

MYRIAD GENETICS INC  
Form 10-Q  
November 09, 2012  
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**UNITED STATES**  
**SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

**FORM 10-Q**

(Mark One)

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

For the quarterly period ended September 30, 2012

OR

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

For the transition period from            to

Commission file number: 0-26642

**MYRIAD GENETICS, INC.**

(Exact name of registrant as specified in its charter)

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<b>Delaware</b> (State or other jurisdiction of incorporation or organization)	<b>87-0494517</b> (I.R.S. Employer Identification No.)
<b>320 Wakara Way, Salt Lake City, UT</b> (Address of principal executive offices)	<b>84108</b> (Zip Code)
<b>Registrant's telephone number, including area code: (801) 584-3600</b>	

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

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

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

Large accelerated filer <input checked="" type="checkbox"/>	Accelerated filer <input type="checkbox"/>
Non-accelerated filer <input type="checkbox"/> (Do not check if smaller reporting company)	Smaller reporting company <input type="checkbox"/>

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

As of November 1, 2012 the registrant had 81,403,041 shares of \$0.01 par value common stock outstanding.

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## MYRIAD GENETICS, INC. AND SUBSIDIARIES

## CONDENSED CONSOLIDATED BALANCE SHEETS (UNAUDITED)

<i>(In thousands, except per share amounts)</i>	September 30, 2012	June 30, 2012
<b>Assets</b>		
Current assets:		
Cash and cash equivalents	\$ 95,583	\$ 86,352
Marketable investment securities	253,582	254,180
Prepaid expenses	2,516	1,713
Inventory	10,602	11,574
Trade accounts receivable, less allowance for doubtful accounts of \$5,000 at Sept. 30, 2012 and \$4,600 at Jun. 30, 2012	62,503	60,441
Deferred taxes	8,378	5,572
Other receivables	1,970	2,660
<b>Total current assets</b>	<b>435,134</b>	<b>422,492</b>
Equipment and leasehold improvements:		
Equipment	57,152	54,728
Leasehold improvements	18,054	17,800
	75,206	72,528
Less accumulated depreciation	50,449	48,297
<b>Net equipment and leasehold improvements</b>	<b>24,757</b>	<b>24,231</b>
Long-term marketable investment securities	117,125	113,692
Long-term deferred taxes	26,081	30,648
Note receivable	19,667	19,000
Other assets	8,000	8,000
Intangibles, net	15,447	15,722
Goodwill	56,850	56,850
<b>Total assets</b>	<b>\$ 703,061</b>	<b>\$ 690,635</b>
<b>Liabilities and Stockholders Equity</b>		
Current liabilities:		
Accounts payable	\$ 11,086	\$ 10,141
Accrued liabilities	42,995	32,772
Deferred revenue	3,275	2,054
<b>Total current liabilities</b>	<b>57,356</b>	<b>44,967</b>
Unrecognized tax benefits	10,138	10,008
<b>Total liabilities</b>	<b>67,494</b>	<b>54,975</b>
Stockholders equity:		
Preferred stock, \$0.01 par value, authorized 5,000 shares, issued and outstanding no shares		
Common stock, \$0.01 par value, authorized 150,000 shares at Sept. 30, 2012 and Jun. 30, 2012, issued and outstanding 81,397 at Sept. 30, 2012 and 82,569 at Jun. 30, 2012	814	826
Additional paid-in capital	649,621	647,680

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Accumulated other comprehensive income (loss)	129	(162)
Accumulated deficit	(14,997)	(12,684)
Total stockholders' equity	635,567	635,660
	\$ 703,061	\$ 690,635

See accompanying notes to condensed consolidated financial statements (unaudited).

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## MYRIAD GENETICS, INC. AND SUBSIDIARIES

## CONDENSED CONSOLIDATED STATEMENTS OF INCOME AND COMPREHENSIVE INCOME (UNAUDITED)

	Three Months Ended September 30,	
	2012	2011
<i>(In thousands, except per share amounts)</i>		
Molecular diagnostic testing	\$ 127,268	\$ 103,969
Companion diagnostic services	6,169	6,483
Total revenue	133,437	110,452
Costs and expenses:		
Cost of molecular diagnostic testing	13,932	11,300
Cost of companion diagnostic services	3,395	3,061
Research and development expense	11,400	8,505
Selling, general, and administrative expense	56,128	46,114
Total costs and expenses	84,855	68,980
Operating income	48,582	41,472
Other income (expense):		
Interest income	1,368	473
Other	(128)	(140)
Total other income	1,240	333
Income before income taxes	49,822	41,805
Income tax provision	19,686	16,706
Net income	\$ 30,136	\$ 25,099
Earnings per share:		
Basic	\$ 0.37	\$ 0.29
Diluted	\$ 0.36	\$ 0.29
Weighted average shares outstanding		
Basic	81,572	85,241
Diluted	83,914	87,037
Net income	\$ 30,136	\$ 25,099
Comprehensive income:		
Unrealized gain (loss) on available-for-sale securities, net of tax	83	(141)
Change in foreign currency translation adjustment, net of tax	208	(123)
Comprehensive income	\$ 30,427	\$ 24,835

See accompanying notes to condensed consolidated financial statements (unaudited).

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## MYRIAD GENETICS, INC. AND SUBSIDIARIES

## CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (UNAUDITED)

<i>(In thousands)</i>	Three Months Ended September 30,	
	2012	2011
<b>Cash flows from operating activities:</b>		
Net income	\$ 30,136	\$ 25,099
<b>Adjustments to reconcile net income to net cash provided by operating activities:</b>		
Depreciation and amortization	2,211	2,147
Loss (gain) of disposition on assets	1	(4)
Share-based compensation expense	6,600	6,664
Bad debt expense	7,195	4,258
Accreted interest on note receivable	(667)	
Unrecognized tax benefits	130	
Excess tax benefit from share-based compensation	(463)	(17,040)
Deferred income taxes	2,224	14,786
Gain on sale of marketable investment securities		(7)
<b>Changes in operating assets and liabilities:</b>		
Prepaid expenses	(803)	(368)
Trade accounts receivable	(9,260)	1,150
Other receivables	690	(79)
Inventory	972	(1,488)
Accounts payable	945	(1,576)
Accrued liabilities	10,224	(1,473)
Deferred revenue	1,221	(245)
<b>Net cash provided by operating activities</b>	<b>51,356</b>	<b>31,824</b>
<b>Cash flows from investing activities:</b>		
Capital expenditures for equipment and leasehold improvements	(2,461)	(2,109)
Acquisition of Myriad RBM, Inc.		(799)
Purchase of an acquisition option		(8,000)
Issuance of note receivable (Cresecendo)		(17,000)
Purchases of marketable investment securities	(126,903)	(41,282)
Proceeds from maturities and sales of marketable investment securities	124,359	66,658
<b>Net cash used in provided by investing activities</b>	<b>(5,005)</b>	<b>(2,532)</b>
<b>Cash flows from financing activities:</b>		
Net proceeds from common stock issued under share-based compensation plans	8,616	844
Excess tax benefit from share-based compensation	463	17,040
Repurchase and retirement of common stock	(46,199)	(37,181)
<b>Net cash used in financing activities</b>	<b>(37,120)</b>	<b>(19,297)</b>
<b>Net increase in cash and cash equivalents</b>	<b>9,231</b>	<b>9,995</b>
Cash and cash equivalents at beginning of period	86,352	52,681
<b>Cash and cash equivalents at end of period</b>	<b>\$ 95,583</b>	<b>\$ 62,676</b>

See accompanying notes to condensed consolidated financial statements (unaudited).





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MYRIAD GENETICS, INC. AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

(1) **Basis of Presentation**

The accompanying condensed consolidated financial statements have been prepared by Myriad Genetics, Inc. (the Company) in accordance with U.S. generally accepted accounting principles (GAAP) for interim financial information and pursuant to the applicable rules and regulations of the Securities and Exchange Commission (SEC). The condensed consolidated financial statements include the accounts of the Company and its wholly owned subsidiaries, Myriad Genetic Laboratories, Inc., Myriad RBM, Inc., Myriad GmbH (Germany), Myriad Services GmbH (Germany), Myriad Genetics GmbH (Switzerland), Myriad Genetics SAS (France), Myriad Genetics S.r.l. (Italy), Myriad Genetics Iberia SL (Spain), Myriad Crescendo, Inc., Myriad Financial, Inc., and Myriad Therapeutics, Inc. All intercompany accounts and transactions have been eliminated in consolidation. In the opinion of management, the accompanying financial statements contain all adjustments (consisting of normal and recurring accruals) necessary to present fairly all financial statements in accordance with GAAP. The condensed consolidated financial statements herein should be read in conjunction with the Company's audited consolidated financial statements and notes thereto for the fiscal year ended June 30, 2012, included in the Company's Annual Report on Form 10-K for the fiscal year ended June 30, 2012. Operating results for the three months ended September 30, 2012 may not necessarily be indicative of results to be expected for any other interim period or for the full year.

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements, as well as the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

(2) **Recent Accounting Pronouncements**

In June 2011, the Financial Accounting Standards Board, or FASB, issued amended standards regarding the presentation of comprehensive income. The new standards require the presentation of comprehensive income, the components of net income and the components of other comprehensive income either in a single continuous statement of comprehensive income or in two separate but consecutive statements. The updated guidance is effective on a retrospective basis for financial statements issued for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2011. The Company adopted the provisions of this guidance effective July 1, 2012, as reflected in the condensed consolidated statements of income and comprehensive income herein.

(3) **Marketable Investment Securities**

The Company has classified its marketable investment securities as available-for-sale securities. These securities are carried at estimated fair value with unrealized holding gains and losses, net of the related tax effect, included in accumulated other comprehensive income in stockholders' equity until realized. Gains and losses on investment security transactions are reported on the specific-identification method. Dividend and interest income are recognized when earned.

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The amortized cost, gross unrealized holding gains, gross unrealized holding losses, and fair value for available-for-sale securities by major security type and class of security at September 30, 2012 and June 30, 2012 were as follows:

<i>(In Thousands)</i>	Amortized cost	Gross unrealized holding gains	Gross unrealized holding losses	Estimated fair value
<b>At September 30, 2012:</b>				
Cash and cash equivalents:				
Cash	\$ 45,807	\$	\$	\$ 45,807
Cash equivalents	49,776			49,776
<b>Total cash and cash equivalents</b>	<b>95,583</b>			<b>95,583</b>
Available-for-sale securities:				
Corporate bonds and notes	78,879	108		78,987
Municipal bonds	190,433	215	(3)	190,645
Federal agency issues	99,678	48	(1)	99,725
Auction rate securities	1,500		(150)	1,350
<b>Total available-for-sale securities</b>	<b>370,490</b>	<b>371</b>	<b>(154)</b>	<b>370,707</b>
<b>Total cash, cash equivalents and available-for-sale securities</b>	<b>\$ 466,073</b>	<b>\$ 371</b>	<b>\$ (154)</b>	<b>\$ 466,290</b>

<i>(In Thousands)</i>	Amortized cost	Gross unrealized holding gains	Gross unrealized holding losses	Estimated fair value
<b>At June 30, 2012:</b>				
Cash and cash equivalents:				
Cash	\$ 34,217	\$	\$	\$ 34,217
Cash equivalents	52,135			52,135
<b>Total cash and cash equivalents</b>	<b>86,352</b>			<b>86,352</b>
Available-for-sale securities:				
Corporate bonds and notes	116,581	112	(18)	116,675
Municipal bonds	141,299	85	(20)	141,364
Federal agency issues	108,478	33	(28)	108,483
Auction rate securities	1,500		(150)	1,350
<b>Total available-for-sale securities</b>	<b>367,858</b>	<b>230</b>	<b>(216)</b>	<b>367,872</b>
<b>Total cash, cash equivalents and available-for-sale securities</b>	<b>\$ 454,210</b>	<b>\$ 230</b>	<b>\$ (216)</b>	<b>\$ 454,224</b>

Cash, cash equivalents, and maturities of debt securities classified as available-for-sale securities are as follows at September 30, 2012:

<i>(In Thousands)</i>	Amortized cost	Estimated fair value
Cash	\$ 45,807	\$ 45,807
Cash equivalents	49,776	49,776

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Available-for-sale:		
Due within one year	253,407	253,583
Due after one year through five years	115,583	115,774
Due after five years	1,500	1,350
	\$ 466,073	\$ 466,290

**Table of Contents****(4) Share-Based Compensation**

The Company maintains a share-based compensation plan, the 2010 Employee, Director and Consultant Equity Incentive Plan, as amended (the 2010 Plan), that has been approved by the Company's shareholders. The 2010 Plan allows the Company, under the direction of the Compensation Committee of the Board of Directors, to make grants of stock options, restricted and unrestricted stock awards and other stock-based awards to employees, consultants and directors. As of September 30, 2012, a total of 7,970,000 shares of common stock are reserved for issuance under the 2010 Plan. This number consists of 7,000,000 shares approved by the Company's stockholders and 970,000 shares transferred into the 2010 Plan which were cancelled or expired under the Company's 2003 Employee, Director and Consultant Option Plan (the 2003 Plan) and 2002 Amended and Restated Employee, Director and Consultant Stock Option Plan (the 2002 Plan). In addition, as of September 30, 2012, the Company may grant up to 9,959,000 additional shares under the 2010 Plan if options previously granted under the 2002 Plan or 2003 Plan are cancelled or expire in the future without the issuance of shares of common stock by the Company.

The number of shares, terms, and vesting period of awards under the 2010 Plan are determined by the Compensation Committee of the Board of Directors for each equity award. Options under the plans generally vest ratably over four years and expire ten years from the date of grant. The exercise price of options granted is equivalent to the fair market value of the stock on the date of grant. The Company also has an Employee Stock Purchase Plan (the Purchase Plan) under which 2,000,000 shares of common stock have been authorized and, as of September 30, 2012, a total of 1,907,000 shares of common stock had been issued under the Purchase Plan. Shares are issued under the Purchase Plan twice yearly at the end of each six month offering period. During the three months ended September 30, 2012, the Company issued no shares of common stock under the Purchase Plan.

A summary of the stock option activity under the plans for the three months ended September 30, 2012 is as follows:

	Number of shares	Weighted average exercise price
Options outstanding at June 30, 2012	15,233,281	\$ 19.32
Options granted	2,694,623	27.07
Less:		
Options exercised	(664,075)	12.98
Options canceled or expired	(136,220)	21.63
Options outstanding at September 30, 2012	17,127,609	\$ 20.77

As of September 30, 2012, options to purchase 9,106,000 shares were vested and exercisable at a weighted average price of \$18.86. As of September 30, 2012, there was \$54,962,000 of total unrecognized share-based compensation cost related to share-based awards granted under the Company's plans that will be recognized over a weighted-average period of 2.8 years.

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Share-based compensation expense recognized and included in the consolidated income statements was allocated as follows:

<i>(in thousands)</i>	Three months ended	
	September 30, 2012	2011
Cost of molecular diagnostic testing	\$ 289	\$ 299
Cost of companion diagnostic services	58	2
Research and development expense	809	1,034
Selling, general, and administrative expense	5,444	5,329
<b>Total share-based compensation expense</b>	<b>\$ 6,600</b>	<b>\$ 6,664</b>

(5) Stockholders Equity  
*Stock Repurchase Program*

The Company previously announced the following stock repurchase programs for its common stock:

Date Authorized	Amount Authorized	Date Completed
May 2010	\$100,000,000	August 2010
August 2010	\$100,000,000	February 2011
March 2011	\$100,000,000	September 2011
August 2011	\$200,000,000	ongoing
<b>Total:</b>	<b>\$500,000,000</b>	

The current \$200,000,000 share repurchase program allows repurchases to be made through open market or privately negotiated purchases, either from time to time or on an accelerated basis, in each case to be executed at management's discretion based on market conditions. As of September 30, 2012, approximately \$53.5 million remained available for repurchases under this program. The Company uses the par value method of accounting for its stock repurchases. As a result of the stock repurchases, the Company reduced common stock and additional paid-in capital and recorded charges to accumulated deficit. The shares retired, aggregate common stock and additional paid-in capital reductions, and related charges to accumulated deficit for the repurchases for the three months ended September 30, 2012 and 2011, were as follows:

<i>(In thousands)</i>	Three months ended	
	September 30, 2012	2011
Shares purchased and retired	1,836	1,684
Common stock and additional paid-in-capital reductions	\$ 13,750	\$ 12,413
Charges to accumulated deficit	\$ 32,449	\$ 24,768

(6) Earnings Per Share

Basic earnings per share is computed based on the weighted-average number of shares of the Company's common stock outstanding. Diluted earnings per share is computed based on the weighted-average number of shares of the Company's common stock, including the dilutive effect of common stock equivalents outstanding.

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The following is a reconciliation of the denominators of the basic and diluted earnings per share computations:

<i>(in thousands)</i>	Three months ended September 30,	
	2012	2011
<b>Denominator:</b>		
Weighted-average shares outstanding used to compute basic earnings per share	81,572	85,241
Effect of dilutive stock options	2,342	1,796
Weighted-average shares outstanding and dilutive securities used to compute dilutive earnings per share	83,914	87,037

Certain outstanding stock options were excluded from the computation of diluted earnings per share for the three months ended September 30, 2012 and 2011 because the effect would have been anti-dilutive. These potential dilutive common shares, which may be dilutive to future diluted earnings per share, are as follows:

<i>(in thousands)</i>	Three months ended September 30,	
	2012	2011
Anti-dilutive options excluded from EPS computation	3,929	8,490

**(7) Segment and Related Information**

The Company's business units have been aggregated into three reportable segments: (i) research, (ii) molecular diagnostics and (iii) companion diagnostics. The research segment is focused on the discovery of genes, biomarkers and proteins related to major common diseases and includes corporate services such as finance, human resources, legal, and information technology. The molecular diagnostics segment provides testing that is designed to assess an individual's risk for developing disease later in life, identify a patient's likelihood of responding to drug therapy and guide a patient's dosing to ensure optimal treatment, or assess a patient's risk of disease progression and disease recurrence. The companion diagnostics segment provides testing products and services to the pharmaceutical, biotechnology and medical research industries. The Company evaluates segment performance based on results from operations before interest income and expense and other income and expense.

<i>(In thousands)</i>	Research	Molecular diagnostics	Companion diagnostics	Total
<b>Three months ended September 30, 2012:</b>				
Revenue	\$	\$ 127,268	\$ 6,169	\$ 133,437
Depreciation and amortization	578	1,233	400	2,211
Segment operating income (loss)	(15,054)	65,683	(2,047)	48,582
<b>Three months ended September 30, 2011:</b>				
Revenue	\$	\$ 103,969	\$ 6,483	\$ 110,452
Depreciation and amortization	489	1,254	404	2,147
Segment operating income (loss)	(12,085)	54,523	(966)	41,472

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<i>(In thousands)</i>	Three months ended September 30,	
	2012	2011
Total operating income for reportable segments	\$ 48,582	\$ 41,472
Interest income	1,368	473
Other	(128)	(140)
Income tax provision	19,686	16,706
<b>Net income</b>	<b>\$ 30,136</b>	<b>\$ 25,099</b>

**(8) Fair Value Measurements**

The fair value of the Company's financial instruments reflects the amounts that the Company estimates it will receive in connection with the sale of an asset or pay in connection with the transfer of a liability in an orderly transaction between market participants at the measurement date (exit price). The fair value hierarchy prioritizes the use of inputs used in valuation techniques into the following three levels:

- Level 1 quoted prices in active markets for identical assets and liabilities.
- Level 2 observable inputs other than quoted prices in active markets for identical assets and liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities. This category generally includes U.S. Government and agency securities; municipal securities; mutual funds and securities sold, not yet purchased. The Company's marketable securities primarily utilize broker quotes in a non-active market for valuation of these securities.
- Level 3 unobservable inputs.

The substantial majority of the Company's financial instruments are valued using quoted prices in active markets or based on other observable inputs. For Level 2 securities, we use a third party pricing service which provides documentation on an ongoing basis that includes, among other things, pricing information with respect to reference data, methodology, inputs summarized by asset class, pricing application, corroborative information, etc. We review, test and validate this information as appropriate. The following table sets forth the fair value of the financial assets that the Company re-measured on a regular basis:

<i>(In thousands)</i>	Level 1	Level 2	Level 3	Total
at September 30, 2012				
Money market funds (a)	\$ 11,078	\$	\$	\$ 11,078
Corporate bonds and notes		117,685		117,685
Municipal bonds		190,645		190,645
Federal agency issues		99,725		99,725
Auction rate securities			1,350	1,350
<b>Total</b>	<b>\$ 11,078</b>	<b>\$ 408,055</b>	<b>\$ 1,350</b>	<b>\$ 420,483</b>

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	Level 1	Level 2	Level 3	Total
<i>(In thousands)</i>				
at June 30, 2012				
Money market funds (a)	\$ 38,835	\$	\$	\$ 38,835
Corporate bonds and notes		129,975		129,975
Municipal bonds		141,364		141,364
Federal agency issues		108,483		108,483
Auction rate securities			1,350	1,350
<b>Total</b>	<b>\$ 38,835</b>	<b>\$ 379,822</b>	<b>\$ 1,350</b>	<b>\$ 420,007</b>

(a) Money market funds are primarily comprised of exchange traded funds and accrued interest

**(9) Commitments and Contingencies**

The Company is subject to various claims and legal proceedings covering matters that arise in the ordinary course of its business activities. As of September 30, 2012, the management of the Company believes any liability that may ultimately result from the resolution of these matters will not have a material adverse effect on the Company's consolidated financial position, operating results, or cash flows.

**(10) Income Taxes**

In order to determine the Company's quarterly provision for income taxes, the Company used an estimated annual effective tax rate that is based on expected annual income and statutory tax rates in the various jurisdictions in which the Company operates. Certain significant or unusual items are separately recognized in the quarter during which they occur and can be a source of variability in the effective tax rates from quarter to quarter.

Income tax expense for the three months ended September 30, 2012 was \$19,686,000, or approximately 40% of pre-tax income, compared to \$16,706,000, for the three months ended September 30, 2011, or approximately 40% of pre-tax income. Income tax expense for the three months ended September 30, 2012 is based on the Company's estimated annual effective tax rate for the full fiscal year ending June 30, 2013, adjusted by discrete items recognized during the period. The Company's effective tax rate differs from the U.S. federal statutory rate of 35% primarily due to state income taxes and international operating losses that have not been benefited as well as timing differences related to the recognition of the tax effect of equity compensation expense from incentive stock options and the deduction realized if those options are disqualified upon exercise and sale.

The Company files U.S., U.K., French and state income tax returns in jurisdictions with various statutes of limitations. The Company's New York State income tax returns for the years ended June 30, 2007, 2008 and 2009 are currently under examination by the New York State Department of Taxation and Finance. Annual and interim tax provisions include amounts considered necessary to pay assessments that may result from examination of prior year tax returns; however, the amount ultimately paid upon resolution of issues may differ materially from the amount accrued. The Company's U.S. federal tax return, U.K. and French income tax returns and all other state tax returns are not currently under examination.

**(11) Goodwill and Intangible Assets***Goodwill*

At September 30, 2012, the Company had recorded goodwill of \$56,850,000 related to the acquisition of Myriad RBM, Inc. on May 31, 2011 (formerly Rules-Based Medicine, Inc.). There were no events or circumstances that indicated that impairment exists, therefore, the Company recorded no impairment of goodwill for the three months ended September 30, 2012.





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Intangible assets primarily consist of amortizable assets of purchased licenses and technologies, and customer relationships as well as non-amortizable intangible assets of in-process technologies, research and development and trademarks. Certain of these intangible assets were recorded as part of the Company's purchase of Rules-Based Medicine, Inc. on May 31, 2011. The following summarizes the amounts reported as intangible assets:

<i>(in thousands)</i>	Gross Carrying Amount	Accumulated Amortization	Net
September 30, 2012			
Purchased licenses and technologies	\$ 6,500	\$ (2,883)	\$ 3,617
Customer relationships	4,650	(620)	4,030
<b>Total amortizable intangible assets</b>	<b>11,150</b>	<b>(3,503)</b>	<b>7,647</b>
Trademarks	3,000		3,000
In-process research and development	4,800		4,800
<b>Total non-amortizable intangible assets</b>	<b>7,800</b>		<b>7,800</b>
<b>Total intangible assets</b>	<b>\$ 18,950</b>	<b>\$ (3,503)</b>	<b>\$ 15,447</b>

<i>(in thousands)</i>	Gross Carrying Amount	Accumulated Amortization	Net
June 30, 2012			
Purchased licenses and technologies	\$ 6,500	\$ (2,724)	\$ 3,776
Customer relationships	4,650	(504)	4,146
<b>Total amortizable intangible assets</b>	<b>11,150</b>	<b>(3,228)</b>	<b>7,922</b>
Trademarks	3,000		3,000
In-process research and development	4,800		4,800
<b>Total non-amortizable intangible assets</b>	<b>7,800</b>		<b>7,800</b>
<b>Total intangible assets</b>	<b>\$ 18,950</b>	<b>\$ (3,228)</b>	<b>\$ 15,722</b>

The Company recorded amortization during the respective periods for these intangible assets as follows:

<i>(in thousands)</i>	Three months ended September 30,	
	2012	2011
Amortization on intangible assets	\$ 275	\$ 275

**(12) Term Loan and Option Agreement**

On September 8, 2011, the Company issued a \$25,000,000 term loan to Crescendo Bioscience, Inc. (Crescendo) of South San Francisco, CA under a Loan and Security Agreement (Loan Agreement) and also secured an exclusive three-year option to acquire the company pursuant to a definitive merger agreement (the Option Agreement). During the fiscal quarter ended September 30, 2012, the Loan Agreement was amended to

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increase the stated interest rate from 6% to 7% per year. The fair value of the Option Agreement of \$8,000,000 was determined utilizing valuation models, including the market and income based approaches, which utilize various inputs including projected income, volatility, risk free rates and projected terms. The Company periodically evaluates the Option Agreement for impairment. No impairment indicators were noted at September 30, 2012.

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The residual \$17,000,000 value of the term loan has been classified as a note receivable at its accrued value of \$19,667,000 on the condensed consolidated balance sheet as of September 30, 2012. The Company recorded interest income related to accretion of the note receivable and the stated interest rate for the three months ended September 30, 2012 of \$1,098,000 in the condensed consolidated income statement. The Company is also utilizing the effective interest method to accrete the discount portion of the note receivable through interest income over the three-year term of the Company's option to acquire Crescendo under the Option Agreement. The note receivable is evaluated for collectability each reporting period. If the Company determines that the note receivable and any accrued interest is not collectible, such amount will be written off in the period that determination is made. No amounts related to the note receivable or accrued interest were written off during the three months ended September 30, 2012.

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### **Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations**

We are a leading molecular diagnostic company dedicated to making a difference in patient's lives through the discovery and commercialization of transformative tests which assess a person's risk of developing disease, guide treatment decisions and assess risk of disease progression and recurrence. We believe in improving healthcare for patients by providing physicians with critical information to solve unmet clinical needs. By understanding the underlying genetic basis of disease, we believe that individuals who have a greater risk of developing disease can be identified and physicians may be able to use this information to improve patient outcomes and better manage patient healthcare. In addition, by understanding the RNA expression levels of certain genes, we believe that we can improve patient healthcare by providing information on the aggressiveness of their disease. Further, we have tests in development which analyze the expression of groups of proteins. We think this protein information will help diagnose and guide treatment decisions for many diseases.

Our goal is to provide physicians with critical information that may guide the healthcare management of their patients to prevent disease, diagnose the disease at an earlier stage, determine the most appropriate therapy, or assess the aggressiveness of their disease. We employ a number of proprietary technologies, including DNA, RNA and protein analysis, that help us to understand the genetic basis of human disease and the role that genes and their related proteins may play in the onset and progression of disease. We use this information to guide the development of new molecular diagnostic tests that are designed to assess an individual's risk for developing disease later in life (predictive medicine), identify a patient's likelihood of responding to drug therapy and guide a patient's dosing to ensure optimal treatment (personalized medicine), or assess a patient's risk of disease progression and disease recurrence (prognostic medicine).

Our business strategy for future growth is focused on three key initiatives. First, we are working to grow and expand our existing products and markets. Second, we are developing our business internationally and have recently established sales operations and laboratory operations in Europe. Finally, we intend to launch new transformative products across a diverse set of disease indications, complementing our current businesses in oncology, women's health and urology.

#### *Products and Services*

We offer nine primary commercial molecular diagnostic tests, including five predictive medicine tests, three personalized medicine tests, and one prognostic medicine test. We market these tests through our own sales force of approximately 400 people in the United States. We have also established offices in France, Spain and Italy; laboratory operations and a sales and administrative office in Germany; and European headquarters in Switzerland. We market our *BRACAnalysis*®, *COLARIS*®, and *COLARIS AP*® products through our own European sales force, and as of September 30, 2012, we have entered into distributor agreements with 16 organizations in selected Latin American, European and Asian countries.

Our primary commercial molecular diagnostic tests include:

*BRACAnalysis*®, our predictive medicine test for hereditary breast and ovarian cancer;

*COLARIS*®, our predictive medicine test for hereditary colorectal and uterine cancer;

*COLARIS AP*®, our predictive medicine test for hereditary colorectal cancer;

*MELARIS*®, our predictive medicine test for hereditary melanoma;

*OnDose*®, our personalized medicine test to measure chemotherapy exposure to 5-FU;

*PANEXIA* , our predictive medicine test for pancreatic cancer;

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*PREZEON*®, our personalized medicine test to assess PTEN status for disease progression and drug response;

*Prolaris*®, our prognostic medicine test for prostate cancer; and

*Theraguide*® 5-FU, our personalized medicine test for chemotherapy toxicity to 5-FU.

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Through our wholly owned subsidiary, Myriad RBM, Inc., we provide biomarker discovery and companion diagnostic services to the pharmaceutical, biotechnology, and medical research industries utilizing our multiplexed immunoassay technology. Our technology enables us to efficiently screen large sets of clinical samples from both diseased and non-diseased populations against our extensive menu of biomarkers. By analyzing the data generated from these tests, we attempt to discover biomarker patterns that indicate a particular disease or disorder with a high degree of accuracy or may be used to identify patients who would likely respond to a particular therapy. During the three months ended September 30, 2012 and 2011, we recognized companion diagnostic service revenue of \$6.2 million and \$6.5 million respectively. In addition to the companion diagnostic research revenue fees received from analyzing these samples, we also use this information to create and validate new biomarkers that can aid us in the development of novel molecular diagnostic tests that could aid a physician in making diagnostic and treatment decisions.

### *Use of Resources*

During the three months ended September 30, 2012, we devoted substantially all of our resources to supporting our molecular diagnostic and companion diagnostic businesses, as well as to the research and development of future molecular and companion diagnostic opportunities. We also pursued in-licensing opportunities where we acquire rights to new products and technologies from third parties. We have three reportable operating segments—research, molecular diagnostics and companion diagnostics. See Note 7—Segment and Related Information in the notes to our condensed consolidated financial statements (unaudited) for information regarding these operating segments.

For the three months ended September 30, 2012, we had net income of \$30.1 million and diluted earnings per share of \$0.36, compared to \$25.1 million and \$0.29 per share in the same period of the prior year. Net income and earnings per share results for the three months ended September 30, 2012 included income tax expense of \$19.7 million compared to \$16.7 million for the same period in the prior year. As of September 30, 2012, we had an accumulated deficit of \$15.0 million.

### *Recent Developments*

Between May 2010 and September 2012, we repurchased \$446.5 million of our outstanding common stock. Our board of directors has authorized us to repurchase an additional \$53.5 million of our outstanding common stock at management's discretion based on market conditions. See also Part II, Item 2. Unregistered Sales of Equity Securities and Use of Proceeds—Issuer Purchases of Equity Securities.

## **Critical Accounting Policies**

Critical accounting policies are those policies which are both important to the presentation of a company's financial condition and results and require management's most difficult, subjective or complex judgments, often as a result of the need to make estimates about the effect of matters that are inherently uncertain. For a further discussion of our critical accounting policies, see our Annual Report on Form 10-K, for the fiscal year ended June 30, 2012.

## **Results of Operations for the Three Months Ended September 30, 2012 and 2011**

### *Revenue*

Revenue is comprised of sales of our molecular diagnostic tests and our companion diagnostic services. Total revenue for the three months ended September 30, 2012 was \$133.4 million, compared to \$110.5 million for the same three months in 2011. This 21% increase in revenue is primarily due to increased molecular diagnostic testing volume for our BRACAnalysis, Colaris and Colaris AP and other tests, as well as a significant increase in BART testing, as disclosed in the table below. We believe that increased sales, marketing, and education efforts resulted in wider acceptance of molecular diagnostic tests by the medical community and increased patient testing volumes. However, there can be no assurance that our revenue will continue to increase or remain at current levels.

An important part of our customer base in the Eastern United States has been affected by the recent severe storm. Although the impact of this event on our future revenues is not yet determinable, we believe that the effect will be short-term in nature and may result in changes to the timing of patient testing volumes.

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Total revenue of our molecular diagnostic tests and companion diagnostic services and revenue by product as a percent of total revenue for the three months ended September 30, 2012 and 2011 were as follows:

<i>(In thousands)</i>	Three months ended September 30,		% Change	% of Total Revenue	
	2012	2011		2012	2011
<b>Molecular diagnostic testing revenues:</b>					
BRCAAnalysis	\$ 104,972	\$ 89,485	17%	79%	81%
COLARIS & COLARIS AP	12,081	9,624	26%	9%	9%
BART	7,623	2,643	188%	6%	2%
Other	2,592	2,217	17%	2%	2%
Total molecular diagnostic testing revenues	127,268	103,969	22%		
Companion diagnostic service revenues	6,169	6,483	-5%	4%	6%
Total revenues	\$ 133,437	\$ 110,452	21%	100%	100%

BRCAAnalysis Large Rearrangement Technology or BART testing provides a way to detect additional large genomic rearrangements in both the BRCA1 and BRCA2 genes. Based upon newly established clinical practice guidelines by NCCN, the National Comprehensive Cancer Network, that recommends BART for all hereditary breast and ovarian cancer patients, we have received increased testing requests from physicians and affected patients.

Our molecular diagnostic sales force is focused on two major markets, oncology and women's health. Oncology and women's health revenues were 68% and 32% of total molecular diagnostic testing revenues, respectively, during the three months ended September 30, 2012. Sales of molecular diagnostic tests in each market for the three months ended September 30, 2012 and 2011 were as follows:

<i>(In thousands)</i>	Three months ended September 30,		% Change
	2012	2011	
<b>Molecular diagnostic testing revenues:</b>			
Oncology	\$ 86,219	\$ 74,208	16%
Women's health	41,049	29,761	38%
Total molecular diagnostic testing revenues	\$ 127,268	\$ 103,969	22%

**Costs and Expenses**

Cost of revenue is comprised primarily of salaries and related personnel costs, laboratory supplies, royalty payments, equipment costs and facilities expense. Cost of molecular diagnostic testing revenue for the three months ended September 30, 2012 was \$13.9 million, compared to \$11.3 million for the same three months in 2011. This increase of 23% in molecular diagnostic testing cost of revenue is primarily due to an increase in testing volumes. Our costs of companion diagnostic services include similar items. Cost of companion diagnostic services for the three months ended September 30, 2012 was \$3.4 million, compared to \$3.1 million for the same three months in 2011. Many of the costs associated with the performance of our companion diagnostic services are fixed; consequently, gross margins will vary as we experience fluctuations in our companion diagnostic service revenue.

Our cost of revenue may also fluctuate from quarter to quarter based on the introduction of new molecular diagnostic tests, testing volumes, changes in companion diagnostic services, price changes of existing tests and services, changes in our costs associated with such tests and services, the adoption of new technologies and operating systems in our molecular diagnostic laboratories and costs associated with operating additional laboratories outside the United States. There can be no assurance that gross profit margins will remain at current levels.





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Our research and development expenses include costs incurred in maintaining and improving our current molecular diagnostic tests and costs incurred for the discovery, development and validation of our pipeline of molecular and companion diagnostic test candidates. Research and development expenses are comprised primarily of salaries and related personnel costs, laboratory supplies, clinical trial costs, equipment, and facilities costs. Research and development expenses incurred during the three months ended September 30, 2012 were \$11.4 million compared to \$8.5 million for same three months in 2011. This increase of 34% was primarily due to the following:

an increase of approximately \$1.1 million in internal development activities and clinical studies to support our existing molecular diagnostic testing products;

an increase of approximately \$1.1 million due to the internal development of future molecular diagnostic product candidates; and

an increase of approximately \$0.7 million in internal development activities to support our companion diagnostic services business. We expect that our research and development expenses will increase over the next several years as we continue to develop our pipeline and expand our offerings of molecular diagnostic tests and companion diagnostic services.

Our sales, general and administrative expenses include costs associated with building our molecular diagnostic and companion diagnostic businesses domestically and internationally. Selling, general and administrative expenses consist primarily of salaries, commissions and related personnel costs for sales, marketing, customer service, billing and collection, executive, legal, finance and accounting, information technology, human resources, and allocated facilities expenses. Selling, general and administrative expenses for the three months ended September 30, 2012 were \$56.1 million, compared to \$46.1 million for the same three months in 2011. The increase in selling, general and administrative expense of 22% was due primarily to support the 21% increase in revenue and include:

an increase in sales and marketing expense of approximately \$6.7 million due to various marketing initiatives, added headcount and increased sales commissions;

an increase of approximately \$2.9 million in bad debt expense;

an increase of approximately \$0.6 million in international administrative costs from our European operations;

an increase in share-based compensation expense of approximately \$0.1 million; and

a decrease of \$0.3 million of Myriad RBM administrative costs.

We expect that our selling, general and administrative expenses will continue to increase from quarter to quarter and that such increases may be substantial, depending on the number and scope of any new molecular diagnostic and companion diagnostic launches, our efforts in support of our existing molecular diagnostic tests and companion diagnostic services as well as our continued international expansion efforts.

### *Other Income (Expense)*

Interest income for the three months ended September 30, 2012 was \$1.4 million, compared to \$0.5 million for the same three months in 2011. The increase was due primarily to interest income recorded related to the note receivable from Crescendo.

### *Income Tax Provision*

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Income tax expense for the three months ended September 30, 2012 was \$19.7 million, for an effective income tax rate of approximately 40%, compared to income tax expense of \$16.7 million or a 40% effective income tax rate in the same period in 2011. Income tax expense for the three months ended

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September 30, 2012 is based on our estimated annual effective tax rate for the full fiscal year ending June 30, 2013 adjusted by discrete items recognized during the period. Our annual effective tax rate is a product of the U.S. federal statutory rate of 35%, a blended state income tax rate of 3% and a 2% impact from our international operations. The effective rate is adjusted by alternative minimum income taxes and timing differences related to the recognition of the tax effect of equity compensation expense from incentive stock options and the deduction realized if those options are disqualified upon exercise. Certain significant or unusual items are separately recognized during the period in which they occur and can be a source of variability in the effective tax rates from quarter to quarter.

### **Liquidity and Capital Resources**

Cash, cash equivalents, and marketable investment securities increased \$12.1 million, or 3%, to \$466.3 million at September 30, 2012 from \$454.2 million at June 30, 2012. This increase was attributable to increased collections from higher sales, partially offset by operating expenses and purchasing \$46.2 million of our common stock under our share repurchase programs.

Net cash provided by operating activities was \$51.4 million during the three months ended September 30, 2012, compared to \$31.9 million during the same three months in 2011. Our net income was reduced by non-cash charges in the form of share-based compensation and depreciation and amortization, which totaled \$6.6 million and \$2.2 million, respectively, during the three months ended September 30, 2012. In addition, operating cash was reduced by an increase of \$9.3 million in trade accounts receivable due to an increase in sales and bad debt write-offs which was offset by a change in payables and accrued liabilities of \$11.2 million primarily due to quarterly income taxes payable.

Our investing activities used cash of \$5.0 million during the three months ended September 30, 2012 and used cash of \$2.5 million during the same three months in 2011. Investing activities were comprised primarily of purchases and sales and maturities of marketable investment securities. Capital expenditures for equipment and facilities for the three months ended September 30, 2012 were \$2.5 million.

Financing activities used cash of \$37.1 million during the three months ended September 30, 2012 and used cash of \$19.3 million in the same three months in 2011. Cash utilized in financing activities during the three months ended September 30, 2012 was primarily due to the purchase of \$46.2 million of our common stock through our share repurchase programs, partially offset by \$8.6 million from cash provided by the exercise of stock options.

We believe that our existing capital resources and net cash expected to be generated from sales of our molecular diagnostic tests and companion diagnostic services will be adequate to fund our current and planned operations for the foreseeable future, although no assurance can be given that changes will not occur that would consume available capital resources more quickly than we currently expect and that we may need or want to raise additional funds. Our future capital requirements, cash flows, and results of operations could be affected by and will depend on many factors that are currently unknown to us, including:

failure to sustain revenue growth or margins in our molecular diagnostic testing and companion diagnostic services businesses;

termination of the licenses underlying our molecular diagnostic tests and companion diagnostic services or failure to enter into product or technology licensing or other arrangements favorable to us;

delays or other problems with operating our laboratory facilities;

the costs and expenses incurred in supporting our existing molecular diagnostic tests and companion diagnostic services;

the progress, results and cost of developing and launching additional molecular diagnostic tests and offering additional companion diagnostic services;

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potential business development activities, in-licensing agreements and acquisitions, such as our acquisition of Myriad RBM and our strategic debt investment and option to acquire Crescendo Biosciences, Inc., and our ability to successfully integrate and achieve the expected benefits of our business development activities, in-licensing agreements and acquisitions;

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changes in the government regulatory approval process for our tests;

the progress, costs and results of our international expansion efforts;

the costs, timing, outcome, and enforcement of any regulatory review of our existing or future molecular diagnostic tests and companion diagnostic services;

the costs of preparing, filing and prosecuting patent applications, maintaining and enforcing our issued patents and defending intellectual property-related claims;

the costs, timing and outcome of any litigation against us;

the introduction of technological innovations or new commercial tests by our competitors;

changes in intellectual property laws covering our molecular diagnostic tests and companion diagnostic services and patents or enforcement in the United States and foreign countries;

changes in the governmental or private insurers reimbursement levels for our tests; and

changes in structure of the healthcare system or healthcare payment systems.

## **Effects of Inflation**

We do not believe that inflation has had a material impact on our business, sales, or operating results during the periods presented.

## **Certain Factors That May Affect Future Results of Operations**

The Securities and Exchange Commission encourages companies to disclose forward-looking information so that investors can better understand a company's future prospects and make informed investment decisions. This Quarterly Report on Form 10-Q contains such forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995.

Words such as may, anticipate, estimate, expects, projects, intends, plans, believes and words and terms of similar substance used in with any discussion of future operating or financial performance, identify forward-looking statements. All forward-looking statements are management's present expectations of future events and are subject to a number of risks and uncertainties that could cause actual results to differ materially and adversely from those described in the forward-looking statements. These risks include, but are not limited to: the risk that sales and profit margins of our existing molecular diagnostic tests and companion diagnostic services may decline or will not continue to increase at historical rates; risks related to changes in the governmental or private insurers reimbursement levels for our tests; the risk that we may be unable to develop or achieve commercial success for additional molecular diagnostic tests and companion diagnostic services in a timely manner, or at all; the risk that we may not successfully develop new markets for our molecular diagnostic tests and companion diagnostic services, including our ability to successfully generate revenue outside the United States; the risk that licenses to the technology underlying our molecular diagnostic tests and companion diagnostic services tests and any future tests are terminated or cannot be maintained on satisfactory terms; risks related to delays or other problems with operating our laboratory testing facilities; risks related to public concern over our genetic testing in general or our tests in particular; risks related to regulatory requirements or enforcement in the United States and foreign countries and changes in the structure of the healthcare system or healthcare payment systems; risks related to our ability to obtain new corporate collaborations or licenses and acquire new technologies or businesses on satisfactory terms, if at all; risks related to our ability to successfully integrate and derive benefits from any technologies or businesses that we license or acquire; the development of competing tests and services; the risk that we or our licensors may be unable to protect the proprietary technologies underlying our tests; the risk of patent-infringement claims

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or challenges to the validity of our patents; risks of new, changing and competitive technologies and regulations in the United States and internationally; and other factors discussed under the heading "Risk Factors" contained in Item 1A of our Annual Report on Form 10-K for the fiscal year ended June 30, 2012, which has been filed with the Securities and Exchange Commission, as well as any updates to those risk factors filed from time to time in our Quarterly Reports on Form 10-Q or Current Reports on Form 8-K.

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In light of these assumptions, risks and uncertainties, the results and events discussed in the forward-looking statements contained in this Quarterly Report or in any document incorporated by reference might not occur. Stockholders are cautioned not to place undue reliance on the forward-looking statements, which speak only as of the date of this Quarterly Report. We are not under any obligation, and we expressly disclaim any obligation, to update or alter any forward-looking statements, whether as a result of new information, future events or otherwise. All subsequent forward-looking statements attributable to us or to any person acting on our behalf are expressly qualified in their entirety by the cautionary statements contained or referred to in this section.

### **Item 3. Quantitative and Qualitative Disclosures About Market Risk**

There have been no material changes in our market risk during the three months ended September 30, 2012 compared to the disclosures in Part II, Item 7A of our Annual Report on Form 10-K for the fiscal year ended June 30, 2012, which is incorporated by reference herein.

### **Item 4. Controls and Procedures**

(a) *Evaluation of Disclosure Controls and Procedures.* Our principal executive officer and principal financial officer, after evaluating the effectiveness of our disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) as of the end of the period covered by this Quarterly Report on Form 10-Q, have concluded that, based on such evaluation, our disclosure controls and procedures were effective to ensure that information required to be disclosed by us in the reports that we file or submit under the Exchange Act is recorded, processed, summarized and communicated to our management, including our principal executive and principal financial officers, or persons performing similar functions, as appropriate, to allow timely decisions regarding required disclosure.

In designing and evaluating our disclosure controls and procedures, our management recognized that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired control objectives, and our management necessarily is required to apply its judgment in evaluating the cost-benefit relationship of possible controls and procedures.

(b) *Changes in Internal Controls.* There were no changes in our internal control over financial reporting identified in connection with the evaluation of such internal control that occurred during our last fiscal quarter that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

## **PART II Other Information**

### **Item 1. Legal Proceedings**

We are a defendant in a lawsuit brought by the Association for Molecular Pathology, *et al.* (the Plaintiffs) on May 12, 2009 in the United States District Court for the Southern District of New York (the District Court). The Plaintiffs sought a declaratory ruling that 15 claims of seven patents relating to the *BRCA1* and *BRCA2* genes, which patents are exclusively licensed to us, are invalid and unenforceable, and enjoining us (and the other defendants) from taking any actions to enforce these claims of these patents. The 15 claims at issue in the lawsuit are part of the intellectual property relating to our *BRCAAnalysis* predictive medicine test for breast and ovarian cancer. On April 19, 2010, the District Court ruled that these 15 claims at issue were invalid. On June 16, 2010, we filed a Notice to Appeal with the United States Court of Appeals for the Federal Circuit (the Court of Appeals) appealing the District Court decision. On July 29, 2011 the Court of Appeals reversed the District Court's decision, in part, holding that the nine composition claims relating to isolated DNA molecules and one method claim



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relating to screening potential cancer therapeutics via changes in cell growth rates are patent-eligible under 35 U.S.C. Section 101. However, the Court of Appeals affirmed the District Court’s decision that the remaining five method claims directed to comparing or analyzing DNA sequences are patent ineligible.

On December 7, 2011, Plaintiffs filed a Petition for a Writ of Certiorari with the Supreme Court of the United States (the Supreme Court), seeking the Supreme Court’s review of the decision of the Court of Appeals as it pertains to the composition claims relating to isolated DNA molecules, and the Court of Appeals decision that 19 of the Plaintiffs lacked standing. On March 26, 2012 the Supreme Court vacated the Court of Appeals’ decision, and remanded the case back to the Court of Appeals for reconsideration in light of the Supreme Court’s decision in Mayo v. Prometheus Laboratories on March 20, 2012.

On August 16, 2012, on remand, the Court of Appeals again reversed the District Court’s decision, in part, holding that the nine composition claims relating to isolated DNA molecules and one method claim relating to screening potential cancer therapeutics via changes in cell growth rates are patent-eligible under 35 U.S.C. Section 101. However, the Court of Appeals affirmed the District Court’s decision that the remaining five method claims directed to comparing or analyzing DNA sequences are patent ineligible. On September 24, 2012, the Plaintiffs filed a Petition for a Writ of Certiorari with the Supreme Court, seeking the Supreme Court’s review of the decision of the Court of Appeals as it pertains to the composition claims relating to isolated DNA molecules, the one method claim relating to screening potential cancer therapeutics via changes in cell growth rates, and the Court of Appeals decision that 19 of the Plaintiffs lacked standing. On October 30, 2012, we filed a Brief in Opposition to the Plaintiffs’ Petition for a Writ of Certiorari.

Apart from the 15 claims being challenged in this lawsuit, there are over 500 separate claims under 24 patents which also cover the intellectual property utilized in, or related to, our BRACAnalysis predictive medicine test for breast and ovarian cancer which are not subject to this lawsuit. Accordingly, we do not believe that this lawsuit will have a material adverse impact on the Company even if we do not ultimately prevail.

We are not a party to any other legal proceedings that we believe will have a material impact on our business, financial position or results of operations.

**Item 1A. Risk Factors**

There have been no material changes to the risk factors included in our Annual Report on Form 10-K for the fiscal year ended June 30, 2012.

**Item 2. Unregistered Sales of Equity Securities and Use of Proceeds.**

**Issuer Purchases of Equity Securities**

We have previously announced the following stock repurchase programs for repurchases of our common stock:

Date Authorized	Amount Authorized	Date Completed
May 2010	\$ 100 million	August 2011
August 2010	\$ 100 million	February 2011
March 2011	\$ 100 million	September 2011
August 2011	\$ 200 million	ongoing
<b>Total:</b>	<b>\$ 500 million</b>	

In connection with our most recent stock repurchase authorization for \$200 million, we have been authorized to complete the repurchase through open market transactions or through an accelerated share repurchase program, in each case to be executed at management’s discretion based on market conditions. There is no specified term or expiration date for this program. As of the date of this report, we have not entered into an accelerated share repurchase agreement under our most recent stock repurchase program.

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The details of the activity under our stock repurchase programs during the fiscal quarter ended September 30, 2012, were as follows:

**Issuer Purchases of Equity Securities**

Period	(a) Total Number of Shares Purchased	(b) Average Price Paid per Share	(c) Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	(d) Approximate Dollar Value of Shares that May Yet Be Purchased Under the Plans or Programs
July 1, 2012 to July 31, 2012	845,281	\$ 25.49	845,281	\$ 78,100,530
August 1, 2012 to August 31, 2012	974,568	\$ 24.89	974,568	53,840,759
September 1, 2012 to September 30, 2012	15,897	\$ 24.54	15,897	53,450,653
Total	1,835,746		1,835,746	\$ 53,450,653

**Item 3. Defaults Upon Senior Securities.**

None.

**Item 4. Mine Safety Disclosures.**

None.

**Item 5. Other Information.**

None.

**Item 6. Exhibits.**

- 31.1 Certification of Chief Executive Officer pursuant to Section 302(a) of the Sarbanes-Oxley Act of 2002.
- 31.2 Certification of Chief Financial Officer pursuant to Section 302(a) of the Sarbanes-Oxley Act of 2002.
- 32.1 Certifications pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
- 101 The following materials from Myriad Genetics, Inc.'s Quarterly Report on Form 10-Q for the quarter ended September 30, 2012, formatted in XBRL (Extensible Business Reporting Language): (i) the unaudited Condensed Consolidated Balance Sheets, (ii) the unaudited Condensed Consolidated Statements of Income, (iii) the unaudited Condensed Consolidated Statements of Cash Flows, and (iv) Notes to Condensed Consolidated Financial Statements.

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**SIGNATURES**

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

MYRIAD GENETICS, INC.

Date: November 9, 2012

By: /s/ Peter D. Meldrum  
Peter D. Meldrum  
President and Chief Executive Officer  
(Principal executive officer)

Date: November 9, 2012

By: /s/ James S. Evans  
James S. Evans  
Chief Financial Officer  
(Principal financial and chief accounting officer)