005 through and including September 15, 2010 were granted pursuant to our 2003 Option Plan and vest 25% of the shares per year on each anniversary of the date of grant.

Options granted beginning on and after February 23, 2011 were granted pursuant to our 2010 Plan and vest 25% of the shares per year on each anniversary date of the grant.

**2012 Fiscal Year Option Exercises and Stock Vested**

The following table shows information regarding exercises of options to purchase our common stock by our named executive officers during the fiscal year ended June 30, 2012.

Name	Option Awards	
	Number of Shares Acquired on Exercise (#)	Value Realized on Exercise (\$) (1)
Peter D. Meldrum President and Chief Executive Officer	247,342	4,194,639
Mark C. Capone Chief Operating Officer	4,257	76,681
James S. Evans Chief Financial Officer and Treasurer	13,400	174,894
Jerry S. Lanchbury, Ph.D. Chief Scientific Officer	51,804	815,073
Richard M. Marsh, Esq. Executive Vice President, General Counsel and Secretary	87,936	1,547,497

- (1) Amounts shown in this column do not necessarily represent actual value realized from the sale of the shares acquired upon exercise of the options because the shares may not be sold on exercise but continue to be held by the executive officer exercising the option. The amounts shown represent the difference between the option exercise price and the market price on the date of exercise, which is the amount that would have been realized if the shares had been sold immediately upon exercise.

**Pension Benefits**

We do not have any qualified or non-qualified defined benefit plans.

**Nonqualified Deferred Compensation**

We do not have any nonqualified defined contribution plans or other deferred compensation plans.

**Potential Payments Upon Termination or Change-in-Control**

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On February 17, 2005 (and thereafter for subsequently appointed executive officers), we entered into Executive Retention Agreements, or the Retention Agreements, with our executive officers.

Under the terms of the Retention Agreements, if the employment of an executive officer is terminated without Cause or if the executive officer separates from Myriad for Good Reason within 24 months of a

Change in Control (each as defined in the agreement and set forth below), the executive officer will receive: (i) all salary earned through the date of termination, as well as a pro rata bonus and any compensation previously deferred; (ii) an amount equal to three times the executive's highest annual base salary and three times the executive's highest annual bonus at Myriad during the three-year period prior to the Change in Control; (iii) continued benefits for 36 months after the date of termination; (iv) outplacement services in an aggregate amount of up to \$25,000; and (v) a gross-up payment with respect to any excise taxes or penalties due on account of any payments made to the executive under the Retention Agreement. If the employment of an executive officer is terminated by the executive officer for no reason, during the 90-day period beginning on the first anniversary of the Change in Control Date (as defined in the agreement and set forth below), then the termination shall be deemed to be termination for Good Reason for all purposes of the Retention Agreement except that the payment of an amount equal to three times the executive's highest annual base salary and bonus shall be reduced by one-half. In addition, upon the occurrence of a Change in Control, all of the executive's stock options shall become fully vested, whether or not the executive is terminated. On October 12, 2007, the Retention Agreements were amended to provide that all payments under the agreement are to be made in a lump sum, in cash, six months following the date of termination of employment, unless earlier payment, in whole or in part, following the date of termination of employment is permitted under Section 409A of the Internal Revenue Code of 1986, as amended.

Unless the terms of the Retention Agreement are either satisfied or expire on the date which is 24 months after a Change in Control, the Retention Agreement will continue in effect through December 31, 2015 and thereafter for one year terms unless we provide notice of non-renewal at least 90 days prior to the end of each term.

As defined in the Retention Agreements:

*Cause* means (a) the Executive's willful and continued failure to substantially perform his or her reasonable assigned duties (other than any such failure resulting from incapacity due to physical or mental illness or any failure after the Executive gives notice of termination for Good Reason), which failure is not cured within 30 days after a written demand for substantial performance is received by the Executive from the Board of Directors of the Company which specifically identifies the manner in which the Board of Directors believes the Executive has not substantially performed the Executive's duties; or (b) the Executive's willful engagement in illegal conduct or gross misconduct which is materially and demonstrably injurious to the Company. No act or failure to act by the Executive shall be considered willful unless it is done, or omitted to be done, in bad faith and without reasonable belief that the Executive's action or omission was in the best interests of the Company.

*Good Reason* means the occurrence, without the Executive's written consent, of any of the following events or circumstances: (a) the assignment to the Executive of duties inconsistent in any material respect with the Executive's position (including status, offices, titles and reporting requirements), authority or responsibilities in effect immediately prior to the earliest to occur of (i) the Change in Control Date, (ii) the date of the execution by the Company of the initial written agreement or instrument providing for the Change in Control or (iii) the date of the adoption by the Board of Directors of a resolution providing for the Change in Control (with the earliest to occur of such dates referred to herein as the Measurement Date), or any other action or omission by the Company which results in a material diminution in such position, authority or responsibilities; (b) a reduction in the Executive's annual base salary as in effect on the Measurement Date; (c) the failure by the Company to (i) continue in effect any material compensation, pension, retirement or benefit plan or program (including without limitation any 401(k), life insurance, medical, health and accident or disability plan and any vacation program or policy) (a Benefit Plan) in which the Executive participates or which is applicable to the Executive immediately prior to the Measurement Date, unless an equitable arrangement (embodied in an ongoing substitute or alternative plan) has been made with respect to such plan or program, (ii) continue the Executive's participation therein (or in such substitute or alternative plan) on a basis not materially less favorable, both in terms of the amount of benefits



provided and the level of the Executive's participation relative to other participants, than the basis existing immediately prior to the Measurement Date or (iii) award cash bonuses to the Executive in amounts and in a manner substantially consistent with past practice; (d) a change by the Company in the location at which the Executive performs his or her principal duties for the Company to a new location that is both (i) outside a radius of 50 miles from the Executive's principal residence immediately prior to the Measurement Date and (ii) more than 50 miles from the location at which the Executive performed his or her principal duties for the Company immediately prior to the Measurement Date; or a requirement by the Company that the Executive travel on Company business to a substantially greater extent than required immediately prior to the Measurement Date; (e) the failure of the Company to obtain the agreement from any successor to the Company to assume and agree to perform the Retention Agreement; or (f) any failure of the Company to pay or provide to the Executive any portion of the Executive's compensation or benefits due under any Benefit Plan within seven days of the date such compensation or benefits are due, or any material breach by the Company of the Retention Agreement or any employment agreement with the Executive.

*Change in Control* means an event or occurrence set forth in any one or more of the following (including an event or occurrence that constitutes a Change in Control under one of such subsections but is specifically exempted from another such subsection): (a) the acquisition by an individual, entity or group (within the meaning of Section 13(d) or 14(d) of the Securities Exchange Act of 1934, as amended (the Exchange Act)) (a Person) of beneficial ownership of any capital stock of the Company if, after such acquisition, such Person beneficially owns (within the meaning of Rule 13d-3 promulgated under the Exchange Act) 20% or more of either (i) the then-outstanding shares of common stock of the Company (the Outstanding Company Common Stock) or (ii) the combined voting power of the then-outstanding securities of the Company entitled to vote generally in the election of directors (the Outstanding Company Voting Securities); *provided, however*, that for purposes of this subsection (a), the following acquisitions shall not constitute a Change in Control: (i) any acquisition directly from the Company (excluding an acquisition pursuant to the exercise, conversion or exchange of any security exercisable for, convertible into or exchangeable for common stock or voting securities of the Company, unless the Person exercising, converting or exchanging such security acquired such security directly from the Company or an underwriter or agent of the Company), (ii) any acquisition by the Company, or (iii) any acquisition by any employee benefit plan (or related trust) sponsored or maintained by the Company or any corporation controlled by the Company; or (b) such time as the Continuing Directors (as defined below) do not constitute a majority of the Board (or, if applicable, the Board of Directors of a successor corporation to the Company), where the term Continuing Director means at any date a member of the Board (i) who was a member of the Board on the date of the execution of the Retention Agreement or (ii) who was nominated or elected subsequent to such date by at least a majority of the directors who were Continuing Directors at the time of such nomination or election or whose election to the Board was recommended or endorsed by at least a majority of the directors who were Continuing Directors at the time of such nomination or election; *provided, however*, that there shall be excluded from this clause (ii) any individual whose initial assumption of office occurred as a result of an actual or threatened election contest with respect to the election or removal of directors or other actual or threatened solicitation of proxies or consents, by or on behalf of a person other than the Board; or (c) the consummation of a merger, consolidation, reorganization, recapitalization or share exchange involving the Company or a sale or other disposition of all or substantially all of the assets of the Company in one or a series of transactions (a Business Combination), unless, immediately following such Business Combination, the following condition is satisfied: all or substantially all of the individuals and entities who were the beneficial owners of the Outstanding Company Common Stock and Outstanding Company Voting Securities immediately prior to such Business Combination beneficially own, directly or indirectly, more than 50% of the then-outstanding shares of common stock and the combined voting power of the then-outstanding securities entitled to vote generally in the election of directors, respectively, of the resulting or acquiring corporation in such Business Combination (which shall include, without limitation, a corporation

which as a result of such transaction owns the Company or substantially all of the Company's assets either directly or through one or more subsidiaries) in substantially the same proportions as their ownership, immediately prior to such Business Combination, of the Outstanding Company Common Stock and Outstanding Company Voting Securities, respectively; or (d) approval by the stockholders of the Company of a complete liquidation or dissolution of the Company.

*Change in Control Date* means the first date during the Term (as defined in the Retention Agreement) on which a Change in Control occurs. Anything in the Retention Agreement to the contrary notwithstanding, if (a) a Change in Control occurs, (b) the Executive's employment with the Company is terminated prior to the date on which the Change in Control occurs, and (c) it is reasonably demonstrated by the Executive that such termination of employment (i) was at the request of a third party who has taken steps reasonably calculated to effect a Change in Control or (ii) otherwise arose in connection with or in anticipation of a Change in Control, then for all purposes of the Retention Agreement the *Change in Control Date* shall mean the date immediately prior to the date of such termination of employment.

The foregoing summary of the Retention Agreements is qualified in its entirety by the full text of the agreements, the form of which we have filed as an exhibit to our Annual Report on Form 10-K.

The following table summarizes the potential payments to each of our named executive officers upon either a change in control or termination following a change in control, assuming the occurrence of the different triggers of the Retention Agreement, as of the close of business on June 30, 2012, the last business day of our most recently concluded fiscal year.

		<b>Executive Benefits and Payments Upon</b>			
		<b>Termination</b>	<b>Change in Control (\$)</b>	<b>Change in Control and Involuntary Termination Without Cause or for Good Reason (\$)</b>	<b>Change in Control and Voluntary Termination (\$)</b>
Peter D. Meldrum President and Chief Executive Officer	Base salary			2,745,000	1,372,500
	Bonus			3,300,000	1,650,000
	Stock option acceleration	4,130,000		4,130,000	4,130,000
	Continued benefits			46,548	46,548
	Outplacement			25,000	25,000
	Tax gross-up			2,622,775	1,590,325
	<b>Total</b>	<b>4,130,000</b>		<b>12,869,323</b>	<b>8,814,373</b>
Mark C. Capone Chief Operating Officer	Base salary			1,500,000	750,000
	Bonus			1,260,000	630,000
	Stock option acceleration	2,021,988		2,021,988	2,021,988
	Continued benefits			46,548	46,548
	Outplacement			25,000	25,000
	Tax gross-up			1,264,819	793,427
	<b>Total</b>	<b>2,021,988</b>		<b>6,118,355</b>	<b>4,266,963</b>
James S. Evans Chief Financial Officer	Base salary			1,320,000	660,000
	Bonus			870,000	435,000
	Stock option acceleration	1,567,363		1,567,363	1,567,363
	Continued benefits			46,548	46,548
	Outplacement			25,000	25,000
	Tax gross-up			1,041,400	667,361
	<b>Total</b>	<b>1,567,363</b>		<b>4,870,310</b>	<b>3,401,271</b>

	Executive Benefits and Payments Upon Termination		Change in Control and Involuntary Termination Without Cause or for Good Reason (\$)	Change in Control (\$)	Change in Control and Voluntary Termination (\$)
Jerry S. Lanchbury, Ph.D. Chief Scientific Officer	Base salary		1,260,000		630,000
	Bonus		732,000		366,000
	Stock option acceleration	1,306,610	1,306,610		1,306,610
	Continued benefits		46,548		46,548
	Outplacement		25,000		25,000
	Tax gross-up		545,975		205,753
	Total	1,306,610	3,916,133		2,579,911
Richard M. Marsh, Esq. Executive Vice President, General Counsel and Secretary	Base salary		1,275,000		637,500
	Bonus		750,000		375,000
	Stock option acceleration	1,482,525	1,482,525		1,482,525
	Continued benefits		46,548		46,548
	Outplacement		25,000		25,000
	Tax gross-up		759,794		413,936
	Total	1,482,525	4,338,867		2,980,509

The following is a description of the assumptions that were used in creating the above table.

**Vesting Acceleration Calculation** The value of the vesting acceleration was calculated by multiplying the number of unvested in-the-money stock options as of June 30, 2012 by the spread between the closing price of our stock as of June 30, 2012, which was \$23.77 per share, and the exercise price of such unvested option.

**Tax Gross-Up** The calculation of the tax gross up was calculated in accordance with Section 280G of the Internal Revenue Code, based upon an excise tax rate of 20%, a 35% federal income tax rate, a 1.45% Medicare tax rate and a 5% state income tax rate.

#### Director Compensation

The following table shows the total compensation paid or accrued during the fiscal year ended June 30, 2012 to each of our non-employee directors who served during fiscal 2012. Directors who are employed by Myriad are not compensated for their service on our Board of Directors.

Name	Fees Earned or Paid in Cash (\$)	Option Awards (\$) (1)	Total (\$)
Lawrence C. Best	77,000	236,241	313,241
Heiner Dreismann, Ph.D.	80,000	236,241	316,241
Walter Gilbert, Ph.D.	67,500	236,241	303,741
John T. Henderson, M.D.	180,000	236,241	416,241
Dennis H. Langer, Ph.D., J.D.	89,000	236,241	325,241
S. Louise Phanstiel	94,500	236,241	330,741

- (1) Amounts shown reflect the aggregate grant date fair value of option awards granted to each non-employee director who served during fiscal 2012 calculated in accordance with FASB ASC Topic 718. Information regarding the assumptions used in the valuation of option awards can be found in the footnote to our financial statements entitled "Share-Based Compensation" in our Annual Report on Form 10-K for the fiscal year ended June 30, 2012, filed with the SEC. Our non-employee directors will not realize the value of these awards in cash unless and until these awards are exercised and the underlying shares are subsequently sold. See also our



discussion of stock-based compensation under Management's Discussion and Analysis of Financial Condition and Results of Operations Critical Accounting Policies in our Annual Report on Form 10-K.

The following table shows outstanding and vested options for each non-employee director as of June 30, 2012.

Name	Options Outstanding	Vested Options
Lawrence C. Best	90,000	60,000
Heiner Dreismann, Ph.D.	60,000	30,000
Walter Gilbert, Ph.D.	180,000	150,000
John T. Henderson, M.D.	250,000	220,000
Dennis H. Langer, Ph.D., J.D.	160,000	130,000
S. Louise Phanstiel	90,000	60,000

The following table shows the grant date fair value for each option granted to each non-employee director in our fiscal year ended June 30, 2012.

Name	Options Granted (#)	Grant Date	Grant Date Fair Value (\$)
Lawrence C. Best	30,000	12/2/2011	236,241
Heiner Dreismann, Ph.D.	30,000	12/2/2011	236,241
Walter Gilbert, Ph.D.	30,000	12/2/2011	236,241
John T. Henderson, M.D.	30,000	12/2/2011	236,241
Dennis H. Langer, Ph.D., J.D.	30,000	12/2/2011	236,241
S. Louise Phanstiel	30,000	12/2/2011	236,241

*Director Compensation Policy*

Our non-employee directors are compensated on a role-based model and are paid cash fees based on the annual retainers (25% paid following each quarter of service). The following is a description of the standard compensation arrangements under which our non-employee directors are compensated for their service as directors, including as members of the various Board committees:

Annual retainer	Fiscal 2012
All members	\$60,000
Chairman of the Board	\$100,000 additional
Chair of the Audit Committee	\$25,000 additional
Chairman of the Compensation Committee	\$15,000 additional
Chairman of the Nominating and Governance Committee	\$15,000 additional
Members of the Audit Committee	\$12,000 additional
Members of the Compensation Committee	\$7,500 additional
Members of the Nominating and Governance Committee	\$7,500 additional
Members of the Strategic Committee	\$5,000 additional retainer

*Attendance*

Board Meetings: In addition to the annual retainer amounts, we pay each non-employee director a per-meeting cash fee of \$2,000 for attendance at Board meetings in excess of five in-person meetings and four telephonic meetings per fiscal year.

Committee Meetings other than Strategic Committee: We also pay each non-employee director a per-meeting cash fee of \$2,000 for attendance at committee meetings in excess of four meetings (per each committee), whether in person or telephonic, per fiscal year.

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Strategic Committee: No per meeting fee will be paid for meetings of the Strategic Committee.

All directors are also reimbursed for their out-of pocket expenses incurred in attending meetings.

*Stock Option, Restricted and Unrestricted Stock Grants and Other Stock-Based Awards*

Under our 2010 Plan, our non-employee directors may be awarded stock options, restricted and unrestricted stock grants and/or other stock-based awards. As recommended and determined by our Compensation Committee, and approved by our Board of Directors, on each date of our annual meeting of stockholders, the Company shall grant to each non-employee director, other than new non-employee directors appointed within six months of the annual meeting, a non-qualified option to purchase 30,000 shares of common stock of the Company, at an exercise price equal to the closing price of our common stock on the date of grant.

In addition, it is our policy to grant a non-qualified option to purchase 30,000 shares of common stock, at an exercise price equal to the closing price of our common stock on the date of grant, to each new non-employee director upon initial appointment to the Board.

Options granted to our non-employee directors vest in full upon completion of one full year of service on the Board (generally on the earlier of the first anniversary of the date of grant or the date of the next annual meeting of stockholders). Options granted to our non-employee directors are exercisable after the termination of the director's service on the Board to the extent exercisable on the date of such termination for the remainder of the life of the option. All options granted to our non-employee directors will become fully exercisable upon a change of control of Myriad or upon their death as provided for under our stock option plan.

Options granted during fiscal 2012 to any named executive officers serving on the Board are reported in the 2012 Fiscal Year Grants of Plan-Based Awards table.

**Risks Related to Compensation Policies and Practices**

During the fiscal year ended June 30, 2012, the Compensation Committee conducted a risk assessment of our compensation policies and practices for our employees and concluded that our compensation policies and practices do not create risks that are reasonably likely to have a material adverse effect on the company. For this purpose, we considered the compensation structure of the company for its employees including executive officers, which is based on an annual salary, annual bonus (for bonus-eligible employees), sales commissions and bonuses (for sales staff and managers), and stock option grants. We do not believe we offer any short-term incentives that might result in high-risk actions or conduct by our employees. For example, incentive compensation for executive officers in the form of an annual cash bonus is based on a pre-determined formula and management objectives approved by the Compensation Committee and is subject to a cap. There is no unique operational division or group of employees who are specially compensated, or who, as a group, are responsible for a material portion of our revenues or profits. We do not believe that the awarding of stock options as long-term incentive compensation creates any undue compensation risks to the company. Additionally, we believe that we have appropriate internal controls which support the accurate and timely recognition of company revenues. Accordingly, we believe that we have a balanced pay and performance program that does not promote undue or excessive risk taking.

**Tax Deductibility of Compensation**

Section 162(m) of the Internal Revenue Code limits the deduction a public company is permitted for compensation paid to the chief executive officer and to the three most highly compensated executive officers other than the chief financial officer. Generally, amounts paid in excess of \$1,000,000 to a covered executive cannot be deducted, unless the compensation is paid pursuant to a plan which is performance related, non-discretionary and has been approved by stockholders. In its deliberations the Compensation Committee considers ways to maximize deductibility of executive compensation, but nonetheless retains the discretion to

compensate executive officers at levels the Compensation Committee considers commensurate with their responsibilities and achievements. For fiscal 2012, we had not adopted a policy that all executive compensation be fully deductible; however, we believe that all of our option grants satisfied the requirements of the Section 162(m) exception. For fiscal 2013, we have adopted, subject to stockholder approval, the 2013 Executive Incentive Plan under which it is intended that incentive compensation paid to designated executive officers would be deductible for purposes of Section 162(m). The 2013 Executive Incentive Plan is being submitted for stockholder approval at this 2012 Annual Meeting of Stockholders. In order to retain flexibility to incentivize and reward our executives, we may award compensation to executives that is not deductible for purposes of Section 162(m).

### Equity Compensation Plan Information

The following table provides certain aggregate information with respect to all of the Company's equity compensation plans in effect as of June 30, 2012.

Plan category	(a) Number of securities to be issued upon exercise of outstanding options, warrants, and rights	(b) Weighted-average exercise price of outstanding options, warrants and rights	(c) Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a))
Equity compensation plans approved by security holders (1)	15,233,893	\$ 19.32	3,452,515(2)
Equity compensation plans not approved by security holders			
<b>Total</b>	<b>15,233,893</b>	<b>\$ 19.32</b>	<b>3,452,515</b>

- (1) These plans consist of our 2002 Amended and Restated Stock Option Plan (the "2002 Plan"), our 2003 Employee, Director and Consultant Stock Option Plan, as amended (the "2003 Plan"), our 2010 Employee, Director and Consultant Equity Plan, as amended (the "2010 Plan"), and our Employee Stock Purchase Plan, as amended.
- (2) Column (c) includes 93,060 shares available for future issuance under our Employee Stock Purchase Plan and 3,359,455 shares available for future issuance under the 2010 Plan. No shares are available for issuance under the 2002 Plan or the 2003 Plan.



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### COMPENSATION COMMITTEE REPORT

The Compensation Committee of our Board of Directors has reviewed and discussed the Compensation Discussion and Analysis required by Item 402(b) of Regulation S-K, which appears elsewhere in this proxy statement, with our management. Based on this review and discussion, the Compensation Committee has recommended to the Board of Directors that the Compensation Discussion and Analysis be included in our proxy statement.

#### MEMBERS OF THE COMPENSATION COMMITTEE:

Heiner Dreismann, Ph.D., Chair

Walter Gilbert, Ph.D.

John T. Henderson, M.D.

### AUDIT COMMITTEE REPORT

The Audit Committee of the Board of Directors, which consists entirely of directors who meet the independence and experience requirements of The NASDAQ Stock Market LLC, has furnished the following report:

The Audit Committee assists the Board in overseeing and monitoring the integrity of our financial reporting process, compliance with legal and regulatory requirements and the quality of internal and external audit processes. This committee's role and responsibilities are set forth in the Audit Committee Charter adopted by the Board, which is available on the Investor Relations Corporate Governance section of our website at [www.myriad.com](http://www.myriad.com). This committee reviews and reassesses the Audit Committee Charter annually and recommends any changes to the Board for approval. The Audit Committee is responsible for overseeing our overall financial reporting process, and for the appointment, compensation, retention, and oversight of the work of our independent registered public accounting firm.

In fulfilling its responsibilities for the financial statements for the fiscal year ended June 30, 2012, the Audit Committee took the following actions:

reviewed and discussed the audited financial statements for the fiscal year ended June 30, 2012 with management and Ernst & Young LLP, our independent registered public accounting firm;

discussed with Ernst & Young LLP the matters required to be discussed in accordance with Statement on Auditing Standards No. 61, as amended (Codification of Statement on Auditing Standards, AU380) as adopted by the Public Company Accounting Oversight Board in Rule 3200T;

received written disclosures and the letter from Ernst & Young LLP regarding its independence as required by applicable requirements of the Public Company Accounting Oversight Board regarding Ernst & Young LLP's communications with the Audit Committee and the Audit Committee further discussed with Ernst and Young LLP their independence; and

considered the status of pending litigation, if any, taxation matters and other areas of oversight relating to the financial reporting and audit process that the Committee determined appropriate.

Based on the Audit Committee's review of the audited financial statements and discussions with management and Ernst & Young LLP, the Audit Committee recommended to the Board that the audited financial statements be included in our Annual Report on Form 10-K for the fiscal year ended June 30, 2012 for filing with the SEC.

#### MEMBERS OF THE AUDIT COMMITTEE

S. Louise Phanstiel, Chair

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Lawrence C. Best

Dennis H. Langer, M.D., J.D.

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**SECTION 16(a) BENEFICIAL OWNERSHIP REPORTING COMPLIANCE**

Our records reflect that all reports which were required to be filed pursuant to Section 16(a) of the Securities Exchange Act of 1934, as amended, were filed on a timely basis.

An Annual Statement of Beneficial Ownership on Form 5 is not required to be filed if there are no previously unreported transactions or holdings to report. Nevertheless, we are required to disclose the names of directors, officers and 10% stockholders who did not file a Form 5 unless we have obtained a written statement that no filing is required or if we otherwise know that no Form 5 is required. We received either a written statement from our directors, officers and 10% stockholders or know from other means that no Forms 5 filings were required.

**CERTAIN RELATIONSHIPS AND RELATED PERSON TRANSACTIONS**

We were not a party to any transactions with related persons since July 1, 2011 that would be required to be disclosed pursuant to Item 404(a) of Regulation S-K.

*Policy on Approval of Related Person Transactions*

We have adopted a Policy on Related Person Transactions (the Policy ) under which the Audit Committee reviews, approves or ratifies all related person transactions. Under our Policy, a related person transaction is one in which Myriad is a participant, and the amount involved exceeds \$120,000, and in which any of the following persons has or will have a direct or indirect material interest:

executive officers of the Company;

members of the Board;

beneficial holders of more than 5% of Myriad's securities;

immediate family members, as defined by Item 404 of Regulation S-K promulgated under the Securities Act, of any of the foregoing persons; and

any other persons whom the Board determines may be considered to be related persons as defined by Item 404 of Regulation S-K promulgated under the Securities Act.

Under the Policy, the Audit Committee will approve only those related person transactions that are determined to be in, or not inconsistent with, the best interests of Myriad and its stockholders, taking into account all available facts and circumstances as the Audit Committee determines in good faith to be necessary. These facts and circumstances will typically include, but not be limited to, the benefits of the transaction to Myriad; the impact on a Director's independence in the event the related person is a Director, an immediate family member of a Director or an entity in which a Director is a partner, stockholder or executive officer; the availability of other sources for comparable products or services; the terms of the transaction; and the terms of comparable transactions that would be available to unrelated third parties or to employees generally. No member of the Audit Committee shall participate in any review, consideration or approval of any related person transaction with respect to which the member or any of his or her immediate family members is the related person.

In reviewing and approving such transactions, the Audit Committee will obtain, or will direct management to obtain on its behalf, all information that the Audit Committee believes to be relevant and important to a review of the transaction prior to its approval. Following receipt of the necessary information, a discussion will be held of the relevant factors if deemed to be necessary by the Audit Committee prior to approval. If a discussion is not deemed to be necessary, approval may be given by written consent of the Audit Committee. This approval authority may also be delegated to the Chairperson of the Audit Committee in some circumstances. It is contemplated that no related person transaction will be entered into prior to the completion of these procedures; however, where permitted, a related person transaction may be ratified upon completion of these procedures.



The Audit Committee may adopt any further policies and procedures relating to the approval of related person transactions that it deems necessary or advisable from time to time. A copy of our Policy on Related Person Transactions is publicly available on the Investors Relations Corporate Governance section of our website at [www.myriad.com](http://www.myriad.com).

**PROPOSAL 1:**

**ELECTION OF DIRECTORS**

The Board of Directors currently consists of seven members, classified into three classes as follows: John T. Henderson, M.D. and S. Louise Phanstiel constitute a class with a term ending at the 2012 Annual Meeting (the Class I directors ); Peter D. Meldrum and Heiner Dreismann, Ph.D. constitute a class with a term ending at the 2013 Annual Meeting (the Class II directors ); and Walter Gilbert, Ph.D., Dennis H. Langer, M.D., J.D. and Lawrence C. Best constitute a class with a term ending at the 2014 Annual Meeting (the Class III directors ). At each annual meeting of stockholders, directors are elected for a term of three years to succeed those directors whose terms are expiring.

On September 13, 2012, the Board of Directors accepted the recommendation of the Nominating and Governance Committee and voted to nominate John T. Henderson, M.D. and S. Louise Phanstiel for election at the Annual Meeting for a term of three years to serve until the 2015 Annual Meeting of Stockholders, and until their successors have been elected and qualified, or until their earlier death, resignation, retirement or removal. Unless authority to vote for any of these nominees is withheld, the shares represented by a valid proxy will be voted FOR the election as directors of Dr. Henderson and Ms. Phanstiel. In the event that any nominee should become unable or unwilling to serve, the shares represented by a valid proxy will be voted for the election of such other person as the Board of Directors may recommend in his/her place, unless the Board chooses to reduce the number of directors serving on the Board. We have no reason to believe that any nominee will be unable or unwilling to serve as a director.

An affirmative vote of the plurality of the shares voted affirmatively or negatively at the Annual Meeting is required to elect each nominee as a director.

We have adopted a policy on plurality votes for the election of directors. Under this policy, in non-contested elections, if a director receives a greater number of WITHHOLD votes than FOR votes, the Board will decide, through a process managed by the Nominating and Governance Committee and excluding the nominee in question, whether it should request that the director submit his or her resignation, maintain the director but address what the Nominating and Governance Committee believes is the underlying cause of the WITHHOLD votes, or resolve not to re-nominate the director in the future for election. A copy of this policy is publicly available on the Investor Relations Corporate Governance section of our website at [www.myriad.com](http://www.myriad.com).

**THE BOARD OF DIRECTORS RECOMMENDS THE ELECTION OF DR. JOHN T. HENDERSON AND S. LOUISE PHANSTIEL AS DIRECTORS, AND PROXIES SOLICITED BY THE BOARD WILL BE VOTED IN FAVOR THEREOF UNLESS A STOCKHOLDER HAS INDICATED OTHERWISE ON THE PROXY.**

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**PROPOSAL 2:**

**APPROVAL OF AMENDMENTS TO OUR**

**2010 EMPLOYEE, DIRECTOR AND CONSULTANT EQUITY INCENTIVE PLAN**

**General**

On September 13, 2012, the Board of Directors approved an amendment to our 2010 Employee, Director and Consultant Equity Incentive Plan, as amended (the 2010 Plan), effective upon approval by our stockholders at the Annual Meeting, to set the number of shares authorized for issuance of awards under the 2010 Plan to an aggregate of 4,500,000 shares of common stock commencing on December 5, 2012. The 2010 Plan will continue to allow additional shares to be issued under the 2010 Plan if options outstanding under our 2002 Plan or 2003 Plan are cancelled or expire in the future without the issuance of shares of common stock up to a maximum aggregate of 10,114,063 additional shares, the number of options outstanding under the 2002 Plan and 2003 Plan as of September 13, 2012. No shares may be issued under our 2002 Plan or 2003 Plan.

This amendment to set the number of shares available for grant under the 2010 Plan is being submitted to you for approval at the Annual Meeting in order to ensure (i) favorable federal income tax treatment for grants of incentive stock options under Section 422 of the Internal Revenue Code of 1986, as amended (the Code), and (ii) continued eligibility to receive a federal income tax deduction for certain compensation paid under the 2010 Plan by complying with Rule 162(m) of the Code. Approval by our stockholders of this amendment to the 2010 Plan is also required by the listing rules of The NASDAQ Stock Market LLC.

The Board Directors also approved an amendment to the provisions set forth in each of Section 6(a)(iii), Section 6(b)(iii)A, and Section 1 Stock Appreciation Right of the 2010 Plan to reduce from 10 years to eight years the term of each non-qualified stock option, incentive stock option granted to participants owning 10% or less of the total combined voting power of all classes of the Company's common stock, and stock appreciation right granted on or after December 5, 2012 provided that this Proposal 2 is approved at the Annual Meeting.

Our Board, the Compensation Committee and management all believe that the effective use of stock-based long-term incentive compensation is vital to our ability to achieve strong performance in the future. The 2010 Plan maintains and enhances the key policies and practices adopted by our management and Board of Directors to align employee and stockholder interests. In addition, our future success depends, in large part, upon our ability to maintain a competitive position in attracting, retaining and motivating key personnel. We believe that the 4,500,000 shares available for issuance under our 2010 Plan are essential to permit our management to continue to provide long-term, equity-based incentives to present and future key employees, consultants and directors. Accordingly, our Board of Directors believes approval of the amendment to our 2010 Plan is in our best interests and those of its stockholders and recommends a vote FOR the approval of the amendment to the 2010 Plan.

A complete copy of the 2010 Plan is attached hereto as Appendix A. The following summary description of the 2010 Plan is qualified in its entirety by reference to Appendix A.

**Material Features of the 2010 Plan.**

**Eligibility.** The 2010 Plan allows us, under the direction of our Compensation Committee, to make grants of stock options, restricted and unrestricted stock awards and other stock-based awards to employees, consultants and directors who, in the opinion of the Compensation Committee, are in a position to make a significant contribution to our long-term success. The purpose of these awards is to attract and retain key individuals, further align employee and stockholder interests, and to closely link compensation with Company performance. The 2010 Plan provides an essential component of the total compensation package, reflecting the importance that we place on aligning the interests of key individuals with those of our stockholders. All employees, members of the Board of Directors and consultants of the Company and its affiliates are eligible to participate in the 2010 Plan. As of September 13, 2012 we had 1,164 individuals eligible to participate.

**Limitations on Grants.** If this Proposal 2 is approved by our stockholders, the 2010 Plan will provide for the issuance of up to 4,500,000 shares of our common stock. Up to 10,114,063 additional shares under the 2010 Plan may be issued if options outstanding under our 2002 Plan or 2003 Plan are cancelled or expire in the future without the issuance of shares of common stock. No shares may be issued under our 2002 Plan or 2003 Plan. In addition, each share of common stock issued under awards, other than options or stock appreciation rights, counts against the number of total shares available for issuance under the 2010 Plan as 2 shares, and each share of common stock issued as options or stock appreciation rights counts against the total shares available for issuance under the 2010 Plan as one share. In addition, shares of common stock reserved for awards under the 2010 Plan that lapse or are canceled will be added back to the share reserve available for future awards at the same rate as they were deducted from the authorized shares. However, shares of common stock tendered in payment for an award or shares of common stock withheld for taxes will not be available again for grant and any stock appreciation right to be settled in shares of common stock shall be counted in full against the number of shares available for issuance under the 2010 Plan regardless of the number of exercise gain shares issued upon the settlement of the stock appreciation right. The 2010 Plan provides that no participant may receive awards for more than 1,000,000 shares of common stock in any fiscal year.

**Stock Options.** Stock options granted under the 2010 Plan may either be incentive stock options, which are intended to satisfy the requirements of Section 422 of the Code, or non-qualified stock options, which are not intended to meet those requirements. Incentive stock options may be granted to employees of the Company and its affiliates. Non-qualified options may be granted to employees, directors and consultants of the Company and its affiliates. The exercise price of a stock option may not be less than 100% of the fair market value of our common stock on the date of grant. If an incentive stock option is granted to an individual who owns more than 10% of the combined voting power of all classes of our capital stock, the exercise price may not be less than 110% of the fair market value of our common stock on the date of grant and the term of the option may not be longer than five years.

The term of each option is fixed by our Board of Directors or an authorized committee and historically has not exceeded 10 years from the date of grant. If this Proposal 2 is approved the 2010 Plan would be amended to limit the term of future options to eight years. Our Board of Directors or an authorized committee establishes the vesting schedule of each option at the time of grant. Options granted to employees vest in equal annual installments over four years. Options may be made exercisable in installments and the exercisability of options may be accelerated by our Board of Directors or an authorized committee. Options granted under the 2010 Plan are generally exercisable after the termination of the participant's employment with the Company (other than by reason of death, disability or termination for cause as defined in the 2010 Plan) to the extent exercisable on the date of such termination, at any time prior to the earlier of the option's specified expiration date or three months after such termination for incentive stock options and for non-qualified options, until the option's specified expiration date. Generally, in the event of the participant's death, all incentive stock options and non-qualified stock options will immediately vest and may be exercised by the participant's survivors at any time until the option's specified expiration date. In the event of the participant's termination due to disability, incentive stock options and non-qualified stock options generally may be exercised, to the extent exercisable on the date of termination due to disability (plus a pro rata portion of the option if the option vests periodically), by the participant at any time prior to the earlier of the option's specified expiration date or one year from the date of the participant's termination due to disability for incentive stock options and for non-qualified stock options until the option's specified expiration date. In the event of the participant's termination for cause, all outstanding and unexercised options will be forfeited.

**Restricted Stock.** Restricted stock is common stock that is subject to restrictions, including a prohibition against transfer and a substantial risk of forfeiture, until the end of a restricted period during which the grantee must satisfy certain vesting conditions. If the grantee does not satisfy the vesting conditions by the end of the restricted period, the restricted stock is forfeited.



During the restricted period, the holder of restricted stock has the rights and privileges of a regular stockholder, except that the restrictions set forth in the applicable award agreement apply. For example, the holder of restricted stock may vote and receive dividends on the restricted shares; but he or she may not sell the shares until the restrictions are lifted.

**Other Stock-Based Awards.** The 2010 Plan also authorizes the grant of other types of stock-based compensation including, but not limited to stock appreciation rights, phantom stock awards, and stock units. Our Board of Directors or an authorized committee may award such stock-based awards subject to such conditions and restrictions as it may determine. These conditions and restrictions may include continued employment with us through a specified restricted period.

**Plan Administration.** In accordance with the terms of the 2010 Plan, our Board of Directors has authorized our Compensation Committee to administer the 2010 Plan. The Compensation Committee may delegate part of its authority and powers under the 2010 Plan to one or more of our directors and/or officers, but only the Compensation Committee can make awards to participants who are directors or executive officers of the Company. In accordance with the provisions of the 2010 Plan, our Compensation Committee determines the terms of awards, including:

which employees, directors and consultants will be granted awards;

the number of shares subject to each award;

the vesting provisions of each award;

the termination or cancellation provisions applicable to awards; and

all other terms and conditions upon which each award may be granted in accordance with the 2010 Plan.

In addition, our Compensation Committee may, in its discretion, amend any term or condition of an outstanding award, including, without limitation, accelerate the vesting schedule or extend the expiration date, provided (i) such term or condition as amended is permitted by the 2010 Plan, and (ii) any such amendment shall be made only with the consent of the participant to whom such award was made, if the amendment is adverse to the participant, and provided further that without the prior approval of our stockholders, options and stock appreciation rights will not be repriced, replaced, or regranted through cancellation, or by lowering the exercise price of a previously granted award or repurchased for cash when the fair market value of our common stock is less than the exercise price.

**Stock Dividends and Stock Splits.** If our common stock shall be subdivided or combined into a greater or smaller number of shares or if we issue any shares of common stock as a stock dividend, the number of shares of our common stock deliverable upon exercise of an option issued or upon issuance of an award shall be appropriately increased or decreased proportionately, and appropriate adjustments shall be made, including in the exercise or the purchase price per share, to reflect such subdivision, combination or stock dividend.

**Corporate Transactions.** Upon a merger or other reorganization event, our Board of Directors or an authorized committee, may, in its sole discretion, take any one or more of the following actions pursuant to the 2010 Plan, as to some or all outstanding awards:

provide that all outstanding options shall be assumed or substituted by the successor corporation;

upon written notice to a participant provide that the participant's unexercised options will terminate immediately prior to the consummation of such transaction unless exercised by the participant (either (A) to the extent then exercisable or, (B) at the discretion of the Board of Directors or an authorized committee, including upon a change of control, such options being made fully exercisable);

in the event of a merger pursuant to which holders of our common stock will receive a cash payment for each share surrendered in the merger, make or provide for a cash payment to the participants equal to the difference between the merger price times the number of shares of our common stock subject to such outstanding options (either (A) to the extent then exercisable or, (B) at the discretion of the Board of Directors or an authorized committee such options being made fully exercisable), and the aggregate exercise price of all such outstanding options, in exchange for the termination of such options;

provide that all outstanding awards shall be assumed or substituted by the successor corporation, become realizable or deliverable, or restrictions applicable to an award will lapse, in whole or in part, prior to or upon the merger or reorganization event; and

with respect to stock grants and in lieu of any of the foregoing, the Board of Directors or an authorized committee may provide that, upon consummation of the transaction, each outstanding stock grant shall be terminated in exchange for payment of an amount equal to the consideration payable upon consummation of such transaction to a holder of the number of shares of common stock comprising such award (to the extent such stock grant is no longer subject to any forfeiture or repurchase rights then in effect or, at the discretion of the Board of Directors or an authorized committee, all forfeiture and repurchase rights being waived upon such transaction).

**Amendments and Termination.** The 2010 Plan may be amended by our stockholders. It may also be amended by our Board of Directors, provided that any amendment approved by our Board of Directors which is of a scope that requires stockholder approval as required by the rules of The NASDAQ Stock Market LLC, in order to ensure favorable federal income tax treatment for any incentive stock options under Code Section 422, or for any other reason is subject to obtaining such stockholder approval. However, no such action may adversely affect any rights under any outstanding award without the holder's consent.

**Duration of 2010 Stock Plan.** The 2010 Plan will expire by its terms on September 15, 2020.

#### New Plan Benefits

Other than grants to our non-employee directors as described above under Executive Compensation, Director Compensation, Stock Option, Restricted and Unrestricted Stock Grants and Other Stock-Based Awards, the amounts of future awards under the 2010 Plan are not determinable and will be granted at the sole discretion of the Board of Directors or authorized committee, and we cannot determine at this time either the persons who will receive awards under the 2010 Plan or the amount or types of any such awards.

#### Existing Plan Benefits

The following is a list of options received as of September 13, 2012 by our executive, directors, and employees since the initial approval of the 2010 Plan:

Name and Position, or Group	Number of Shares Underlying Options*
<b>Named Executive Officers:</b>	
Peter D. Meldrum, President and Chief Executive Officer	1,280,000
Mark C. Capone, President, Myriad Genetic Laboratories, Inc.	685,000
James S. Evans, Chief Financial Officer and Treasurer	475,000
Jerry S. Lanchbury, Ph.D., Chief Scientific Officer	400,000
Richard M. Marsh, Executive Vice President, General Counsel, and Secretary	450,000
All current executive officers as a group	4,285,000
All current directors who are not executive officers as a group	180,000

Name and Position, or Group	Number of Shares Underlying Options*
Nominees for Director:	
John T. Henderson, M .D.	30,000
S. Louise Phanstiel	30,000
Each associate of directors, executive officers, or nominees	
All employees, including all current officers who are not executive officers, as a group	2,963,003

\* Each named executive officer received greater than 5% of total options granted to date under the 2010 Plan. On September 13, 2012, the closing price per share of our common stock was \$27.08 as reported on The NASDAQ Global Select Market.

### Federal Income Tax Considerations

The material Federal income tax consequences of the issuance and exercise of stock options and other awards under the 2010 Plan, based on the current provisions of the Code and regulations, are as follows. Changes to these laws could alter the tax consequences described below. This summary assumes that all awards granted under the 2010 Plan are exempt from or comply with, the rules under Section 409A of the Code related to nonqualified deferred compensation.

#### Incentive Stock Options:

Incentive stock options are intended to qualify for treatment under Section 422 of the Code. An incentive stock option does not result in taxable income to the optionee or deduction to us at the time it is granted or exercised, provided that no disposition is made by the optionee of the shares acquired pursuant to the option within two years after the date of grant of the option nor within one year after the date of issuance of shares to the optionee (referred to as the ISO holding period). However, the difference between the fair market value of the shares on the date of exercise and the option price will be an item of tax preference includible in alternative minimum taxable income of the optionee. Upon disposition of the shares after the expiration of the ISO holding period, the optionee will generally recognize long term capital gain or loss based on the difference between the disposition proceeds and the option price paid for the shares. If the shares are disposed of prior to the expiration of the ISO holding period, the optionee generally will recognize taxable compensation, and we will have a corresponding deduction, in the year of the disposition, equal to the excess of the fair market value of the shares on the date of exercise of the option over the option price. Any additional gain realized on the disposition will normally constitute capital gain. If the amount realized upon such a disqualifying disposition is less than the fair market value of the shares on the date of exercise, the amount of compensation income will be limited to the excess of the amount realized over the optionee's adjusted basis in the shares.

#### Non-Qualified Options:

Options otherwise qualifying as incentive stock options, to the extent the aggregate fair market value of shares with respect to which such options are first exercisable by an individual in any calendar year exceeds \$100,000, and options designated as non-qualified options will be treated as options that are not incentive stock options.

A non-qualified option ordinarily will not result in income to the optionee or deduction to us at the time of grant. The optionee will recognize compensation income at the time of exercise of such non-qualified option in an amount equal to the excess of the then value of the shares over the option price per share. Such compensation income of optionees may be subject to withholding taxes, and a deduction may then be allowable to us in an amount equal to the optionee's compensation income.

An optionee's initial basis in shares so acquired will be the amount paid on exercise of the non-qualified option plus the amount of any corresponding compensation income. Any gain or loss as a result of a subsequent disposition of the shares so acquired will be capital gain or loss.

**Stock Grants:**

With respect to stock grants under the 2010 Plan that result in the issuance of shares that are either not restricted as to transferability or not subject to a substantial risk of forfeiture, the grantee must generally recognize ordinary income equal to the fair market value of shares received. Thus, deferral of the time of issuance will generally result in the deferral of the time the grantee will be liable for income taxes with respect to such issuance. We generally will be entitled to a deduction in an amount equal to the ordinary income recognized by the grantee.

With respect to stock grants involving the issuance of shares that are restricted as to transferability and subject to a substantial risk of forfeiture, the grantee must generally recognize ordinary income equal to the fair market value of the shares received at the first time the shares become transferable or are not subject to a substantial risk of forfeiture, whichever occurs earlier. A grantee may elect to be taxed at the time of receipt of shares rather than upon lapse of restrictions on transferability or substantial risk of forfeiture, but if the grantee subsequently forfeits such shares, the grantee would not be entitled to any tax deduction, including as a capital loss, for the value of the shares on which he previously paid tax. The grantee must file such election with the Internal Revenue Service within 30 days of the receipt of the shares. We generally will be entitled to a deduction in an amount equal to the ordinary income recognized by the grantee.

**Stock Units:**

The grantee recognizes no income until the issuance of the shares. At that time, the grantee must generally recognize ordinary income equal to the fair market value of the shares received. We generally will be entitled to a deduction in an amount equal to the ordinary income recognized by the grantee.

The affirmative vote of a majority of the shares voted affirmatively or negatively for the proposal at the Annual Meeting is required to approve the amendments to the 2010 Plan.

**THE BOARD OF DIRECTORS RECOMMENDS APPROVAL OF THE AMENDMENTS TO THE 2010 EMPLOYEE, DIRECTOR AND CONSULTANT EQUITY INCENTIVE PLAN. PROXIES SOLICITED BY THE BOARD WILL BE VOTED IN FAVOR OF THE AMENDMENTS TO THE 2010 PLAN UNLESS A STOCKHOLDER HAS INDICATED OTHERWISE ON THE PROXY.**

**PROPOSAL 3:**

**APPROVAL OF THE 2012 EMPLOYEE STOCK PURCHASE PLAN**

**General**

On September 13, 2012, the Board of Directors approved the 2012 Employee Stock Purchase Plan (the "Purchase Plan"), subject to the approval of the Company's stockholders at the Annual Meeting. The Purchase Plan provides eligible employees with the opportunity to purchase up to 2,000,000 shares of our common stock, at a discount, on a tax-favored basis through payroll deductions in compliance with Section 423 of the Internal Revenue Code of 1986, as amended (the "Code"). The Purchase Plan replaces our current Employee Stock Purchase Plan which will terminate upon approval of the Purchase Plan at the Annual Meeting.

The Board of Directors believes the Purchase Plan is in the best interests of the Company and its stockholders as it will provide an incentive for all full-time and certain part-time employees to purchase shares of our common stock periodically at a discount through their accumulated payroll deductions during semi-annual offering periods. If adopted the Purchase Plan shall allow participants to purchase shares thereunder commencing on January 2, 2013. As of September 13, 2012 approximately 1,158 individuals are eligible to participate in the Purchase Plan.

**Description**

A complete copy of the Purchase Plan is attached hereto as Appendix B. The following summary description of the Purchase Plan is qualified in its entirety by reference to Appendix B.

**Administration**

The Compensation Committee shall supervise and administer the Purchase Plan and shall have full power to adopt, amend and rescind any rules deemed desirable and appropriate for the administration of the Purchase Plan and not inconsistent with the Purchase Plan, to construe and interpret the Purchase Plan, and to make all other determinations necessary or advisable for the administration of the Purchase Plan.

**Securities subject to the Purchase Plan**

Assuming the Purchase Plan is approved by our stockholders at the Annual Meeting, 2,000,000 shares of our common stock will be available for issuance under the Purchase Plan. Subject to any required action by the stockholders of the Company, the number of shares of our common stock covered by unexercised options under the Purchase Plan and the number of shares of common stock which have been authorized for issuance under the Purchase Plan but are not yet subject to options, as well as the price per share of common stock covered by each unexercised option under the Plan, shall be proportionately adjusted for any increase or decrease in the number of issued shares of common stock resulting from a stock split, reverse stock split, stock dividend, combination or reclassification of the common stock.

**Eligibility**

All employees that work 20 hours or more per week will be eligible to participate in the Purchase Plan. However, employees who, after exercising their rights to purchase shares under the Purchase Plan would own shares representing 5% or more of the voting power of the Company's common stock, are ineligible to participate and no participant may purchase more than \$25,000 of our common stock in any one calendar year, based on the undiscounted fair market value of our common stock on the first day of each offering period. In addition, no participant may purchase more than the number of shares of common stock in any one offering period as calculated as \$50,000 divided by the fair market value of our common stock on the first day of each offering period.

### **Offering Price**

The price per share of the common stock acquired in connection with any offering period shall be the lesser of 85% of the fair market value of a share of common stock on the exercise date or offering date.

### **Offering Periods and Purchase Rights**

Eligible employees may enroll in semi-annual offering periods during the open enrollment period prior to the start of that offering period. All offering periods will commence on June 1 and December 1 or the first business day thereafter and shall end on the last business day of the sixth month thereafter, unless the Board of Directors changes the dates of an offering period. The first offering period will commence on January 2, 2013 and end on May 31, 2013 to allow for proper registration of the offer and issuance of shares of our common stock under the Purchase Plan. At the commencement of each offering period, each eligible employee who elects to participate shall be granted an option to purchase a number of shares of our common stock which number of shares shall be calculated as of the end of the offering period. On the exercise date all options will be automatically exercised for the purchase of a number of shares of the Company's common stock determined by dividing such employee's contributions accumulated prior to such exercise date by the lesser of (i) 85% of the fair market value of our common stock on the offering date, or (ii) 85% of the fair market value of our common stock on the exercise date. The fair market value of the common stock on a given date shall be the closing or last sale price of the common stock for such date.

### **Payroll Deductions and Stock Purchases**

Each participant shall elect to have payroll deductions made on each payroll date during an offering period in an amount not less than 1% nor more than 10% of such participant's compensation on each such payroll period, not to exceed \$21,250 per year. A participant may not make any additional payments under the Purchase Plan. A participant may discontinue his or her participation in the Purchase Plan at any time and on one occasion only during the offering period, may decrease, but may not increase, the rate of his or her contributions.

### **Termination of Participation and Withdrawal**

A participant may withdraw all but not less than all contributions made under the Purchase Plan at any time prior to the exercise date of an offering period and upon such withdrawal all of the participant's contributions will be paid to him or her and the option will be automatically terminated.

Upon termination of the participant's employment prior to an exercise date for any reason, including retirement or death, the participant's contributions will be returned to him or her and the option will be automatically terminated.

### **Stockholder Rights**

Neither the granting of an option nor a deduction from payroll shall constitute a participant as the owner of shares covered by an option. No participant shall have any right as a stockholder unless and until an option has been exercised, and the shares underlying the option have been registered in the Company's share register.

### **Transferability**

Neither contributions credited to a participant's account nor any rights with regard to the exercise of an option or to receive shares under the Purchase Plan may be assigned, transferred, pledged or otherwise disposed of in any way, other than by will or the laws of descent and distribution.

#### **Amendment and Termination**

The Board of Directors may at any time terminate or amend the Purchase Plan provided that no such termination may affect options previously granted, nor may an amendment make any change in any option outstanding that would adversely affect the rights of any participant provided that an offering period may be terminated by the Board of Directors or the Board of Directors may set a new exercise date with respect to an offering period then in progress if the Board of Directors determines that termination of the offering period is in the best interests of the Company and the stockholders or if continuation of the offering period would cause the Company to incur adverse accounting charges in the generally-accepted accounting rules applicable to the Purchase Plan. No amendment will be made without stockholder approval if stockholder approval is required under Section 423 of the Code, any national securities exchange or system on which the common stock is then listed or reported, or under any other applicable laws, rules, or regulations. Without further action of the Board of Directors the Purchase Plan shall terminate on September 13, 2022 or earlier if all shares of common stock that are authorized under the Purchase Plan have been issued.

#### **Federal Tax Consequences**

It is the intention of the Company to have the Purchase Plan and the rights of participant employees to make purchases there under qualify as an employee stock purchase plan under the provisions of Section 421 and Section 423 of the Code. Therefore, the provisions of the Purchase Plan are to be construed to govern participation in a manner consistent with these requirements. Under these provisions, no income will be taxable to a participant until the shares of common stock purchased under the Purchase Plan are sold or otherwise disposed of.

Upon sale or other disposition of the shares, the participant will generally be subject to tax and the amount of the tax will depend upon the holding period. If the shares are sold or otherwise disposed of more than two years from the first day of the relevant offering period (and more than one year from the date the shares are purchased), then the participant generally will recognize ordinary income measured as the lesser of:

- (i) the excess of the fair market value of the shares at the time of such sale or disposition over the purchase price, or
- (ii) an amount equal to 15% of the fair market value of the shares as of the first day of the applicable offering period.

Any additional gain should be treated as long-term capital gain.

If the shares are sold or otherwise disposed of before the expiration of this holding period, the participant will recognize ordinary income at the time of such disposition generally measured as the excess of the fair market value of the shares on the date the shares are purchased over the purchase price. Any additional gain or loss on such sale or disposition will be long-term or short-term capital gain or loss, depending on the holding period.

The Company is not entitled to a deduction for amounts taxed as ordinary income or capital gain to a participant except to the extent ordinary income is recognized by participants upon a sale or disposition of shares prior to the expiration of the holding period(s) described above. In all other cases, no deduction is allowed to the Company.

The foregoing tax discussion is a general description of certain expected federal income tax results under current law. No attempt has been made to address any state, local, foreign or estate and gift tax consequences that may arise in connection with participation in the Purchase Plan.

**New Plan Benefits**

Because the benefits under the Purchase Plan will depend on employees' elections to participate and the fair market value of shares of our common stock at various future dates, it is not possible to determine the benefits that will be received by executive officers and other employees if the Purchase Plan is approved by our stockholders. Non-employee directors are not eligible to participate in the Purchase Plan.

On September 13, 2012 the closing price per share of our common stock was \$27.08 as reported on the NASDAQ Global Select Market.

**Vote Required**

The affirmative vote of a majority of the shares voted affirmatively or negatively for the proposal at the Annual Meeting is required to approve the Purchase Plan.

**THE BOARD OF DIRECTORS RECOMMENDS APPROVAL OF THE 2012 EMPLOYEE STOCK PURCHASE PLAN. PROXIES SOLICITED BY THE BOARD WILL BE VOTED IN FAVOR OF THE 2012 EMPLOYEE STOCK PURCHASE PLAN UNLESS A STOCKHOLDER HAS INDICATED OTHERWISE ON THE PROXY.**



**PROPOSAL 4:**

**APPROVAL OF THE 2013 EXECUTIVE INCENTIVE PLAN**

On September 12, 2012 the Compensation Committee of our Board of Directors adopted the 2013 Executive Incentive Plan (the Incentive Plan ), subject to approval by our stockholders at the Annual Meeting. If such approval is not obtained by our stockholders, the Incentive Plan will be terminated. Following is a summary of key features of the Incentive Plan.

A complete copy of the Incentive Plan is attached hereto as Appendix C. The following summary description of the Incentive Plan is qualified in its entirety by reference to Appendix C.

**Purpose**

The Incentive Plan provides for incentive compensation to our key officers and employees, who, from time to time may be selected for participation. The Incentive Plan is intended to provide incentives and rewards for the contributions of such employees toward the successful achievement of our financial and business goals established for the applicable performance period. Our policy is to have a significant portion of a participant's total compensation tied to our performance. Payments pursuant to the Incentive Plan are intended to qualify as performance-based compensation within the meaning of Section 162(m) of the Internal Revenue Code ( Section 162(m) ). Under Section 162(m), we may not receive a federal income tax deduction for compensation paid to certain executive officers to the extent that compensation exceeds \$1 million per year. However, if compensation is deemed to be performance based under Section 162(m), we may still receive a federal income tax deduction even if the compensation exceeds the \$1 million threshold. The Incentive Plan is intended to allow us to pay incentive, performance-based compensation that is fully deductible on our federal income tax return.

**Participation**

The Incentive Plan will be administered by the Compensation Committee of the Board of Directors ( the Committee ), who designates the eligible participants, the beginning and ending dates of the performance period (generally our fiscal year), the target award amounts and the performance objectives to be achieved during a performance period. Executive officers and other key employees who otherwise make comparable contributions are eligible to participate. However, a participant for a given performance period is not guaranteed of participation in subsequent periods. For our 2013 fiscal year, the Committee has determined that the only participant will be Peter D. Meldrum, our President and Chief Executive Officer.

**Performance Objectives**

During the first 90 days of each performance period and at a time when the achievement of such performance objective is substantially unknown, the Committee will establish one or more performance objectives from the list set forth below:

Net income;

Earnings per share;

Total revenue;

Return on equity, including return on invested capital;

Return on assets;

Return on investments;

Increase in sales, including sales growth;

Stock performance;

Earnings before interest, taxes, depreciations and amortization;

Gross or operating margin;

New product introductions; and

Completion of acquisitions.

Where applicable, performance objectives will be calculated from our audited financial statements but may be modified to take into consideration changes in accounting principles; extraordinary, unusual or infrequent events; significant dispositions; gains or losses from certain claims, litigation and insurance recoveries; the impact of impairment on intangible assets; restructuring, investments or acquisitions; and certain corporate capitalization events.

#### **Awards**

Target awards are established by the Committee during the first 90 days of the performance period, expressed as a percentage of the participant's eligible salary with payments ranging from 0 to 130% of the target award. Award payments are made as soon as practicable after completion of the performance period based on the receipt by the Committee of our audited financial statements for a performance period and the certification by the Committee that the participants achieved the performance objectives. Awards may be paid in cash, shares of our common stock, restricted stock, stock units, or restricted stock units of our common stock issued pursuant to a stockholder approved equity plan. The Committee may reduce performance awards at its discretion, but it may not increase awards for the performance period. No participant may receive an award payment greater than \$5 million for any performance period and if shares are issued such dollar limit shall be calculated based upon the closing price of our common stock on the date of valuation.

Participants whose employment is terminated for any reason other than death or disability will receive no payment for that performance period. Participants who die or become disabled during a performance period will receive a prorated payment. All or part of a target award may be paid upon a change in control provided that the participant remains employed through the date of the change in control, as defined in the Incentive Plan.

#### **Amendment and Termination**

The Committee has authority to make rules and adopt administrative procedures not specifically addressed in the Incentive Plan, provided the new procedures are consistent with the purposes of the Incentive Plan. The Committee or the Board may also suspend, discontinue, or terminate the Incentive Plan at any time.

#### **New Plan Benefits**

Because awards under the Incentive Plan are determined based on actual performance it is not possible to determine the amounts, if any, that may be paid to participants under the Incentive Plan for fiscal 2013 or other future periods. For fiscal 2013, our President and CEO is the only executive officer who has been designated to participate in the Incentive Plan. If the Incentive Plan is approved by our stockholders, our President and CEO's annual cash bonus for fiscal 2013 will be awarded under the Incentive Plan and will be based on the following formula:

$$\text{Base Salary} \times \text{Target Incentive Bonus Percentage of 100\%} \times \text{Total Performance Factor.}$$

The Total Performance Factor is based on company revenues, net income and earnings per share and is calculated as follows:

$$(\text{the Revenue Performance Factor} \times .5) + (\text{the Net Income Performance Factor} \times 0.25) + (\text{the Earnings Per Share Performance Factor} \times 0.25).$$

The Revenue Performance Factor equals 100%, increased by .75 percentage point for each \$1 million in revenue above the designated total revenue goal for fiscal 2013 and decreased by .75 percentage point for each \$1 million in revenue below the revenue goal. The Net Income Performance Factor equals 100%, increased by three percentage points for each \$1 million in net income above the designated net income goal for fiscal 2013 and decreased by three percentage points for each \$1 million in net income below the net income goal. The Earnings Per Share ( EPS ) Performance Factor equals 100%, increased by three percentage points for each \$0.01 EPS above the designated basic earnings per share goal for fiscal 2013 and decreased by three percentage points for each \$0.01 EPS below the earnings per share goal. However, in no event may the Total Performance Factor exceed 130%.

If our stockholders do not approve the Incentive Plan, then the Compensation Committee will need to establish a new short term incentive compensation program for our President and CEO for fiscal 2013.

**Vote Required**

The affirmative vote of a majority of the shares voted affirmatively or negatively for the proposal at the Annual Meeting is required to approve the 2013 Executive Incentive Plan.

**THE BOARD OF DIRECTORS RECOMMENDS APPROVAL OF THE 2013 EXECUTIVE INCENTIVE PLAN. PROXIES SOLICITED BY THE BOARD WILL BE VOTED IN FAVOR OF PLAN APPROVAL UNLESS A STOCKHOLDER HAS INDICATED OTHERWISE ON THE PROXY.**

**PROPOSAL 5:****INDEPENDENT PUBLIC ACCOUNTANTS**

The Audit Committee has appointed Ernst & Young LLP ( E&Y ), independent public accountants, to audit our financial statements for the fiscal year ending June 30, 2013. The Board proposes that the stockholders ratify this appointment, although such ratification is not required under Delaware law or our Restated Certificate of Incorporation, as amended, or our Restated By-Laws. E&Y has audited our financial statements since our fiscal year ended June 30, 2007. We expect that representatives of E&Y will be present at the meeting, will be able to make a statement if they so desire, and will be available to respond to appropriate questions.

In deciding to select E&Y, the Audit Committee reviewed auditor independence issues and existing commercial relationships with E&Y and concluded that E&Y has no commercial relationship with Myriad that would impair its independence for the fiscal year ending June 30, 2013.

The following table presents fees for professional audit services provided by E&Y during the last two fiscal years:

Type of Fee	Fiscal Year Ended 6/30/12	Fiscal Year Ended 6/30/11
Audit Fees	\$ 346,512	\$ 326,037
Audit Related Fees	0	0
Tax Fees	0	0
All Other Fees	0	0
<b>Total</b>	<b>\$ 346,512</b>	<b>\$ 326,037</b>

*Audit Fees* Fees include audits of consolidated financial statements, quarterly reviews, reviews of registration statement filings, and consents related to SEC filings.

*Audit Related Fees* Fees include services for assurance and related services that are reasonably related to the performance of the audit or review of our financial statements that are not reported under audit fees . We did not engage E&Y to perform any audit related services.

*Tax Fees* We did not engage E&Y to perform any tax related services.

*All Other Fees* We did not engage E&Y to perform any other services other than those listed separately above for the fiscal years indicated.

**Policy on Audit Committee Pre-Approval of Audit and Permissible Non-Audit Services of Independent Public Accountant**

Consistent with SEC policies regarding auditor independence, the Audit Committee has responsibility for appointing, setting compensation and overseeing the work of the independent public accountant. In recognition of this responsibility, the Audit Committee has established a policy to pre-approve all audit and permissible non-audit services provided by the independent public accountant.

Prior to engagement of the independent public accountant, engagement letters describing the scope of service and the anticipated fees are negotiated and approved by the Audit Committee. The Audit Committee may delegate pre-approval authority to one or more of its members. The member to whom such authority is delegated must report, for informational purposes only, any pre-approval decisions to the Audit Committee at its next scheduled meeting.

The affirmative vote of a majority of the shares voted affirmatively or negatively at the Annual Meeting is required to ratify the appointment of our independent public accountants.

If our stockholders ratify the selection of E&Y, the Audit Committee may still, in its discretion, decide to appoint a different independent auditor at any time during the fiscal year ending June 30, 2013, if it concludes that such a change would be in the best interests of Myriad and our stockholders. If our stockholders fail to ratify the selection, the Audit Committee will reconsider, but not necessarily rescind, the appointment.

**THE BOARD OF DIRECTORS RECOMMENDS A VOTE TO RATIFY THE APPOINTMENT OF ERNST & YOUNG LLP AS OUR INDEPENDENT PUBLIC ACCOUNTANTS, AND PROXIES SOLICITED BY THE BOARD WILL BE VOTED IN FAVOR OF SUCH RATIFICATION UNLESS A STOCKHOLDER HAS INDICATED OTHERWISE ON THE PROXY.**

**PROPOSAL 6:**

**APPROVAL, ON AN ADVISORY BASIS, OF THE COMPENSATION OF OUR NAMED EXECUTIVE OFFICERS, AS DISCLOSED IN THIS PROXY STATEMENT**

We are seeking your approval, on advisory basis, of the compensation of our named executive officers, as disclosed in this proxy statement. More specifically, we ask that you support the compensation of our named executive officers as disclosed in the Compensation Discussion and Analysis section, the compensation tables and any related material contained in this proxy statement with respect to our executive officers named in the Summary Compensation Table. Because your vote is advisory, it will not be binding on our Compensation Committee or our Board of Directors. However, the Compensation Committee and the Board will review the voting results and take them into consideration when making future decisions regarding the compensation of our named executive officers.

Our compensation philosophy is designed to align each executive's compensation with our short-term and long-term performance and to provide the compensation and incentives needed to attract, motivate and retain key executives who are crucial to our long-term success. Consistent with this philosophy, a significant portion of the total compensation opportunity for each of our named executive officers is directly related to performance factors that measure our progress against the goals of our strategic and operating plans, as well as our performance against that of our peer companies.

Stockholders are urged to read the Compensation Discussion and Analysis section of this proxy statement, which discusses how our compensation policies and procedures implement our compensation philosophy. The Compensation Committee and the Board of Directors believe that these policies and procedures are effective in implementing our compensation philosophy and in achieving its goals.

As further discussed in the Compensation Discussion and Analysis section, we believe the compensation paid to our President and CEO and other named executive officers is appropriate as supported by our accomplishments in fiscal 2012. We achieved record revenues, operating income, and net income in fiscal 2012. We generated \$142 million in cash flows from operations and repurchased \$128 million of our common stock. We expanded our international operations, including the opening of our clinical laboratory in Munich, Germany. We also continued to develop our diverse pipeline of product candidates, obtained an option to acquire Crescendo Biosciences, Inc., all while expanding revenues of our existing products. Over the past five years, we have delivered a double-digit compound annual growth rate for both revenue and operating income. Based on this performance we believe the salary and annual cash incentive bonus paid to our President and CEO and our other named executive officers is in line with our compensation philosophy and goals. Similarly, we believe that the equity compensation awarded to our President and CEO and our other named executive officers is consistent with our multi-year growth in revenues and operating income and stock performance over fiscal 2012, and provides the appropriate incentives to reward and foster long-term growth and stockholder value.

In accordance with the rules recently adopted by the SEC, the following resolution, commonly known as a say-on-pay vote, is being submitted for a stockholder vote at the Annual Meeting:

RESOLVED, that the compensation paid to the named executive officers of Myriad Genetics, Inc., as disclosed pursuant to the compensation disclosure rules of the Securities and Exchange Commission, including the Compensation Discussion and Analysis, the compensation tables and any related material disclosed in this proxy statement, is hereby APPROVED.

The affirmative vote of a majority of the shares voted affirmatively or negatively at the Annual Meeting is required to approve, on an advisory basis, this resolution.

**THE BOARD OF DIRECTORS RECOMMENDS A VOTE TO APPROVE, ON AN ADVISORY BASIS, THE COMPENSATION OF OUR NAMED EXECUTIVE OFFICERS, AND PROXIES SOLICITED BY THE BOARD WILL BE VOTED IN FAVOR OF SUCH APPROVAL UNLESS A STOCKHOLDER HAS INDICATED OTHERWISE ON THE PROXY.**

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**CORPORATE CODE OF CONDUCT AND ETHICS**

We have adopted a Corporate Code of Conduct and Ethics that applies to all of our employees, including our chief executive officer and chief financial and accounting officer, and every member of our Board of Directors. A copy of the Corporate Code of Conduct and Ethics is publicly available on the Investors Relations Corporate Governance section of our website at [www.myriad.com](http://www.myriad.com). Disclosure regarding any amendments to, or waivers from, provisions of our Corporate Code of Conduct and Ethics that apply to our directors and principal executive and financial officers will be included in a Current Report on Form 8-K within four business days following the date of the amendment or waiver, unless website posting of such amendments or waivers is then permitted by the rules of The NASDAQ Stock Market LLC.

**OTHER MATTERS**

The Board of Directors knows of no other business which will be presented at the Annual Meeting. If any other business is properly brought before the Annual Meeting, proxies will be voted in accordance with the judgment of the persons voting the proxies.

**STOCKHOLDER PROPOSALS AND NOMINATIONS FOR DIRECTOR**

To be considered for inclusion in the proxy statement relating to our Annual Meeting of Stockholders to be held in 2013 (the 2013 Meeting), we must receive stockholder proposals no later than June 14, 2013. To be considered for presentation at the 2013 Meeting, although not included in the proxy statement, proposals must be received no earlier than September 6, 2013 and no later than October 6, 2013. Notwithstanding the foregoing, in the event that the number of directors is to be increased at the 2013 Meeting and we do not issue a public announcement naming the nominees and specifying the size of the increase by September 25, 2013, to be considered for presentation at the 2013 Meeting, although not included in the proxy statement, nominations must be received not later than the tenth day following the day on which such public announcement is made. Proposals not received in a timely manner will not be voted on at the Annual Meeting. If a proposal is received in a timely manner, the proxies that management solicits for the 2013 Meeting may still exercise discretionary voting authority on the proposal under circumstances consistent with the proxy rules of the SEC. All stockholder proposals must also comply with our Restated By-Laws, a copy of which is available by contacting our Secretary, and the corporate governance policies applicable to recommendations for the nomination of directors, copies of which are available through the Investor Relations Corporate Governance section of our website at [www.myriad.com](http://www.myriad.com). All stockholder proposals should be marked for the attention of: Secretary, Myriad Genetics, Inc., 320 Wakara Way, Salt Lake City, Utah 84108.

**WHETHER OR NOT YOU INTEND TO BE PRESENT AT THE MEETING, YOU ARE URGED TO VOTE YOUR SHARES AT YOUR EARLIEST CONVENIENCE.**

Salt Lake City, Utah

October 12, 2012

**OUR ANNUAL REPORT ON FORM 10-K FOR THE FISCAL YEAR ENDED JUNE 30, 2012 (OTHER THAN EXHIBITS THERETO) FILED WITH THE SECURITIES AND EXCHANGE COMMISSION, WHICH PROVIDES ADDITIONAL INFORMATION ABOUT US, IS AVAILABLE ON THE INTERNET AT [WWW.MYRIAD.COM](http://WWW.MYRIAD.COM) AND IS AVAILABLE IN PAPER FORM TO BENEFICIAL OWNERS OF OUR COMMON STOCK WITHOUT CHARGE UPON WRITTEN REQUEST TO: RICHARD M. MARSH, SECRETARY, MYRIAD GENETICS, INC., 320 WAKARA WAY, SALT LAKE CITY, UTAH 84108 (801-584-3600).**



**APPENDIX A**

**MYRIAD GENETICS, INC.**

**2010 EMPLOYEE, DIRECTOR AND CONSULTANT EQUITY INCENTIVE PLAN, AS**

**AMENDED**

**(as proposed to be amended on December 5, 2012)**

**1. DEFINITIONS.**

Unless otherwise specified or unless the context otherwise requires, the following terms, as used in this Myriad Genetics, Inc. 2010 Employee, Director and Consultant Equity Incentive Plan, as amended, have the following meanings:

Administrator means the Board of Directors, unless it has delegated power to act on its behalf to the Committee, in which case the Administrator means the Committee.

Affiliate means a corporation which, for purposes of Section 424 of the Code, is a parent or subsidiary of the Company, direct or indirect.

Agreement means an agreement between the Company and a Participant delivered pursuant to the Plan and pertaining to a Stock Right, in such form as the Administrator shall approve.

Board of Directors means the Board of Directors of the Company.

Cause means, with respect to a Participant (a) dishonesty with respect to the Company or any Affiliate, (b) insubordination, substantial malfeasance or non-feasance of duty, (c) unauthorized disclosure of confidential information, (d) breach by a Participant of any provision of any employment, consulting, advisory, nondisclosure, non-competition or similar agreement between the Participant and the Company or any Affiliate, and (e) conduct substantially prejudicial to the business of the Company or any Affiliate; provided, however, that any provision in an agreement between a Participant and the Company or an Affiliate, which contains a conflicting definition of Cause for termination and which is in effect at the time of such termination, shall supersede this definition with respect to that Participant. The determination of the Administrator as to the existence of Cause will be conclusive on the Participant and the Company.

Change of Control means the occurrence of any of the following events:

- (i) *Ownership.* Any Person (as such term is used in Sections 13(d) and 14(d) of the Exchange Act) becomes the Beneficial Owner (as defined in Rule 13d-3 under the Exchange Act), directly or indirectly, of securities of the Company representing 50% or more of the total voting power represented by the Company's then outstanding voting securities (excluding for this purpose any such voting securities held by the Company or its Affiliates or by any employee benefit plan of the Company) pursuant to a transaction or a series of related transactions which the Board of Directors does not approve; or
- (ii) *Merger/Sale of Assets.* (A) A merger or consolidation of the Company whether or not approved by the Board of Directors, other than a merger or consolidation which would result in the voting securities of the Company outstanding immediately prior thereto continuing to represent (either by remaining outstanding or by being converted into voting securities of the surviving entity or the parent of such corporation) more than 50% of the total voting power represented by the voting securities of the Company or such surviving entity or parent of such corporation, as the case may be, outstanding immediately after such merger or consolidation; or (B) the sale or disposition by the Company of all or substantially all of the Company's assets in a transaction requiring stockholder approval; or
- (iii)

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Change of Control shall be interpreted, if applicable, in a manner, and limited to the extent necessary, so that it will not cause adverse tax consequences under Section 409A.

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Code means the United States Internal Revenue Code of 1986, as amended including any successor statute, regulation and guidance thereto.

Committee means the committee of the Board of Directors to which the Board of Directors has delegated power to act under or pursuant to the provisions of the Plan.

Common Stock means shares of the Company's common stock, \$.01 par value per share.

Company means Myriad Genetics, Inc., a Delaware corporation.

Consultant means any natural person who is an advisor or consultant that provides bona fide services to the Company or its Affiliates, provided that such services are not in connection with the offer or sale of securities in a capital raising transaction, and do not directly or indirectly promote or maintain a market for the Company's or its Affiliates' securities.

Disability or Disabled means permanent and total disability as defined in Section 22(e)(3) of the Code.

Employee means any employee of the Company or of an Affiliate (including, without limitation, an employee who is also serving as an officer or director of the Company or of an Affiliate), designated by the Administrator to be eligible to be granted one or more Stock Rights under the Plan.

Exchange Act means the Securities Exchange Act of 1934, as amended.

Fair Market Value of a Share of Common Stock means:

- (1) If the Common Stock is listed on a national securities exchange or traded in the over-the-counter market and sales prices are regularly reported for the Common Stock, the closing or, if not applicable, the last price of the Common Stock on the composite tape or other comparable reporting system for the trading day on the applicable date and if such applicable date is not a trading day, the last market trading day prior to such date;
- (2) If the Common Stock is not traded on a national securities exchange but is traded on the over-the-counter market, if sales prices are not regularly reported for the Common Stock for the trading day referred to in clause (1), and if bid and asked prices for the Common Stock are regularly reported, the mean between the bid and the asked price for the Common Stock at the close of trading in the over-the-counter market for the trading day on which Common Stock was traded on the applicable date and if such applicable date is not a trading day, the last market trading day prior to such date; and
- (3) If the Common Stock is neither listed on a national securities exchange nor traded in the over-the-counter market, such value as the Administrator, in good faith, shall determine.

ISO means an option intended to qualify as an incentive stock option under Section 422 of the Code.

Non-Qualified Option means an option which is not intended to qualify as an ISO.

Option means an ISO or Non-Qualified Option granted under the Plan.

Participant means an Employee, director or Consultant of the Company or an Affiliate to whom one or more Stock Rights are granted under the Plan. As used herein, Participant shall include Participant's Survivors where the context requires.

Plan means this Myriad Genetics, Inc. 2010 Employee, Director and Consultant Equity Incentive Plan, as amended.

Securities Act means the Securities Act of 1933, as amended.

Shares means shares of the Common Stock as to which Stock Rights have been or may be granted under the Plan or any shares of capital stock into which the Shares are changed or for which they are exchanged within the provisions of Paragraph 3 of the Plan. The Shares issued under the Plan may be authorized and unissued shares or shares held by the Company in its treasury, or both.



Stock Appreciation Right means a Stock-Based Award providing for the right to receive an amount equal to the excess of the Fair Market Value of the Shares on the date of exercise over the exercise price of the Stock Appreciation Right, which exercise price shall not be less than the Fair Market Value of the Shares on the date of grant and a term of not more than ten years provided that such term shall be no more than eight years for each Stock Appreciation Right granted on or after December 5, 2012.

Stock-Based Award means a grant by the Company under the Plan of an equity award or an equity based award which is not an Option or a Stock Grant.

Stock Grant means a grant by the Company of Shares under the Plan.

Stock Right means a right to Shares or the value of Shares of the Company granted pursuant to the Plan an ISO, a Non-Qualified Option, a Stock Grant or a Stock-Based Award.

Survivor means a deceased Participant's legal representatives and/or any person or persons who acquired the Participant's rights to a Stock Right by will or by the laws of descent and distribution.

## 2. PURPOSES OF THE PLAN.

The Plan is intended to encourage ownership of Shares by Employees and directors of and certain Consultants to the Company and its Affiliates in order to attract and retain such people, to induce them to work for the benefit of the Company or of an Affiliate and to provide additional incentive for them to promote the success of the Company or of an Affiliate. The Plan provides for the granting of ISOs, Non-Qualified Options, Stock Grants and Stock-Based Awards.

## 3. SHARES SUBJECT TO THE PLAN.

(a) Commencing on December 5, 2012, the number of Shares which may be issued from time to time pursuant to this Plan shall not exceed (i) 4,500,000 shares of Common Stock plus (ii) any shares of Common Stock that are represented by options previously granted under the Company's (x) 2002 Amended and Restated Employee, Director and Consultant Stock Option Plan, and (y) 2003 Employee, Director and Consultant Stock Option Plan, as amended, that expire or are cancelled without delivery of shares of Common Stock, or the equivalent of such number of Shares after the Administrator, in its sole discretion, has interpreted the effect of any stock split, stock dividend, combination, recapitalization or similar transaction in accordance with Paragraph 24 of this Plan; provided, however, that as of December 5, 2012 no more than 10,114,063<sup>1/</sup> Shares shall be added to the Plan pursuant to subsection (ii).

(b) The grant of any Stock Right other than an Option or a Stock Appreciation Right shall for purposes of Paragraph 3(a), reduce the number of Shares available for issuance under this Plan by 2 Shares for each such Share actually subject to the Stock Right and shall be deemed for purposes of this Paragraph 3, as a Stock Right of 2 Shares for each such Share actually subject to the Stock Right. The grant of an Option or a Stock Appreciation Right shall be deemed for purposes of this Paragraph 3, as a Stock Right for one Share for each such Share actually subject to the Stock Right.

(c) If an Option ceases to be outstanding, in whole or in part (other than by exercise), or if the Company shall reacquire (at not more than its original issuance price) any Shares issued pursuant to a Stock Grant or Stock-Based Award, or if any Stock Right expires or is forfeited, cancelled, or otherwise terminated or results in any Shares not being issued, the unissued or reacquired Shares which were subject to such Stock Right shall again be available for issuance from time to time pursuant to this Plan and in accordance with the provisions of Paragraph 3(b) above. Notwithstanding the foregoing, if a Stock Right is exercised, in whole or in part, by tender

<sup>1/</sup> This number consists of options to purchase 70,635 and 10,043,428 shares of common stock that are outstanding under the 2002 Plan and 2003 Plan, respectively, as of September 13, 2012.

of Shares or if the Company or an Affiliate's tax withholding obligation is satisfied by withholding Shares, the

number of Shares deemed to have been issued under the Plan for purposes of the limitation set forth in Paragraph 3(a) above shall be the number of Shares that were subject to the Stock Right or portion thereof, and not the net number of Shares actually issued and any Stock Appreciation Right to be settled in shares of Common Stock shall be counted in full against the number of Shares available for issuance under the Plan, regardless of the number of exercise gain Shares issued upon the settlement of the Stock Appreciation Right. However, in the case of ISOs, the foregoing provisions shall be subject to any limitations under the Code.

4. ADMINISTRATION OF THE PLAN.

The Administrator of the Plan will be the Board of Directors, except to the extent the Board of Directors delegates its authority to the Committee, in which case the Committee shall be the Administrator. Subject to the provisions of the Plan, the Administrator is authorized to:

(a) Interpret the provisions of the Plan and all Stock Rights and to make all rules and determinations which it deems necessary or advisable for the administration of the Plan;

(b) Determine which Employees, directors and Consultants shall be granted Stock Rights;

(c) Determine the number of Shares for which a Stock Right or Stock Rights shall be granted, provided, however, that in no event shall Stock Rights with respect to more than 1,000,000 Shares be granted to any Participant in any fiscal year;

(d) Specify the terms and conditions upon which a Stock Right or Stock Rights may be granted;

(e) Make changes to any outstanding Stock Right, including, without limitation, to reduce or increase the exercise price or purchase price, accelerate the vesting schedule or extend the expiration date, provided that no such change shall impair the rights of a Participant under any grant previously made without such Participant's consent and further provided that without the prior approval of the Company's shareholders, Options and Stock Appreciation Rights issued will not be repriced, replaced, or regranted through cancellation, or by lowering the exercise price of a previously granted award, or repurchased for cash when the Fair Market Value is less than the exercise price; and

(f) Adopt any sub-plans applicable to residents of any specified jurisdiction as it deems necessary or appropriate in order to comply with or take advantage of any tax or other laws applicable to the Company, any Affiliate or to Participants or to otherwise facilitate the administration of the Plan, which sub-plans may include additional restrictions or conditions applicable to Stock Rights or Shares issuable pursuant to a Stock Right;

provided, however, that all such interpretations, rules, determinations, terms and conditions shall be made and prescribed in the context of not causing any adverse tax consequences under Section 409A of the Code and preserving the tax status under Section 422 of the Code of those Options which are designated as ISOs. Subject to the foregoing, the interpretation and construction by the Administrator of any provisions of the Plan or of any Stock Right granted under it shall be final, unless otherwise determined by the Board of Directors, if the Administrator is the Committee. In addition, if the Administrator is the Committee, the Board of Directors may take any action under the Plan that would otherwise be the responsibility of the Committee.

To the extent permitted under applicable law, the Board of Directors or the Committee may allocate all or any portion of its responsibilities and powers to any one or more of its members and may delegate all or any portion of its responsibilities and powers to any other person selected by it. The Board of Directors or the Committee may revoke any such allocation or delegation at any time. Notwithstanding the foregoing, only the Board of Directors or the Committee shall be authorized to grant a Stock Right to any director of the Company or to any officer of the Company (as defined by Rule 16a-1 under the Exchange Act).

5. ELIGIBILITY FOR PARTICIPATION.

The Administrator will, in its sole discretion, name the Participants in the Plan; provided, however, that each Participant must be an Employee, director or Consultant of the Company or of an Affiliate at the time a Stock Right is granted. Notwithstanding the foregoing, the Administrator may authorize the grant of a Stock Right to a person not then an Employee, director or Consultant of the Company or of an Affiliate; provided, however, that the actual grant of such Stock Right shall be conditioned upon such person becoming eligible to become a Participant at or prior to the time of the execution of the Agreement evidencing such Stock Right. ISOs may be granted only to Employees who are deemed to be residents of the United States for tax purposes. Non-Qualified Options, Stock Grants and Stock-Based Awards may be granted to any Employee, director or Consultant of the Company or an Affiliate. The granting of any Stock Right to any individual shall neither entitle that individual to, nor disqualify him or her from, participation in any other grant of Stock Rights or any grant under any other benefit plan established by the Company or any Affiliate for Employees, directors or Consultants.

6. TERMS AND CONDITIONS OF OPTIONS.

Each Option shall be set forth in writing in an Option Agreement, duly executed by the Company and, to the extent required by law or requested by the Company, by the Participant. The Administrator may provide that Options be granted subject to such terms and conditions, consistent with the terms and conditions specifically required under this Plan, as the Administrator may deem appropriate including, without limitation, subsequent approval by the shareholders of the Company of this Plan or any amendments thereto. The Option Agreements shall be subject to at least the following terms and conditions:

(a) Non-Qualified Options: Each Option intended to be a Non-Qualified Option shall be subject to the terms and conditions which the Administrator determines to be appropriate and in the best interest of the Company, subject to the following minimum standards for any such Non-Qualified Option:

- (i) Exercise Price: Each Option Agreement shall state the exercise price (per share) of the Shares covered by each Option, which exercise price shall be determined by the Administrator and shall be at least equal to the Fair Market Value per share of the Common Stock on the date of grant of the Option.
- (ii) Number of Shares: Each Option Agreement shall state the number of Shares to which it pertains.
- (iii) Option Periods: Each Option Agreement shall state the date or dates on which it first is exercisable and the date after which it may no longer be exercised, provided that each Non-Qualified Option shall terminate not more than ten years from the date of grant provided that such term shall be no more than eight years from the date of grant for each Non-Qualified Option granted on or after December 5, 2012. Each Option Agreement may provide that the Option rights accrue or become exercisable in installments over a period of months or years, or upon the occurrence of certain conditions or the attainment of stated goals or events.
- (iv) Option Conditions: Exercise of any Option may be conditioned upon the Participant's execution of a Share purchase agreement in form satisfactory to the Administrator providing for certain protections for the Company and its other shareholders, including requirements that:
  - A. The Participant's or the Participant's Survivors' right to sell or transfer the Shares may be restricted; and
  - B. The Participant or the Participant's Survivors may be required to execute letters of investment intent and must also acknowledge that the Shares will bear legends noting any applicable restrictions.

(b) **ISOs:** Each Option intended to be an ISO shall be issued only to an Employee who is deemed to be a resident of the United States for tax purposes, and shall be subject to the following terms and conditions, with such additional restrictions or changes as the Administrator determines are appropriate but not in conflict with Section 422 of the Code and relevant regulations and rulings of the Internal Revenue Service:

- (i) **Minimum standards:** The ISO shall meet the minimum standards required of Non-Qualified Options, as described in Paragraph 6(a) above, except for clause (i) thereunder.
- (ii) **Exercise Price:** Immediately before the ISO is granted, if the Participant owns, directly or by reason of the applicable attribution rules in Section 424(d) of the Code:
  - A. 10% or less of the total combined voting power of all classes of stock of the Company or an Affiliate, the exercise price per share of the Shares covered by each ISO shall not be less than 100% of the Fair Market Value per share of the Common Stock on the date of grant of the Option; or
  - B. More than 10% of the total combined voting power of all classes of stock of the Company or an Affiliate, the exercise price per share of the Shares covered by each ISO shall not be less than 110% of the Fair Market Value per share of the Common Stock on the date of grant of the Option.
- (iii) **Term of Option:** For Participants who own:
  - A. 10% or less of the total combined voting power of all classes of stock of the Company or an Affiliate, each ISO shall terminate not more than ten years from the date of the grant or at such earlier time as the Option Agreement may provide provided that such term shall be no more than eight years from the date of grant for each ISO granted on or after December 5, 2012; or
  - B. More than 10% of the total combined voting power of all classes of stock of the Company or an Affiliate, each ISO shall terminate not more than five years from the date of the grant or at such earlier time as the Option Agreement may provide.
- (iv) **Limitation on Yearly Exercise:** The Option Agreements shall restrict the amount of ISOs which may become exercisable in any calendar year (under this or any other ISO plan of the Company or an Affiliate) so that the aggregate Fair Market Value (determined on the date each ISO is granted) of the stock with respect to which ISOs are exercisable for the first time by the Participant in any calendar year does not exceed \$100,000.

7. **TERMS AND CONDITIONS OF STOCK GRANTS.**

Each Stock Grant to a Participant shall state the principal terms in an Agreement duly executed by the Company and, to the extent required by law or requested by the Company, by the Participant. The Agreement shall be in a form approved by the Administrator and shall contain terms and conditions which the Administrator determines to be appropriate and in the best interest of the Company, subject to the following minimum standards:

(a) Each Agreement shall state the purchase price per share, if any, of the Shares covered by each Stock Grant, which purchase price shall be determined by the Administrator but shall not be less than the minimum consideration required by the Delaware General Corporation Law, if any, on the date of grant of the Stock Grant;

(b) Each Agreement shall state the number of Shares to which the Stock Grant pertains; and



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(c) Each Agreement shall include the terms of any right of the Company to restrict or reacquire the Shares subject to the Stock Grant, including the time and events upon which such rights shall accrue and the purchase price therefor, if any.

### 8. TERMS AND CONDITIONS OF OTHER STOCK-BASED AWARDS.

The Administrator shall have the right to grant other Stock-Based Awards based upon the Common Stock having such terms and conditions as the Administrator may determine, including, without limitation, the grant of

Shares based upon certain conditions, the grant of securities convertible into Shares and the grant of Stock Appreciation Rights, phantom stock awards or stock units. The principal terms of each Stock-Based Award shall be set forth in an Agreement, duly executed by the Company and, to the extent required by law or requested by the Company, by the Participant. The Agreement shall be in a form approved by the Administrator and shall contain terms and conditions which the Administrator determines to be appropriate and in the best interest of the Company.

The Company intends that the Plan and any Stock-Based Awards granted hereunder be exempt from the application of Section 409A of the Code or meet the requirements of paragraphs (2), (3) and (4) of subsection (a) of Section 409A of the Code, to the extent applicable, and be operated in accordance with Section 409A so that any compensation deferred under any Stock-Based Award (and applicable investment earnings) shall not be included in income under Section 409A of the Code. Any ambiguities in the Plan shall be construed to effect the intent as described in this Paragraph 8.

9. EXERCISE OF OPTIONS AND ISSUE OF SHARES.

An Option (or any part or installment thereof) shall be exercised by giving written notice to the Company or its designee (in a form acceptable to the Administrator, which may include electronic notice), together with provision for payment of the aggregate exercise price in accordance with this Paragraph for the Shares as to which the Option is being exercised, and upon compliance with any other condition(s) set forth in the Option

Agreement. Such notice shall be signed by the person exercising the Option (which signature may be provided electronically in a form acceptable to the Administrator), shall state the number of Shares with respect to which the Option is being exercised and shall contain any representation required by the Plan or the Option Agreement. Payment of the exercise price for the Shares as to which such Option is being exercised shall be made (a) in United States dollars in cash or by check, or (b) at the discretion of the Administrator, through delivery of shares of Common Stock held for at least six months (if required to avoid negative accounting treatment) having a Fair Market Value equal as of the date of the exercise to the aggregate cash exercise price for the number of Shares as to which the Option is being exercised, or (c) at the discretion of the Administrator, by having the Company retain from the Shares otherwise issuable upon exercise of the Option, a number of Shares having a Fair Market Value equal as of the date of exercise to the aggregate exercise price for the number of Shares as to which the

Option is being exercised, or (d) at the discretion of the Administrator, in accordance with a cashless exercise program established with a securities brokerage firm, and approved by the Administrator, or (e) at the discretion of the Administrator, by any combination of (a), (b), (c) and (d) above or (f) at the discretion of the Administrator, by payment of such other lawful consideration as the Administrator may determine.

Notwithstanding the foregoing, the Administrator shall accept only such payment on exercise of an ISO as is permitted by Section 422 of the Code.

The Company shall then reasonably promptly deliver the Shares as to which such Option was exercised to the Participant (or to the Participant's Survivors, as the case may be). In determining what constitutes reasonably promptly, it is expressly understood that the issuance and delivery of the Shares may be delayed by the Company in order to comply with any law or regulation (including, without limitation, state securities or blue sky laws) which requires the Company to take any action with respect to the Shares prior to their issuance. The Shares shall, upon delivery, be fully paid, non-assessable Shares.

The Administrator shall have the right to accelerate the date of exercise of any installment of any Option; provided that the Administrator shall not accelerate the exercise date of any installment of any Option granted to an Employee as an ISO (and not previously converted into a Non-Qualified Option pursuant to Paragraph 27) without the prior approval of the Employee if such acceleration would violate the annual vesting limitation contained in Section 422(d) of the Code, as described in Paragraph 6(b)(iv).

The Administrator may, in its discretion, amend any term or condition of an outstanding Option provided (i) such term or condition as amended is permitted by the Plan, (ii) any such amendment shall be made only with the consent of the Participant to whom the Option was granted, or in the event of the death of the Participant, the Participant's Survivors, if the amendment is adverse to the Participant, and (iii) any such amendment of any

Option shall be made only after the Administrator determines whether such amendment would constitute a modification of any Option which is an ISO (as that term is defined in Section 424(h) of the Code) or would cause any adverse tax consequences for the holder of any Option including, but not limited to, pursuant to Section 409A of the Code.

10. ACCEPTANCE OF STOCK GRANTS AND STOCK-BASED AWARDS AND ISSUE OF SHARES.

A Stock Grant or Stock-Based Award (or any part or installment thereof) shall be accepted by executing the applicable Agreement and delivering it to the Company or its designee, together with provision for payment of the purchase price, if any, in accordance with this Paragraph for the Shares as to which such Stock Grant or Stock-Based Award is being accepted, and upon compliance with any other conditions set forth in the applicable Agreement. Payment of the purchase price for the Shares as to which such Stock Grant or Stock-Based Award is being accepted shall be made (a) in United States dollars in cash or by check, or (b) at the discretion of the Administrator, through delivery of shares of Common Stock held for at least six months (if required to avoid negative accounting treatment) and having a Fair Market Value equal as of the date of acceptance of the Stock Grant or Stock Based-Award to the purchase price of the Stock Grant or Stock-Based Award, or (c) at the discretion of the Administrator, by any combination of (a) and (b) above; or (c) at the discretion of the Administrator, by payment of such other lawful consideration as the Administrator may determine.

The Company shall then, if required by the applicable Agreement, reasonably promptly deliver the Shares as to which such Stock Grant or Stock-Based Award was accepted to the Participant (or to the Participant's Survivors, as the case may be), subject to any escrow provision set forth in the applicable Agreement. In determining what constitutes reasonably promptly, it is expressly understood that the issuance and delivery of the Shares may be delayed by the Company in order to comply with any law or regulation (including, without limitation, state securities or blue sky laws) which requires the Company to take any action with respect to the Shares prior to their issuance.

The Administrator may, in its discretion, amend any term or condition of an outstanding Stock Grant, Stock-Based Award or applicable Agreement provided (i) such term or condition as amended is permitted by the Plan, (ii) any such amendment shall be made only with the consent of the Participant to whom the Stock Grant or Stock-Based Award was made, if the amendment is adverse to the Participant, and (iii) any such amendment shall be made only after the Administrator determines whether such amendment would cause any adverse tax consequences to the Participant, including, but not limited to, pursuant to Section 409A of the Code.

11. RIGHTS AS A SHAREHOLDER.

No Participant to whom a Stock Right has been granted shall have rights as a shareholder with respect to any Shares covered by such Stock Right, except after due exercise of the Option or acceptance of the Stock Grant or as set forth in any Agreement, and tender of the aggregate exercise or purchase price, if any, for the Shares being purchased pursuant to such exercise or acceptance and registration of the Shares in the Company's share register in the name of the Participant.

12. ASSIGNABILITY AND TRANSFERABILITY OF STOCK RIGHTS.

By its terms, a Stock Right granted to a Participant shall not be transferable by the Participant other than (i) by will or by the laws of descent and distribution, or (ii) as approved by the Administrator in its discretion and set forth in the applicable Agreement provided that no Stock Right may be transferred by a Participant for value. Notwithstanding the foregoing, an ISO transferred except in compliance with clause (i) above shall no longer qualify as an ISO. The designation of a beneficiary of a Stock Right by a Participant, with the prior approval of the Administrator and in such form as the Administrator shall prescribe, shall not be deemed a transfer prohibited by this Paragraph. Except as provided above, a Stock Right shall only be exercisable or may only be accepted, during the Participant's lifetime, by such Participant (or by his or her legal representative) and shall not be

assigned, pledged or hypothecated in any way (whether by operation of law or otherwise) and shall not be subject to execution, attachment or similar process. Any attempted transfer, assignment, pledge, hypothecation or other disposition of any Stock Right or of any rights granted thereunder contrary to the provisions of this Plan, or the levy of any attachment or similar process upon a Stock Right, shall be null and void.

13. EFFECT ON OPTIONS OF TERMINATION OF SERVICE OTHER THAN FOR CAUSE OR DEATH OR DISABILITY.

Except as otherwise provided in a Participant's Option Agreement, in the event of a termination of service (whether as an Employee, director or Consultant) with the Company or an Affiliate before the Participant has exercised an Option, the following rules apply:

- (a) A Participant who ceases to be an Employee, director or Consultant of the Company or of an Affiliate (for any reason other than termination for Cause, Disability, or death for which events there are special rules in Paragraphs 14, 15, and 16, respectively), may exercise any Option granted to him or her to the extent that the Option is exercisable on the date of such termination of service, but only within such term as the Administrator has designated in a Participant's Option Agreement.
- (b) Except as provided in Subparagraph (c) below, or Paragraph 15 or 16, in no event may an Option intended to be an ISO, be exercised later than three months after the Participant's termination of employment.
  - (c) The provisions of this Paragraph, and not the provisions of Paragraph 15 or 16, shall apply to a Participant who subsequently becomes Disabled or dies after the termination of employment, director status or consultancy; provided, however, in the case of a Participant's Disability or death within three months after the termination of employment, director status or consultancy, the Participant or the Participant's Survivors may exercise the Option within one year after the date of the Participant's termination of service, but in no event after the date of expiration of the term of the Option.
- (d) Notwithstanding anything herein to the contrary, if subsequent to a Participant's termination of employment, termination of director status or termination of consultancy, but prior to the exercise of an Option, the Administrator determines that, either prior or subsequent to the Participant's termination, the Participant engaged in conduct which would constitute Cause, then such Participant shall forthwith cease to have any right to exercise any Option.
  - (e) A Participant to whom an Option has been granted under the Plan who is absent from the Company or an Affiliate because of temporary disability (any disability other than a Disability as defined in Paragraph 1 hereof), or who is on leave of absence for any purpose, shall not, during the period of any such absence, be deemed, by virtue of such absence alone, to have terminated such Participant's employment, director status or consultancy with the Company or with an Affiliate, except as the Administrator may otherwise expressly provide; provided, however, that, for ISOs, any leave of absence granted by the Administrator of greater than ninety days, unless pursuant to a contract or statute that guarantees the right to reemployment, shall cause such ISO to become a Non-Qualified Option on the 181<sup>st</sup> day following such leave of absence.
  - (f) Except as required by law or as set forth in a Participant's Option Agreement, Options granted under the Plan shall not be affected by any change of a Participant's status within or among the Company and any Affiliates, so long as the Participant continues to be an Employee, director or Consultant of the Company or any Affiliate.

14. EFFECT ON OPTIONS OF TERMINATION OF SERVICE FOR CAUSE.

Except as otherwise provided in a Participant's Option Agreement, the following rules apply if the Participant's service (whether as an Employee, director or Consultant) with the Company or an Affiliate is terminated for Cause prior to the time that all his or her outstanding Options have been exercised:

- (a) All outstanding and unexercised Options as of the time the Participant is notified his or her service is terminated for Cause will immediately be forfeited.

(b) Cause is not limited to events which have occurred prior to a Participant's termination of service, nor is it necessary that the Administrator's finding of Cause occur prior to termination. If the Administrator determines, subsequent to a Participant's termination of service but prior to the exercise of an Option, that either prior or subsequent to the Participant's termination the Participant engaged in conduct which would constitute Cause, then the right to exercise any Option is forfeited.

15. EFFECT ON OPTIONS OF TERMINATION OF SERVICE FOR DISABILITY.

Except as otherwise provided in a Participant's Option Agreement:

(a) A Participant who ceases to be an Employee, director or Consultant of the Company or of an Affiliate by reason of Disability may exercise any Option granted to such Participant:

(i) To the extent that the Option has become exercisable but has not been exercised on the date of the Participant's termination of service due to Disability; and

(ii) In the event rights to exercise the Option accrue periodically, to the extent of a pro rata portion through the date of the Participant's termination of service due to Disability of any additional vesting rights that would have accrued on the next vesting date had the Participant not become Disabled. The proration shall be based upon the number of days accrued in the current vesting period prior to the date of the Participant's termination of service due to Disability.

(b) A Disabled Participant may exercise the Option only within (i) if the Option is an ISO, the period ending one year after the date of the Participant's termination due to Disability or, if earlier, within the originally prescribed term of the Option, or (ii) if the Option is a Non-Qualified Option, within the remaining term of the Option, notwithstanding that the Participant might have been able to exercise the Option as to some or all of the Shares on a later date if the Participant had not become Disabled and had continued to be an Employee, director or Consultant.

(c) The Administrator shall make the determination both of whether Disability has occurred and the date of its occurrence (unless a procedure for such determination is set forth in another agreement between the Company and such Participant, in which case such procedure shall be used for such determination). If requested, the Participant shall be examined by a physician selected or approved by the Administrator, the cost of which examination shall be paid for by the Company.

16. EFFECT ON OPTIONS OF DEATH WHILE AN EMPLOYEE, DIRECTOR OR CONSULTANT.

Except as otherwise provided in a Participant's Option Agreement:

(a) In the event of the death of a Participant while the Participant is an Employee, director or Consultant of the Company or of an Affiliate, such Option shall become fully exercisable as of the date of the Participant's death.

(b) If the Participant's Survivors wish to exercise the Option, they must take all necessary steps to exercise the Option within the originally prescribed term of the Option.

17. EFFECT OF TERMINATION OF SERVICE ON UNACCEPTED STOCK GRANTS.

In the event of a termination of service (whether as an Employee, director or Consultant) with the Company or an Affiliate for any reason before the Participant has accepted a Stock Grant, such offer shall terminate.

For purposes of this Paragraph 17 and Paragraph 18 below, a Participant to whom a Stock Grant has been offered and accepted under the Plan who is absent from work with the Company or with an Affiliate because of temporary disability (any disability other than a Disability as defined in Paragraph 1 hereof), or who is on leave of absence for any purpose, shall not, during the period of any such absence, be deemed, by virtue of such



absence alone, to have terminated such Participant's employment, director status or consultancy with the Company or with an Affiliate, except as the Administrator may otherwise expressly provide.

In addition, for purposes of this Paragraph 17 and Paragraph 18 below, any change of employment or other service within or among the Company and any Affiliates shall not be treated as a termination of employment, director status or consultancy so long as the Participant continues to be an Employee, director or Consultant of the Company or any Affiliate.

18. EFFECT ON STOCK GRANTS OF TERMINATION OF SERVICE OTHER THAN FOR CAUSE OR DEATH OR DISABILITY.

Except as otherwise provided in a Participant's Stock Grant Agreement, in the event of a termination of service (whether as an Employee, director or Consultant), other than termination for Cause, Disability, or death for which events there are special rules in Paragraphs 19, 20, and 21, respectively, before all forfeiture provisions or Company rights of repurchase shall have lapsed, then the Company shall have the right to cancel or repurchase that number of Shares subject to a Stock Grant as to which the Company's forfeiture or repurchase rights have not lapsed.

19. EFFECT ON STOCK GRANTS OF TERMINATION OF SERVICE FOR CAUSE.

Except as otherwise provided in a Participant's Stock Grant Agreement, the following rules apply if the Participant's service (whether as an Employee, director or Consultant) with the Company or an Affiliate is terminated for Cause:

(a) All Shares subject to any Stock Grant that remain subject to forfeiture provisions or as to which the Company shall have a repurchase right shall be immediately forfeited to the Company as of the time the Participant is notified his or her service is terminated for Cause.

(b) Cause is not limited to events which have occurred prior to a Participant's termination of service, nor is it necessary that the Administrator's finding of Cause occur prior to termination. If the Administrator determines, subsequent to a Participant's termination of service, that either prior or subsequent to the Participant's termination the Participant engaged in conduct which would constitute Cause, then all Shares subject to any Stock Grant that remained subject to forfeiture provisions or as to which the Company had a repurchase right on the date of termination shall be immediately forfeited to the Company.

20. EFFECT ON STOCK GRANTS OF TERMINATION OF SERVICE FOR DISABILITY.

Except as otherwise provided in a Participant's Stock Grant Agreement, the following rules apply if a Participant ceases to be an Employee, director or Consultant of the Company or of an Affiliate by reason of Disability: to the extent the forfeiture provisions or the Company's rights of repurchase have not lapsed on the date of the Participant's termination due to Disability, they shall be exercisable; provided, however, that in the event such forfeiture provisions or rights of repurchase lapse periodically, such provisions or rights shall lapse to the extent of a pro rata portion of the Shares subject to such Stock Grant through the date of the Participant's termination due to Disability as would have lapsed had the Participant not been terminated due to Disability. The proration shall be based upon the number of days accrued prior to the date of the Participant's termination due to Disability.

The Administrator shall make the determination both as to whether Disability has occurred and the date of its occurrence (unless a procedure for such determination is set forth in another agreement between the Company and such Participant, in which case such procedure shall be used for such determination). If requested, the Participant shall be examined by a physician selected or approved by the Administrator, the cost of which examination shall be paid for by the Company.

21. EFFECT ON STOCK GRANTS OF DEATH WHILE AN EMPLOYEE, DIRECTOR OR CONSULTANT.

Except as otherwise provided in a Participant's Stock Grant Agreement, the following rules apply in the event of the death of a Participant while the Participant is an Employee, director or Consultant of the Company or of an Affiliate: to the extent the forfeiture provisions or the Company's rights of repurchase have not lapsed on the date of death, they shall lapse in full on the Participant's date of death.

22. PURCHASE FOR INVESTMENT.

Unless the offering and sale of the Shares to be issued upon the particular exercise or acceptance of a Stock Right shall have been effectively registered under the Securities Act, the Company shall be under no obligation to issue the Shares covered by such exercise unless and until the following conditions have been fulfilled:

(a) The person who exercises or accepts such Stock Right shall warrant to the Company, prior to the receipt of such Shares, that such person is acquiring such Shares for his or her own account, for investment, and not with a view to, or for sale in connection with, the distribution of any such Shares, in which event the person acquiring such Shares shall be bound by the provisions of the following legend (or a legend in substantially similar form) which shall be endorsed upon the certificate evidencing the Shares issued pursuant to such exercise or such grant:

The shares represented by this certificate have been taken for investment and they may not be sold or otherwise transferred by any person, including a pledgee, unless (1) either (a) a Registration Statement with respect to such shares shall be effective under the Securities Act of 1933, as amended, or (b) the Company shall have received an opinion of counsel satisfactory to it that an exemption from registration under such Act is then available, and (2) there shall have been compliance with all applicable state securities laws.

(b) At the discretion of the Administrator, the Company shall have received an opinion of its counsel that the Shares may be issued upon such particular exercise or acceptance in compliance with the Securities Act without registration thereunder.

23. DISSOLUTION OR LIQUIDATION OF THE COMPANY.

Upon the dissolution or liquidation of the Company, all Options granted under this Plan which as of such date shall not have been exercised and all Stock Grants and Stock-Based Awards which have not been accepted will terminate and become null and void; provided, however, that if the rights of a Participant or a Participant's Survivors have not otherwise terminated and expired, the Participant or the Participant's Survivors will have the right immediately prior to such dissolution or liquidation to exercise or accept any Stock Right to the extent that the Stock Right is exercisable or subject to acceptance as of the date immediately prior to such dissolution or liquidation. Upon the dissolution or liquidation of the Company, any outstanding Stock-Based Awards shall immediately terminate unless otherwise determined by the Administrator or specifically provided in the applicable Agreement.

24. ADJUSTMENTS.

Upon the occurrence of any of the following events, a Participant's rights with respect to any Stock Right granted to him or her hereunder shall be adjusted as hereinafter provided, unless otherwise specifically provided in a Participant's Agreement:

(a) Stock Dividends and Stock Splits. If (i) the shares of Common Stock shall be subdivided or combined into a greater or smaller number of shares or if the Company shall issue any shares of Common Stock as a stock dividend on its outstanding Common Stock, or (ii) additional shares or new or different shares or other securities of the Company or other non-cash assets are distributed with respect to such shares of Common Stock, the number of shares of Common Stock deliverable upon the exercise of an Option or acceptance of a Stock Grant shall be appropriately increased or decreased proportionately, and appropriate adjustments shall



be made including, in the exercise or purchase price per share, to reflect such events. The number of Shares subject to the limitations in Paragraph 3(a) and 4(c) shall also be proportionately adjusted upon the occurrence of such events.

(b) Corporate Transactions. If the Company is to be consolidated with or acquired by another entity in a merger, consolidation, or sale of all or substantially all of the Company's assets other than a transaction to merely change the state of incorporation (a Corporate Transaction), the Administrator or the board of directors of any entity assuming the obligations of the Company hereunder (the Successor Board), shall, as to outstanding Options, either (i) make appropriate provision for the continuation of such Options by substituting on an equitable basis for the Shares then subject to such Options either the consideration payable with respect to the outstanding shares of Common Stock in connection with the Corporate Transaction or securities of any successor or acquiring entity; or (ii) upon written notice to the Participants, provide that such Options must be exercised (either (A) to the extent then exercisable or, (B) at the discretion of the Administrator, including upon a Change of Control of the Company, any such Options being made fully exercisable for purposes of this Subparagraph), within a specified number of days of the date of such notice, at the end of which period such Options which have not been exercised shall terminate; or (iii) terminate such Options in exchange for payment of an amount equal to the consideration payable upon consummation of such Corporate Transaction to a holder of the number of shares of Common Stock into which such Option would have been exercisable (either (A) to the extent then exercisable or, (B) at the discretion of the Administrator, any such Options being made fully exercisable for purposes of this Subparagraph) less the aggregate exercise price thereof. For purposes of determining the payments to be made pursuant to Subclause (iii) above, in the case of a Corporate Transaction the consideration for which, in whole or in part, is other than cash, the consideration other than cash shall be valued at the fair value thereof as determined in good faith by the Board of Directors.

With respect to outstanding Stock Grants, the Administrator or the Successor Board, shall make appropriate provision for the continuation of such Stock Grants on the same terms and conditions by substituting on an equitable basis for the Shares then subject to such Stock Grants either the consideration payable with respect to the outstanding Shares of Common Stock in connection with the Corporate Transaction or securities of any successor or acquiring entity. In lieu of the foregoing, in connection with any Corporate Transaction, the Administrator may provide that, upon consummation of the Corporate Transaction, each outstanding Stock Grant shall be terminated in exchange for payment of an amount equal to the consideration payable upon consummation of such Corporate Transaction to a holder of the number of shares of Common Stock comprising such Stock Grant (to the extent such Stock Grant is no longer subject to any forfeiture or repurchase rights then in effect or, at the discretion of the Administrator, all forfeiture and repurchase rights being waived upon such Corporate Transaction).

In taking any of the actions permitted under this Paragraph 24(b), the Administrator shall not be obligated by the Plan to treat all Stock Rights, all Stock Rights held by a Participant, or all Stock Rights of the same type, identically.

(c) Recapitalization or Reorganization. In the event of a recapitalization or reorganization of the Company other than a Corporate Transaction pursuant to which securities of the Company or of another corporation are issued with respect to the outstanding shares of Common Stock, a Participant upon exercising an Option or accepting a Stock Grant after the recapitalization or reorganization shall be entitled to receive for the price paid upon such exercise or acceptance if any, the number of replacement securities which would have been received if such Option had been exercised or Stock Grant accepted prior to such recapitalization or reorganization.

(d) Adjustments to Stock-Based Awards. Upon the happening of any of the events described in Subparagraphs (a), (b) or (c) above, any outstanding Stock-Based Award shall be appropriately adjusted to reflect the events described in such Subparagraphs. The Administrator or the Successor Board shall determine the specific adjustments to be made under this Paragraph 24, including, but not limited to the effect of any, Corporate Transaction or Change of Control and, subject to Paragraph 4, its determination shall be conclusive.

(e) Modification of Options. Notwithstanding the foregoing, any adjustments made pursuant to Subparagraph (a), (b) or (c) above with respect to Options shall be made only after the Administrator determines whether such adjustments would constitute a modification of any ISOs (as that term is defined in Section 424(h) of the Code) or would cause any adverse tax consequences for the holders of Options, including, but not limited to, pursuant to Section 409A of the Code. If the Administrator determines that such adjustments made with respect to Options would constitute a modification or other adverse tax consequence, it may refrain from making such adjustments, unless the holder of an Option specifically agrees in writing that such adjustment be made and such writing indicates that the holder has full knowledge of the consequences of such modification on his or her income tax treatment with respect to the Option. This paragraph shall not apply to the acceleration of the vesting of any ISO that would cause any portion of the ISO to violate the annual vesting limitation contained in Section 422(d) of the Code, as described in Paragraph 6(b)(iv).

25. ISSUANCES OF SECURITIES.

Except as expressly provided herein, no issuance by the Company of shares of stock of any class, or securities convertible into shares of stock of any class, shall affect, and no adjustment by reason thereof shall be made with respect to, the number or price of shares subject to Stock Rights.

Except as expressly provided herein, no adjustments shall be made for dividends paid in cash or in property (including without limitation, securities) of the Company prior to any issuance of Shares pursuant to a Stock Right.

26. FRACTIONAL SHARES.

No fractional shares shall be issued under the Plan and the person exercising a Stock Right shall receive from the Company cash in lieu of such fractional shares equal to the Fair Market Value thereof.

27. CONVERSION OF ISOS INTO NON-QUALIFIED OPTIONS; TERMINATION OF ISOS.

The Administrator, at the written request of any Participant, may in its discretion take such actions as may be necessary to convert such Participant's ISOs (or any portions thereof) that have not been exercised on the date of conversion into Non-Qualified Options at any time prior to the expiration of such ISOs, regardless of whether the Participant is an Employee of the Company or an Affiliate at the time of such conversion. At the time of such conversion, the Administrator (with the consent of the Participant) may impose such conditions on the exercise of the resulting Non-Qualified Options as the Administrator in its discretion may determine, provided that such conditions shall not be inconsistent with this Plan. Nothing in the Plan shall be deemed to give any Participant the right to have such Participant's ISOs converted into Non-Qualified Options, and no such conversion shall occur until and unless the Administrator takes appropriate action. The Administrator, with the consent of the Participant, may also terminate any portion of any ISO that has not been exercised at the time of such conversion.

28. WITHHOLDING.

In the event that any federal, state, or local income taxes, employment taxes, Federal Insurance Contributions Act ( F.I.C.A. ) withholdings or other amounts are required by applicable law or governmental regulation to be withheld from the Participant's salary, wages or other remuneration in connection with the exercise or acceptance of a Stock Right or in connection with a Disqualifying Disposition (as defined in Paragraph 29) or upon the lapsing of any forfeiture provision or right of repurchase or for any other reason required by law, the Company may withhold from the Participant's compensation, if any, or may require that the Participant advance in cash to the Company, or to any Affiliate of the Company which employs or employed the Participant, the statutory minimum amount of such withholdings unless a different withholding arrangement, including the use of shares of the Company's Common Stock or a promissory note, is authorized by the Administrator (and permitted by law). For purposes hereof, the fair market value of the shares withheld for purposes of payroll withholding shall be determined in the manner set forth under the definition of Fair Market Value provided in Paragraph 1 above, as of the most recent practicable date prior to the date of exercise. If the

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Fair Market Value of the shares withheld is less than the amount of payroll withholdings required, the Participant may be required to advance the difference in cash to the Company or the Affiliate employer. The Administrator in its discretion may condition the exercise of an Option for less than the then Fair Market Value on the Participant's payment of such additional withholding.

29. NOTICE TO COMPANY OF DISQUALIFYING DISPOSITION.

Each Employee who receives an ISO must agree to notify the Company in writing immediately after the Employee makes a Disqualifying Disposition of any Shares acquired pursuant to the exercise of an ISO. A Disqualifying Disposition is defined in Section 424(c) of the Code and includes any disposition (including any sale or gift) of such Shares before the later of (a) two years after the date the Employee was granted the ISO, or (b) one year after the date the Employee acquired Shares by exercising the ISO, except as otherwise provided in Section 424(c) of the Code. If the Employee has died before such Shares are sold, these holding period requirements do not apply and no Disqualifying Disposition can occur thereafter.

30. TERMINATION OF THE PLAN.

The Plan will terminate on September 15, 2020, the date which is ten years from the earlier of the date of its adoption by the Board of Directors and the date of its approval by the shareholders of the Company. The Plan may be terminated at an earlier date by vote of the shareholders or the Board of Directors of the Company; provided, however, that any such earlier termination shall not affect any Agreements executed prior to the effective date of such termination. Termination of the Plan shall not affect any Stock Rights theretofore granted.

31. AMENDMENT OF THE PLAN AND AGREEMENTS.

The Plan may be amended by the shareholders of the Company. The Plan may also be amended by the Administrator, including, without limitation, to the extent necessary to qualify any or all outstanding Stock Rights granted under the Plan or Stock Rights to be granted under the Plan for favorable federal income tax treatment as may be afforded incentive stock options under Section 422 of the Code (including deferral of taxation upon exercise), and to the extent necessary to qualify the shares issuable upon exercise or acceptance of any outstanding Stock Rights granted, or Stock Rights to be granted, under the Plan for listing on any national securities exchange or quotation in any national automated quotation system of securities dealers. Any amendment approved by the Administrator which the Administrator determines is of a scope that requires shareholder approval shall be subject to obtaining such shareholder approval. Any modification or amendment of the Plan shall not, without the consent of a Participant, adversely affect his or her rights under a Stock Right previously granted to him or her. With the consent of the Participant affected, the Administrator may amend outstanding Agreements in a manner which may be adverse to the Participant but which is not inconsistent with the Plan. In the discretion of the Administrator, outstanding Agreements may be amended by the Administrator in a manner which is not adverse to the Participant.

32. EMPLOYMENT OR OTHER RELATIONSHIP.

Nothing in this Plan or any Agreement shall be deemed to prevent the Company or an Affiliate from terminating the employment, consultancy or director status of a Participant, nor to prevent a Participant from terminating his or her own employment, consultancy or director status or to give any Participant a right to be retained in employment or other service by the Company or any Affiliate for any period of time.

33. GOVERNING LAW.

This Plan shall be construed and enforced in accordance with the law of the State of Delaware.

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**APPENDIX B**

**MYRIAD GENETICS, INC.**

**2012 EMPLOYEE STOCK PURCHASE PLAN**

The following constitute the provisions of the 2012 Employee Stock Purchase Plan (the Plan) of Myriad Genetics, Inc. (the Company).

1. Purpose. The purpose of the Plan is to provide Employees of the Company and its Designated Subsidiaries with an opportunity to purchase Common Stock of the Company. It is the intention of the Company to have the Plan qualify as an Employee Stock Purchase Plan under Section 423 of the Code. The provisions of the Plan shall, accordingly, be construed so as to extend and limit participation in a manner consistent with the requirements of that section of the Code.

2. Definitions.

- (a) Board shall mean the Board of Directors of the Company, or a committee of the Board of Directors named by the Board to administer the Plan.
- (b) Code shall mean the Internal Revenue Code of 1986, as amended.
- (c) Common Stock shall mean the common stock, \$.01 par value per share, of the Company.
- (d) Company shall mean Myriad Genetics, Inc, a Delaware corporation.
- (e) Compensation shall mean total cash compensation received by the Employee from the Company or a Designated Subsidiary that is taxable income for federal income tax purposes, including payments for overtime and shift premium, and other compensation received from the Company or a Designated Subsidiary, but excluding bonuses, commissions, profit sharing payments, incentive compensation, incentive payments, relocation, expense reimbursements, tuition or other reimbursements and income realized as a result of participation in any stock option, stock purchase or similar plan of the Company or a Designated Subsidiary.
- (f) Continuous Status as an Employee shall mean the absence of any interruption or termination of service as an Employee. Continuous Status as an Employee shall not be considered interrupted in the case of a leave of absence agreed to in writing by the Company, provided that such leave is for a period of not more than 90 days or reemployment upon the expiration of such leave is guaranteed by contract or statute.
- (g) Contributions shall mean all amounts credited to the account of a participant pursuant to the Plan.
- (h) Designated Subsidiaries shall mean the Subsidiaries which have been designated by the Board from time to time in its sole discretion as eligible to participate in the Plan.
- (i) Employee shall mean any person who is employed by the Company or one of its Designated Subsidiaries for tax purposes and who is customarily employed for at least 20 hours per week and more than five months in a calendar year by the Company or one of its Designated Subsidiaries.
- (j) Exercise Date shall mean the last business day of each Offering Period of the Plan.
- (k) Exercise Price shall mean with respect to an Offering Period, an amount equal to 85% of the fair market value (as defined in paragraph 7(b)) of a share of Common Stock on the Offering Date or on the Exercise Date, whichever is lower.

(l) Offering Date shall mean the first business day of each Offering Period of the Plan.

(m) Offering Period shall mean a period of six months as set forth in paragraph 4 of the Plan.

(n) Plan shall mean this Myriad Genetics, Inc. 2012 Employee Stock Purchase Plan.

(o) Subsidiary shall mean a corporation, domestic or foreign, of which not less than 50% of the voting shares are held by the Company or a Subsidiary, whether or not such corporation now exists or is hereafter organized or acquired by the Company or a Subsidiary.

### 3. Eligibility.

(a) Any person who has been continuously employed as an Employee for three months as of the Offering Date of a given Offering Period shall be eligible to participate in such Offering Period under the Plan and further, subject to the requirements of paragraph 5(a) and the limitations imposed by Section 423(b) of the Code. All Employees granted options under the Plan with respect to any Offering Period will have the same rights and privileges except for any differences that may be permitted pursuant to Section 423.

(b) Any provisions of the Plan to the contrary notwithstanding, no Employee shall be granted an option under the Plan (i) if, immediately after the grant, such Employee (or any other person whose stock would be attributed to such Employee pursuant to Section 424(d) of the Code) would own stock and/or hold outstanding options to purchase stock possessing five percent (5%) or more of the total combined voting power or value of all classes of stock of the Company or of any Subsidiary of the Company, (ii) which permits his or her rights to purchase stock under all employee stock purchase plans (described in Section 423 of the Code) of the Company and its Subsidiaries to accrue at a rate which exceeds \$25,000 of fair market value of such stock as defined in paragraph 7(b) (determined at the time such option is granted) for each calendar year in which such option is outstanding at any time, or (iii) to purchase more than the number of shares of Common Stock in any one Offering Period as calculated as \$50,000 divided by the fair market value of our Common Stock on the first day of each Offering Period (subject to any adjustment pursuant to paragraph 18). Any option granted under the Plan shall be deemed to be modified to the extent necessary to satisfy this paragraph 3(b).

4. Offering Periods. The Plan shall be implemented by a series of Offering Periods, with a new Offering Period commencing on December 1 and June 1 of each year or the first business day thereafter (or at such other time or times as may be determined by the Board). The initial Offering Period shall commence at a time to be determined by the Board and shall end on May 31, 2013 (the Initial Offering Period ).

### 5. Participation.

(a) An eligible Employee may become a participant in the Plan by completing an Enrollment Form provided by the Company and filing it with the Company or its designee prior to the applicable Offering Date, unless a later time for filing the Enrollment Form is set by the Board for all eligible Employees with respect to a given Offering Period. The Enrollment Form and its submission may be electronic as directed by the Company. The Enrollment Form shall set forth the percentage of the participant's Compensation (which shall be not less than 1% and not more than 10%) to be paid as Contributions pursuant to the Plan.

(b) Payroll deductions shall commence with the first payroll following the Offering Date, unless a later time is set by the Board with respect to a given Offering Period, and shall end on the last payroll paid on or prior to the Exercise Date of the Offering Period to which the Enrollment Form is applicable, unless sooner terminated as provided in paragraph 10.

### 6. Method of Payment of Contributions.

(a) Each participant shall elect to have payroll deductions made on each payroll during the Offering Period in an amount not less than 1% and not more than 10% of such participant's Compensation on each such payroll

(in whole percentage amounts); provided that the aggregate of such payroll deductions during the Offering Period shall not exceed 10% of the participant's aggregate Compensation during said Offering Period (or such other percentage as the Board may establish from time to time before an Offering Date). All payroll deductions made by a participant shall be credited to his or her account under the Plan. A participant may not make any additional payments into such account.

(b) A participant may discontinue his or her participation in the Plan as provided in paragraph 10, or, on one occasion only during the Offering Period, may decrease, but may not increase, the rate of his or her Contributions during the Offering Period by completing and filing with the Company a new Enrollment Form authorizing a change in the deduction rate. The change in rate shall be effective as of the beginning of the next payroll period following the date of filing of the new Enrollment Form, if the Enrollment Form is completed at least ten business days prior to such date, and, if not, as of the beginning of the next succeeding payroll period.

(c) Notwithstanding the foregoing, to the extent necessary to comply with Section 423(b)(8) of the Code and paragraph 3(b), a participant's payroll deductions may be decreased to 0% at such time during any Offering Period which is scheduled to end during the current calendar year that the aggregate of all payroll deductions accumulated with respect to such Offering Period and any other Offering Period ending within the same calendar year equals \$21,250. Payroll deductions shall recommence at the rate provided in such participant's Enrollment Form at the beginning of the first Offering Period which is scheduled to end in the following calendar year, unless terminated by the participant as provided in paragraph 10.

#### 7. Grant of Option.

(a) On the Offering Date of each Offering Period, each eligible Employee participating in such Offering Period shall be granted an option to purchase on the Exercise Date of such Offering Period a number of shares of the Common Stock determined by dividing such Employee's Contributions accumulated prior to such Exercise Date and retained in the participant's account as of the Exercise Date by the applicable Exercise Price; provided however, that such purchase shall be subject to the limitations set forth in paragraphs 3(b) and 12. The fair market value of a share of the Common Stock shall be determined as provided in paragraph 7(b).

(b) The fair market value of the Common Stock on a given date shall be (i) if the Common Stock is listed on a national securities exchange or traded in the over-the-counter market and sales prices are regularly reported for the Common Stock, the closing or last sale price of the Common Stock for such date (or, in the event that the Common Stock is not traded on such date, on the immediately preceding trading date), on the composite tape or other comparable reporting system; or (ii) if the Common Stock is not listed on a national securities exchange and such price is not regularly reported, the mean between the bid and asked prices per share of the Common Stock at the close of trading in the over-the-counter market.

8. Exercise of Option. Unless a participant withdraws from the Plan as provided in paragraph 10, his or her option for the purchase of shares will be exercised automatically on the Exercise Date of the Offering Period, and the maximum number of full shares subject to the option will be purchased for him or her at the applicable Exercise Price with the accumulated Contributions in his or her account. If a fractional number of shares results, then such number shall be rounded down to the next whole number and any unapplied cash shall be carried forward to the next Exercise Date, unless the participant requests a cash payment. The shares purchased upon exercise of an option hereunder shall be deemed to be transferred to the participant on the Exercise Date. During a participant's lifetime, a participant's option to purchase shares hereunder is exercisable only by him or her.

9. Delivery. Upon the written request of a participant, certificates representing the shares purchased upon exercise of an option will be issued as promptly as practicable after the Exercise Date of each Offering Period to participants who wish to hold their shares in certificate form, except that the Board may determine that such shares shall be held for each participant's benefit by a broker designated by the Board. Any payroll deductions accumulated in a participant's account which are not sufficient to purchase a full Share shall be retained in the

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participant's account for the subsequent Offering Period, subject to earlier withdrawal by the participant as provided in paragraph 10 below. Any other amounts left over in a participant's account after an Exercise Date shall be returned to the participant.

10. Withdrawal; Termination of Employment.

(a) A participant may withdraw all but not less than all the Contributions credited to his or her account under the Plan at any time prior to the Exercise Date of the Offering Period by giving written notice to the Company or its designee. All of the participant's Contributions credited to his or her account will be paid to him or her as soon as practicable after receipt of his or her notice of withdrawal and his or her option for the current period will be automatically terminated, and no further Contributions for the purchase of shares will be made during the Offering Period.

(b) Upon termination of the participant's Continuous Status as an Employee prior to the Exercise Date of the Offering Period for any reason, including retirement or death, the Contributions credited to his or her account will be returned to him or her or, in the case of his or her death, to the person or persons entitled thereto under paragraph 14, and his or her option will be automatically terminated.

(c) In the event an Employee fails to remain in Continuous Status as an Employee for at least 20 hours per week during the Offering Period in which the Employee is a participant, he or she will be deemed to have elected to withdraw from the Plan and the Contributions credited to his or her account will be returned to him or her and his or her option terminated.

(d) A participant's withdrawal from an Offering Period will not have any effect upon his or her eligibility to participate in a succeeding offering or in any similar plan which may hereafter be adopted by the Company.

11. Interest. No interest shall accrue on the Contributions of a participant in the Plan.

12. Stock.

(a) The maximum number of shares of Common Stock which shall be made available for sale under the Plan shall be 2,000,000 shares, subject to adjustment upon changes in capitalization of the Company as provided in paragraph 18. If the total number of shares which would otherwise be subject to options granted pursuant to paragraph 7(a) on the Offering Date of an Offering Period exceeds the number of shares then available under the Plan (after deduction of all shares for which options have been exercised), the Company shall make a pro rata allocation of the shares remaining available for option grants in as uniform a manner as shall be practicable and as it shall determine to be equitable. Any amounts remaining in an Employee's account not applied to the purchase of shares pursuant to this paragraph 12 shall be refunded on or promptly after the Exercise Date. In such event, the Company shall give written notice of such reduction of the number of shares subject to the option to each Employee affected thereby and shall similarly reduce the rate of Contributions, if necessary.

(b) The participant will have no interest or voting right in shares covered by his or her option until such option has been exercised.

13. Administration. The Board shall supervise and administer the Plan and shall have full power to adopt, amend and rescind any rules deemed desirable and appropriate for the administration of the Plan and not inconsistent with the Plan, to construe and interpret the Plan, and to make all other determinations necessary or advisable for the administration of the Plan.

14. Designation of Beneficiary.

(a) A participant may designate a beneficiary who is to receive any shares and cash, if any, from the participant's account under the Plan in the event of such participant's death subsequent to the end of the Offering Period but prior to delivery to him or her of such shares and cash. In addition, a participant may designate a

beneficiary who is to receive any cash from the participant's account under the Plan in the event of such participant's death prior to the Exercise Date of the Offering Period. If a participant is married and the designated beneficiary is not the spouse, spousal consent shall be required for such designation to be effective. Beneficiary designations shall be made either in writing or by electronic delivery as directed by the Company.

(b) Such designation of beneficiary may be changed by the participant (and his or her spouse, if any) at any time by submission of the required notice, which may be electronic. In the event of the death of a participant and in the absence of a beneficiary validly designated under the Plan who is living at the time of such participant's death, the Company shall deliver such shares and/or cash to the executor or administrator of the estate of the participant, or if no such executor or administrator has been appointed (to the knowledge of the Company), the Company, in its discretion, may deliver such shares and/or cash to the spouse or to any one or more dependents or relatives of the participant, or if no spouse, dependent or relative is known to the Company, then to such other person as the Company may designate.

15. Transferability. Neither Contributions credited to a participant's account nor any rights with regard to the exercise of an option or to receive shares under the Plan may be assigned, transferred, pledged or otherwise disposed of in any way (other than by will, the laws of descent and distribution or as provided in paragraph 14) by the participant. Any such attempt at assignment, transfer, pledge or other disposition shall be without effect, except that the Company may treat such act as an election to withdraw funds in accordance with paragraph 10.

16. Use of Funds. All Contributions received or held by the Company under the Plan may be used by the Company for any corporate purpose, and the Company shall not be obligated to segregate such Contributions.

17. Reports. Individual accounts will be maintained for each participant in the Plan. Statements of account will be given to participating Employees promptly following the Exercise Date, which statements will set forth the amounts of Contributions, the per share purchase price, the number of shares purchased and the remaining cash balance, if any.

18. Adjustments Upon Changes in Capitalization. Subject to any required action by the stockholders of the Company, the number of shares of Common Stock covered by unexercised options under the Plan and the number of shares of Common Stock which have been authorized for issuance under the Plan but are not yet subject to options under paragraph 12(a), the number of shares of Common Stock set forth in paragraph 12(a)(i), (collectively, the Reserves), the maximum number of shares of Common Stock that may be purchased by a participant in an Offering Period set forth in paragraph 3(b), as well as the price per share of Common Stock covered by each unexercised option under the Plan, shall be proportionately adjusted for any increase or decrease in the number of issued shares of Common Stock resulting from a stock split, reverse stock split, stock dividend, combination or reclassification of the Common Stock. Such adjustment shall be made by the Board, whose determination in that respect shall be final, binding and conclusive.

In the event of the proposed dissolution or liquidation of the Company, an Offering Period then in progress will terminate immediately prior to the consummation of such proposed action, unless otherwise provided by the Board. In the event of a proposed sale of all or substantially all of the assets of the Company, or the merger, consolidation or other capital reorganization of the Company with or into another corporation, each option outstanding under the Plan shall be assumed or an equivalent option shall be substituted by such successor corporation or a parent or subsidiary of such successor corporation, unless the Board determines, in the exercise of its sole discretion and in lieu of such assumption or substitution, to shorten the Offering Period then in progress by setting a new Exercise Date (the New Exercise Date). If the Board shortens the Offering Period then in progress in lieu of assumption or substitution in the event of a merger or sale of assets, the Board shall notify each participant in writing, at least ten days prior to the New Exercise Date, that the Exercise Date for his or her option has been changed to the New Exercise Date and that his or her option will be exercised automatically on the New Exercise Date, unless prior to such date he or she has withdrawn from the Offering Period as provided in paragraph 10. For purposes of this paragraph, an option granted under the Plan shall be



deemed to be assumed if, following the sale of assets, merger or other reorganization, the option confers the right to purchase, for each share of Common Stock subject to the option immediately prior to the sale of assets, merger or other reorganization, the consideration (whether stock, cash or other securities or property) received in the sale of assets, merger or other reorganization by holders of Common Stock for each share of

Common Stock held on the effective date of such transaction (and if such holders were offered a choice of consideration, the type of consideration chosen by the holders of a majority of the outstanding shares of Common Stock); provided, however, that if such consideration received in such transaction was not solely common stock of the successor corporation or its parent (as defined in Section 424(e) of the Code), the Board may, with the consent of the successor corporation, provide for the consideration to be received upon exercise of the option to be solely common stock of the successor corporation or its parent equal in fair market value to the per share consideration received by holders of Common Stock in the sale of assets, merger or other reorganization.

The Board may, if it so determines in the exercise of its sole discretion, also make provision for adjusting the Reserves, as well as the price per share of Common Stock covered by each outstanding option, in the event that the Company effects one or more reorganizations, recapitalizations, rights offerings or other increases or reductions of shares of its outstanding Common Stock, and in the event of the Company being consolidated with or merged into any other corporation.

19. Amendment or Termination.

(a) The Board may at any time terminate or amend the Plan. Except as provided in paragraph 18, no such termination may affect options previously granted, nor may an amendment make any change in any option theretofore granted which adversely affects the rights of any participant provided that an Offering Period may be terminated by the Board on an Exercise Date or by the Board's setting a new Exercise Date with respect to an Offering Period then in progress if the Board determines that termination of the Offering Period is in the best interests of the Company and the stockholders or if continuation of the Offering Period would cause the Company to incur adverse accounting charges in the generally-accepted accounting rules applicable to the Plan. In addition, to the extent necessary to comply with Section 423 of the Code (or any successor rule or provision or any applicable law or regulation), the Company shall obtain stockholder approval in such a manner and to such a degree as so required.

(b) Without stockholder consent and without regard to whether any participant rights may be considered to have been adversely affected, the Board shall be entitled to change the Offering Periods, limit the frequency and/or number of changes in the amount withheld during an Offering Period, establish the exchange ratio applicable to amounts withheld in a currency other than U.S. dollars, permit payroll withholding in excess of the amount designated by a participant in order to adjust for delays or mistakes in the Company's processing of properly completed withholding elections, establish reasonable waiting and adjustment periods and/or accounting and crediting procedures to ensure that amounts applied toward the purchase of Common Stock for each participant properly correspond with amounts withheld from the participant's Compensation, and establish such other limitations or procedures as the Board determines in its sole discretion advisable that are consistent with the Plan.

20. Notices. All notices or other communications by a participant to the Company under or in connection with the Plan shall be deemed to have been duly given when received in the form specified by the Company at the location, or by the person, designated by the Company for the receipt thereof.

21. Conditions Upon Issuance of Shares. Shares shall not be issued with respect to an option unless the exercise of such option and the issuance and delivery of such shares pursuant thereto shall comply with all applicable provisions of law, domestic or foreign, including, without limitation, the Securities Act of 1933, as amended, the Securities Exchange Act of 1934, as amended, the rules and regulations promulgated thereunder, and the requirements of any stock exchange upon which the shares may then be listed, and shall be further subject to the approval of counsel for the Company with respect to such compliance.

As a condition to the exercise of an option, the Company may require the person exercising such option to represent and warrant at the time of any such exercise that the shares are being purchased only for investment and without any present intention to sell or distribute such shares if, in the opinion of counsel for the Company, such a representation is required by any of the aforementioned applicable provisions of law.

22. Information Regarding Disqualifying Dispositions. By electing to participate in the Plan, each participant agrees to provide any information about any transfer of shares of Common Stock acquired under the Plan that occurs within two years after the first business day of the Offering Period in which such shares were acquired as may be requested by the Company or any Subsidiaries in order to assist it in complying with the tax laws.

23. Right to Terminate Employment. Nothing in the Plan or in any agreement entered into pursuant to the Plan shall confer upon any Employee the right to continue in the employment of the Company or any Subsidiary, or affect any right which the Company or any Subsidiary may have to terminate the employment of such Employee.

24. Rights as a Stockholder. Neither the granting of an option nor a deduction from payroll shall constitute an Employee the owner of shares covered by an option. No Employee shall have any right as a stockholder unless and until an option has been exercised, and the shares underlying the option have been registered in the Company's share register.

25. Term of Plan. The Plan will become effective upon its approval by the Company's stockholders in December 2012 and shall continue in effect until September 13, 2022 unless sooner terminated under paragraph 19.

26. Applicable Law. This Plan shall be governed in accordance with the laws of Delaware, applied without giving effect to any conflict-of-law principles.

**APPENDIX C**

**MYRIAD GENETICS, INC.**

**2013 EXECUTIVE INCENTIVE PLAN**

Adopted effective: September 12, 2012

Approved by the Stockholders:

**Section 1 Purposes.**

This Myriad Genetics 2013 Executive Incentive Plan (the *Plan*) provides for incentive compensation to those key officers and employees of Myriad Genetics, Inc. or any affiliated entity (collectively, the *Company*), who, from time to time may be selected for participation. The Plan is intended to provide incentives and rewards for the contributions of such employees toward the successful achievement of the Company's financial and business goals established for the applicable performance period. The Company's policy is to have a significant portion of a participant's total compensation tied to the Company's performance. Payments pursuant to the Plan are intended to qualify as performance-based compensation within the meaning of Section 162(m) of the Internal Revenue Code (*Section 162(m)*).

**Section 2 Administration.**

The Plan shall be administered by the Compensation Committee (the *Committee*) of the Board of Directors of Myriad Genetics, Inc. (*Myriad*) which has been designated to administer programs intended to qualify as performance-based compensation within the meaning of Section 162(m). The Committee shall have authority to make rules and adopt administrative procedures in connection with the Plan and shall have discretion to provide for situations or conditions not specifically provided for herein consistent with the purposes of the Plan. The Committee shall determine the beginning and ending dates for each performance period. Unless otherwise determined by the Committee, the performance period shall correspond to Myriad's fiscal year. Notwithstanding any other provision of the Plan to the contrary, the Plan shall be administered and its provisions interpreted so that payments pursuant to the Plan qualify as performance-based compensation within the meaning of Section 162(m). Determinations by the Committee shall be final and binding on the Company and all participants.

**Section 3 Selection of Participants.**

The executive officers of the Company as well as those other key employees of the Company who, in the opinion of the Committee, may become executive officers of the Company or who otherwise may make comparable contributions to the Company shall be eligible to participate in the Plan. Each performance period, the Committee may designate from among those employees who are eligible to participate in the Plan those employees who shall participate in the Plan for such performance period. Accordingly, an employee who is a participant for a given performance period in no way is guaranteed or assured of being selected for participation in any subsequent performance period.

**Section 4 Establishing Performance Objectives.**

During the first ninety (90) days of each performance period, and at a time when the achievement of such performance objective is substantially unknown, the Committee shall establish one or more performance objectives, at least one of which shall be based on a shareholder approved business criteria. The performance objectives may differ from participant to participant and from target award to target award. The maximum possible payout shall be based solely on shareholder approved business criteria. The shareholder approved business criteria are as follows:

Net income of Myriad as set forth in Myriad's audited financial statements

Earnings per share of Myriad as set forth in Myriad's audited financial statements

Total revenue of Myriad as set forth in Myriad's audited financial statements

Return on equity, including return on invested capital as calculated from Myriad's audited financial statements

Return on assets as calculated from Myriad's audited financial statements

Return on investments as calculated from Myriad's audited financial statements

Increase in sales, including sales growth, as calculated from Myriad's audited financial statements

Stock performance

Earnings before interest, taxes, depreciations and amortization as set forth in Myriad's audited financial statements

Gross or operating margin

New product introductions

Completion of acquisitions

All criteria that are based on Myriad's audited financial statements may be modified by the Committee at the time the specific criteria are selected to take into consideration one or more of the following: (1) changes in accounting principles that become effective during the performance period, (2) extraordinary, unusual or infrequently occurring events, (3) the disposition of a business or significant assets, (4) gains or losses from all or certain claims and/or litigation and insurance recoveries, (5) the impact of impairment of intangible assets, (6) restructuring activities, (7) the impact of investments or acquisitions, and/or (8) changes in corporate capitalization such as stock splits and certain reorganizations. Notwithstanding the foregoing, the Committee must select criteria that collectively satisfy the requirements of performance-based compensation for the purposes of Section 162(m), including by establishing the targets at a time when the performance relative to such targets is substantially uncertain.

#### **Section 5 Establishing Target Awards.**

During the first ninety (90) days of each performance period the Committee shall establish a target award, expressed as a percentage of eligible salary for that performance period, for each participant in the Plan. Unless otherwise determined by the Committee, eligible salary shall be annual base salary determined at the time the Committee establishes the target award, excluding pay for disability, overtime, bonuses, sick pay and other reimbursements and allowances. Individual participants may earn an award payout ranging from zero percent to a maximum of one hundred thirty percent of their target award. The Committee will establish an award payout schedule based upon the extent to which the Company performance objectives and/or other performance objectives are or are not achieved or exceeded. Pursuant to Section 4, entitlement to an award shall be based solely on shareholder approved business criteria; however, non-shareholder approved criteria may be used to reduce the amount of an award payable to one or more participants. Notwithstanding the foregoing, no participant shall receive a payment pursuant to the Plan that exceeds \$5 million for any performance period. To the extent that a target award is expressed by reference to a number of shares of the Company's common stock, for the purpose of applying the limitations on a maximum award as set forth in this Section 5, unless otherwise determined by the Committee when determining the target award, the value of such stock shall be the Value of Common Stock as defined in Section 8 below.

#### **Section 6 Determining Final Awards.**

No later than thirty (30) days after the receipt by the Committee of the audited financial statements for a performance period, the Committee shall determine whether the established performance objectives for each participant in the Plan were achieved. The Committee shall have

discretion to reduce final awards from the target

award depending on (a) the extent to which the Company performance objective(s) is either exceeded or not met, and (b) the extent to which other objectives, *e.g.* subsidiary, division, department, unit or other performance objectives are attained. The Committee shall have full discretion to reduce individual final awards based on individual performance as it considers appropriate in the circumstances. The Committee shall not have discretion to increase awards for the performance period.

#### **Section 7 Termination of Employment.**

Participants whose employment by the Company is terminated for any reason other than death or disability during any performance period will receive no payment under the Plan for such performance period. Participants who die or become totally and permanently disabled during any performance period will receive prorated payments under the Plan based on the number of whole months of employment completed during the performance period. Except as provided in Section 9, participants whose employment by the Company is terminated for any reason after the close of the performance period but before the distribution of payments under the Plan will be paid all amounts applicable under this Plan for such performance period.

#### **Section 8 Time of and Payment of Awards.**

Payment of awards shall be made as soon as practicable following the later of (a) the receipt by the Committee of the audited financial statements for the applicable performance period or (b) the certification by the Committee that the performance and other criteria for payment have been satisfied (the **Certification Date** ). The Committee shall have the discretion to pay awards in the form of (i) cash, (ii) Common Stock, (iii) Restricted Stock, (iv) Stock Units, (v) Restricted Stock Units, or (vi) a combination of the foregoing. Payroll and other taxes shall be withheld as determined by the Company.

For the purposes of this Section 8, the following definitions shall apply:

**Common Stock** shall mean common stock of the Company.

**Restricted Stock** shall mean Common Stock that is subject to Vesting as set forth in the Restricted Stock Agreement adopted by the Committee.

**Stock Units** shall mean an unfunded, unsecured commitment by the Company to deliver a pre-determined number of shares of Common Stock (or the cash equivalent of such Common Stock) to a participant at a future time in accordance with the terms and conditions of a Stock Unit Agreement adopted by the Committee.

**Restricted Stock Unit** shall mean a Stock Unit that is subject to Vesting as set forth in the Restricted Stock Unit Agreement adopted by the Committee.

**Vesting** shall mean a requirement that a participant remain an employee of the Company, or an affiliate of the Company, for an additional period of time in order to retain the Common Stock (in the case of Restricted Stock) or the Stock Unit (in the case of a Restricted Stock Unit).

**Value of Common Stock** shall mean: (a) if the Common Stock is listed on any established stock exchange or a national market system, the closing sales price of the Common Stock as quoted on such exchange or system (or the exchange with the greatest volume of trading in the Common Stock) on the day of valuation, as reported in *The Wall Street Journal* or such other source as the Committee deems reliable; and (b) if there is no closing sales price for the Common Stock on the day of valuation, the closing sales price on the last preceding day for which such quotation exists. Vesting shall not be taken into account in determining the Value of Common Stock for this purpose.

In the event the Committee does not specify the form of the payment at the time the Committee establishes the target award, the form of payment shall be in the form of cash unless the Committee determines (a **Retroactive Determination** ) on or before the Certification Date that the form of payment will include some non-cash

consideration. In the event the Committee makes a Retroactive Determination, the total value of the payment shall not exceed the value if the payment were made only in cash. The Committee shall be deemed to be in compliance with the preceding sentence if the sum of (i) the Value of Common Stock, (ii) the Value of Common Stock that is Restricted Stock, (iii) the Value of Common Stock that is subject to Stock Units or Restricted Stock Units, and (iv) the cash in the payment pursuant to the Retroactive Determination would be less than or equal to an all-cash payment on both the last day of the performance period and the Certification Date.

Shares of Common Stock issued directly or as Restricted Stock or pursuant to Stock Units or Restricted Stock Units shall be issued pursuant to a shareholder approved equity incentive plan, unless otherwise determined by the Committee.

It is the intent of the company that this Plan is exempt from Section 409A of the Internal Revenue Code of 1986, as amended under the short-term deferral rule and any ambiguities or inconsistencies herein will be interpreted in a manner consistent with the short-term deferral rule.

#### **Section 9 Forfeiture.**

It shall be an overriding precondition to the payment of any award (a) that the participant not engage in any activity that, in the opinion of the Committee, is in competition with any activity of the Company or any affiliated entity or otherwise inimical to the best interests of the Company and (b) that the participant furnish the Committee with all such information confirming satisfaction of the foregoing condition as the Committee shall reasonably request. If the Committee makes a determination that a participant has engaged in any such competitive or otherwise inimical activity, such determination shall operate to immediately cancel all then unpaid award amounts.

#### **Section 10 Death.**

Any award remaining unpaid, in whole or in part, at the death of a participant shall be paid to the participant's legal representative or to a beneficiary designated by the participant in accordance with the rules established by the Committee.

#### **Section 11 Change in Control.**

A target award may, in accordance with Treasury Regulation §1.162-27(e)(2)(v), provide that all or a portion of the target award may be paid upon a change in control, provided that the participant remains employed through the date of the change in control. A change in control shall mean a transaction in which any one person, entity or group acquires (i) stock in the Company that, together with the stock in the Company already held by such person, entity or group, constitutes more than 50% of the total fair market value or total voting power of the stock of the Company or (ii) more than 80% of the assets of the Company. The definition of change in control for purposes of this Plan be interpreted, to the extent applicable, to comply with Section 409A(a)(2)(A)(v) of the Internal Revenue Code of 1986, as amended.

#### **Section 12 No Right to Employment or Award.**

No person shall have any claim or right to receive an award, and selection to participate in the Plan shall not confer upon any employee any right with respect to continued employment by the Company or continued participation in the Plan. Further the Company reaffirms its at-will relationship with its employees and expressly reserves the right at any time to dismiss a participant free from any liability or claim for benefits pursuant to the Plan, except as provided under this Plan or other written plan adopted by the Company or written agreement between the Company and the participant.

**Section 13 Discretion of Company, Board of Directors and Committee.**

Any decision made or action taken by the Company or by the Board of Directors of Myriad or by the Committee arising out of or in connection with the creation, amendment, construction, administration, interpretation or effect of the Plan shall be within the absolute discretion of the Company, the Board of Directors, or the Committee, as the case may be, and shall be conclusive and binding upon all persons. To the maximum extent possible, no member of the Committee shall have any liability for actions taken or omitted under the Plan by such member or any other person.

**Section 14 No Funding of Plan.**

The Company shall not be required to fund or otherwise segregate any cash or any other assets which may at any time be paid to participants under the Plan. The Plan shall constitute an unfunded plan of the Company. The Company shall not, by any provisions of the Plan, be deemed to be a trustee of any property, and any rights of any participant or former participant shall be no greater than those of a general unsecured creditor or shareholder of the Company, as the case may be.

**Section 15 Non-Transferability of Benefits and Interests.**

Except as expressly provided by the Committee, no benefit payable under the Plan shall be subject in any manner to anticipation, alienation, sale, transfer, assignment, pledge, encumbrance or charge, any such attempted action shall be void, and no such benefit shall be in any manner liable for or subject to debts, contracts, liabilities, engagements or torts of any participant or former participant. This Section 15 shall not apply to an assignment of a contingency or payment due (i) after the death of a participant to the deceased participant's legal representative or beneficiary or (ii) after the disability of a participant to the disabled participant's personal representative.

**Section 16 Law to Govern.**

All questions pertaining to the construction, regulation, validity and effect of the provisions of the Plan shall be determined in accordance with the laws of the State of Utah.

**Section 17 Non-Exclusivity.**

The Plan does not limit the authority of the Company, the Board of Directors or the Committee, or any current or future subsidiary of the Company to grant awards or authorize any other compensation to any person under any other plan or authority, other than that specifically prohibited herein.

**Section 18 Section 162(m) Conditions; Bifurcation of Plan.**

It is the intent of the Company that the Plan and all payments made hereunder satisfy and be interpreted in a manner that, in the case of participants who are persons whose compensation is subject to Section 162(m), satisfies any applicable requirements as performance-based compensation. Any provision, application or interpretation of the Plan inconsistent with this intent to satisfy the standards in Section 162(m) shall be disregarded. Notwithstanding anything to the contrary in the Plan, the provisions of the Plan may at any time be bifurcated by the Board of Directors or the Committee in any manner so that certain provisions of the Plan or any payment intended (or required in order) to satisfy the applicable requirements of Section 162(m) are only applicable to persons whose compensation is subject to Section 162(m).

**Section 19 Arbitration of Disputes.**

The Federal Arbitration Act shall apply to and govern all disputes arising under or pursuant to the Plan. Any disputes with respect to the terms of this Plan or any rights granted hereunder, including, without limitation, the



scope of this arbitration, shall be subject to arbitration pursuant to the rules of the American Arbitration Association governing commercial disputes. Arbitration shall occur in Salt Lake City, Utah. Judgment on any arbitration award may be entered in any court having jurisdiction. A single arbitrator shall be used unless the amount in dispute exceeds \$200,000 and a party to the arbitration proceeding requests that the arbitration be heard by a panel of three arbitrators. If a panel of three arbitrators is used, the arbitration decision shall be made by a majority of the three arbitrators. By electing to participate in the Plan, the Company and each participant **EXPRESSLY AGREE TO ARBITRATION AND WAIVE ANY RIGHT TO TRIAL BY JURY, JUDGE, OR ADMINISTRATIVE PROCEEDING.** An arbitrator shall have the same powers that a judge for a United States District Court located in the State of Utah may exercise in comparable circumstances. Nothing in this Plan shall limit or restrict any right of offset a party may have.

**Section 20 Effective Date.**

The Plan is effective as of September 12, 2012, subject to approval by the Company's stockholders at the 2012 Annual Meeting of Stockholders of the Company. However, if the Plan does not receive stockholder approval, the Plan shall be void ab initio and no payments shall be made hereunder.

**Section 21 Amendment or Termination.**

The Board of Directors of the Company and the Committee each reserves the right at any time to make any changes in the Plan as it may consider desirable or may suspend, discontinue or terminate the Plan at any time.

Myriad Genetics, Inc., a Delaware corporation

By:  
Name: Peter D. Meldrum  
Its: Chief Executive Officer

By:  
Name: Richard M. Marsh  
Its: Secretary

\*\*\* Exercise Your *Right to Vote* \*\*\*

**IMPORTANT NOTICE** Regarding the Availability of Proxy Materials

**MYRIAD GENETICS, INC.**

**Meeting Information**

**Meeting Type:** Annual  
**For holders as of:** October 8, 2012

**Date:** December 5, 2012 **Time:** 9:00 AM MST  
**Location:** Offices of Myriad Genetics, Inc.  
320 Wakara Way  
Salt Lake City, UT 84108

You are receiving this communication because you hold shares in the above named company.

*MYRIAD GENETICS, INC.*

*ATTN: CORPORATE SECRETARY*

*320 WAKARA WAY*

*SALT LAKE CITY, UT 84108*

This is not a ballot. You cannot use this notice to vote these shares. This communication presents only an overview of the more complete proxy materials that are available to you on the Internet. You may view the proxy materials online at [www.proxyvote.com](http://www.proxyvote.com) or easily request a paper copy (see reverse side).

We encourage you to access and review all of the important information contained in the proxy materials before voting.

**See the reverse side of this notice to obtain proxy materials and voting instructions.**

M17386-P85483

**Before You Vote**  
How to Access the Proxy Materials

**Proxy Materials Available to VIEW or RECEIVE:**

NOTICE AND PROXY STATEMENT ANNUAL REPORT

**How to View Online:**

Have the 12-Digit Control Number available (located on the following page) and visit: [www.proxyvote.com](http://www.proxyvote.com).

**How to Request and Receive a PAPER or E-MAIL Copy:**

If you want to receive a paper or e-mail copy of these documents, you must request one. There is NO charge for requesting a copy. Please choose one of the following methods to make your request:

- 1) *BY INTERNET*: [www.proxyvote.com](http://www.proxyvote.com)
- 2) *BY TELEPHONE*: 1-800-579-1639
- 3) *BY E-MAIL\**: [sendmaterial@proxyvote.com](mailto:sendmaterial@proxyvote.com)

\* If requesting materials by e-mail, please send a blank e-mail with the 12-Digit Control Number (located on the following page) in the subject line.

Requests, instructions and other inquiries sent to this e-mail address will NOT be forwarded to your investment advisor. Please make the request as instructed above on or before November 20, 2012 to facilitate timely delivery.

## Edgar Filing: LA-Z-BOY INC - Form 10-K

### How To Vote

Please Choose One of the Following Voting Methods

**Vote In Person:** Many stockholder meetings have attendance requirements including, but not limited to, the possession of an attendance ticket issued by the entity holding the meeting. Please check the meeting materials for any special requirements for meeting attendance. At the meeting you will need to request a ballot to vote these shares.

**Vote By Internet:** To vote now by Internet, go to *www.proxyvote.com*. Have the 12 Digit Control Number available and follow the instructions.

**Vote By Mail:** You can vote by mail by requesting a paper copy of the materials, which will include a proxy card.

M17387-P85483

**Voting Items**

**The Board of Directors recommends that**

**you vote FOR the following:**

1. Election of two Class I Directors (or if any nominee is not available for election, such substitute as the Board of Directors may designate) for a three-year term.

**Nominees:**

01) John T. Henderson, M.D.

02) S. Louise Phanstiel

**The Board of Directors recommends you vote FOR the following proposal(s):**

2. To approve proposed amendments to the Company's 2010 Employee, Director and Consultant Equity Incentive Plan;
3. To approve the adoption of the Company's 2012 Employee Stock Purchase Plan;
4. To approve the adoption of the Company's 2013 Executive Incentive Plan;
5. To ratify the selection of Ernst & Young LLP as the Company's independent registered public accounting firm for the fiscal year ending June 30, 2013; and
6. To approve, on an advisory basis, the compensation of the Company's named executive officers, as disclosed in the proxy statement.

In their discretion the proxies are authorized to vote upon such other matters as may properly come before the meeting or any adjournments or postponements thereof.

M17388-P85483

M17389-P85483