

MEDIMMUNE INC /DE
Form S-3ASR
September 29, 2006

As filed with the Securities and Exchange Commission on September 29, 2006

Registration No. 333-

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM S-3

REGISTRATION STATEMENT UNDER THE SECURITIES ACT OF 1933

MEDIMMUNE, INC.

(Exact name of registrant as specified in its charter)

Delaware
(State or other jurisdiction
of incorporation or organization)

2836
(Primary Standard
Industrial Classification Code Number)

52-155759
(I. R. S. Employer
Identification No.)

One MedImmune Way,
Gaithersburg, MD 20878
(301) 398-0000

(Address, including zip code, and telephone number, including
area code, of registrant's principal executive offices)

David M. Mott
President, Chief Executive Officer and Vice Chairman
MedImmune, Inc.
One MedImmune Way,
Gaithersburg, MD 20878
(301) 398-0000

(Name, address, including zip code, and telephone number,
including area code, of agent for service)

Copies to:

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Approximate date of commencement of proposed sale to the public: As soon as practicable after this Registration Statement becomes effective.

If the only securities being registered on this form are being offered pursuant to dividend or interest reinvestment plans, please, check the following box:

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If any of the securities being registered on this form are to be offered on a delayed or continuous basis pursuant to Rule 415 under the Securities Act of 1933, other than securities offered only in connection with dividend or interest reinvestment plans, check the following box: x

If this form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act, please check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. _____

If this form is a post effective amendment filed pursuant to Rule 462(c) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. _____

If this form is a registration statement pursuant to General Instruction I.D. or a post-effective amendment thereto that shall become effective upon filing with the Commission pursuant to Rule 462(e) under the Securities Act, check the following box. x

If this form is a post-effective amendment to a registration statement filed pursuant to General Instruction I.D. filed to register additional securities or additional classes of securities pursuant to Rule 413(b) under the Securities Act, check the following box. _____

CALCULATION OF REGISTRATION FEE

Title of Each Class of Securities To Be Registered	Amount To Be Registered	Proposed Maximum Offering Price Per Unit	Proposed Maximum Aggregate Offering Price	Amount of Registration Fee
1.375% Convertible Senior Notes due 2011	\$ 575,000,000	100%	\$ 575,000,000 (2)	\$ 61,525
1.625% Convertible Senior Notes due 2013	\$ 575,000,000	100%	\$ 575,000,000 (2)	\$ 61,525
Common Stock (\$0.01 par value per share)	(1)	(1)		(1)

(1) Each \$1,000 principal amount of a note may be converted into 29.9679 shares of common stock, subject to adjustments. There are being registered hereunder 34,081,617 shares of common stock, together with such indeterminate number of shares as may become issuable upon conversion by reason of adjustments in the conversion price. No additional registration fee is required pursuant to Rule 457(i) under the Securities Act of 1933.

(2) In addition to the shares set forth in the table, pursuant to Rule 416 under the Securities Act, the amount to be registered includes an indeterminate number of shares of common stock issuable upon conversion of the notes, as this amount may be adjusted as a result of stock splits, stock dividends or similar transactions.

PROSPECTUS

September 29, 2006

\$1,150,000,000

\$575,000,000 principal amount 1.375% Convertible Senior Notes due 2011

\$575,000,000 principal amount 1.625% Convertible Senior Notes due 2013

Common Stock

This prospectus covers resales by holders of our 1.375% convertible senior notes due 2011, or the 2011 notes, and our 1.625% convertible senior notes due 2013, or the 2013 notes, and shares of our common stock issueable on conversion of the 2011 notes and the 2013 notes. We refer to the 2011 notes and the 2013 notes collectively as the notes. We will not receive any proceeds from the resale of our notes or common stock hereunder.

We will pay 1.375% interest per annum on the principal amount of the 2011 notes, and 1.625% interest per annum on the principal amount of the 2013 notes, in each case payable semi-annually in arrears on January 15 and July 15 of each year, beginning on January 15, 2007. Interest will accrue on the notes from, and including, June 28, 2006 or from and including the last date in respect of which interest has been paid or provided for, as the case may be, to, but excluding, the next interest payment date or maturity date of the notes, as the case may be. The 2011 notes will mature on July 15, 2011. The 2013 notes will mature on July 15, 2013.

CONVERSION

The notes will be convertible into cash and, if applicable, shares of our common stock based on an initial conversion rate, subject to adjustment, of 29.9679 shares per \$1,000 principal amount of notes in the case of the 2011 notes (which represents an initial conversion price of approximately \$33.37 per share), or based on an initial conversion rate, subject to adjustment, of 29.9679 shares per \$1,000 principal amount of notes in the case of the 2013 notes (which represents an initial conversion price of approximately \$33.37 per share), in each case in certain circumstances. A holder that surrenders notes for conversion in connection with a make-whole fundamental change that occurs before the maturity date of such notes may in certain circumstances be entitled to an increased conversion rate.

Holders may convert their notes into cash and, if applicable, shares of our common stock on or prior to the business day immediately preceding their stated maturity only under the following circumstances: (1) the notes will be convertible during any calendar quarter after the calendar quarter ending September 30, 2006, if the closing sale price of our common stock for each of 20 or more trading days in a period of 30 consecutive trading days ending on the last trading day of the immediately preceding calendar quarter exceeds 130% of the conversion price of such notes in effect on the last trading day of the immediately preceding calendar quarter; (2) the notes will be convertible during the five consecutive business days immediately after any five consecutive trading day period (we refer to this five consecutive trading day period as the note measurement period) in which the average trading price per \$1,000 principal amount of such notes was equal to or less than 97% of the average conversion value of such notes during the note measurement period; (3) the notes will be convertible upon the occurrence of specified corporate transactions; and (4) the notes will be convertible at any time from, and including, June 15, 2011 to, and including, the business day immediately preceding July 15, 2011 (in the case of the 2011 notes) and at any time from, and including, June 15, 2013 to, and including, the business day immediately preceding July 15, 2013 (in the case of the 2013 notes).

Upon conversion, holders of notes will receive cash and, if applicable, shares of our common stock, based on the sum of the daily settlement amounts described in this prospectus for the 30 consecutive trading days that begin on, and include, the third trading day after the day the notes are tendered for conversion, subject to certain exceptions in connection with conversions during a period immediately preceding the applicable maturity date as described in this prospectus. We refer to the cash due upon conversion as the principal return and the shares, if any, due upon conversion as the net shares.

Our common stock is listed on the Nasdaq Global Market under the symbol MEDI. On September 28, 2006, the last reported sale price of our common stock was \$29.41 per share.

REDEMPTION AND REPURCHASE

The notes will not be redeemable at our option prior to their maturity. Holders may require us to repurchase all or a portion of their notes upon a fundamental change, as described in this prospectus, at a repurchase price in cash equal to 100% of the principal amount of the notes to be repurchased, plus any accrued and unpaid interest to, but excluding, the fundamental change repurchase date.

Investing in the notes and the common stock issuable upon conversion of the notes involves risks. See Risk factors beginning on page 7.

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Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved these securities or determined if this prospectus is truthful or complete. Any representation to the contrary is a criminal offense.

The notes have been eligible for trading on the Private Offerings, Resales and Trading through Automated Linkages, or PORTAL, Market of the National Association of Securities Dealers, Inc. Notes sold pursuant to this prospectus are not expected to remain eligible for trading on the PORTAL Market. The notes will not be listed on any securities exchange.

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MedImmune, Synagis, FluMist, and Numax are registered trademarks of the Company.

Prospectus summary

The following summary is qualified by the more detailed information included elsewhere or incorporated by reference in this prospectus. Because this is a summary, it may not contain all the information that may be important to you. You should read the entire prospectus, as well as the information incorporated by reference, before making an investment decision.

OUR COMPANY

MedImmune is a global biotechnology company committed to advancing science to develop better medicines that help people live healthier, longer and more satisfying lives. To accomplish our mission, we are motivated to understand the biological intricacies of the human body and how it is affected by disease. Our success as a company relies heavily on our ability to harness the power of innovation and technology to develop novel answers to problems caused by life-threatening and debilitating illnesses in three main therapeutic areas: infectious disease, cancer and inflammatory disease.

Founded in 1988 and headquartered in Gaithersburg, Maryland, we operate facilities in the U.S. and Europe to manufacture and distribute one or more components of each of our products. We have a U.S.-based marketing team and sales force as well as clinical, research and development staff.

THE NOTES

On June 28, 2006, we issued and sold \$575 million aggregate principal amount of 1.375% convertible senior notes due July 15, 2011 and \$575 million aggregate principal amount of 1.625% convertible senior notes due July 15, 2013, in a private offering to UBS Investment Bank, Merrill Lynch & Co., Banc of America Securities LLC, Citigroup, Goldman, Sachs & Co., Lehman Brothers Inc. and Wachovia Securities, which we refer to as the initial purchasers. We were advised by the initial purchasers that the notes were resold in transactions which were exempt from registration requirements of the Securities Act of 1933 (the Securities Act), as amended, to persons reasonably believed by the initial purchasers to be qualified institutional buyers, as defined in Rule 144A under the Securities Act.

The following is a brief summary of the notes. For a more complete description of the notes, see the section entitled Description of Notes in this prospectus.

Issuer	MedImmune, Inc.
Notes	\$575 million aggregate principal amount of 1.375% convertible senior notes due July 15, 2011 and \$575 million aggregate principal amount of 1.625% convertible senior notes due July 15, 2013.
Maturity	The 2011 notes will mature on July 15, 2011, unless earlier repurchased or converted. The 2013 notes will mature on July 15, 2013, unless earlier repurchased or converted.
Interest payment dates	We will pay 1.375% interest per annum on the principal amount of the 2011 notes and 1.625% interest per annum on the principal amount of the 2013 notes, in each case payable semi-annually in arrears on January 15 and July 15 of each year, starting on January 15, 2007, to holders of record at the close of business on the preceding January 1 and July 1, respectively. Interest will accrue on the notes from and including June 28, 2006 or from and including the last date in respect of which interest has been paid or provided for, as the case may be, to, but excluding, the next interest payment date or maturity date, as the case may be.
Ranking	The notes are our senior unsecured obligations and will rank equally with all of our existing and future senior unsecured indebtedness. The notes are effectively subordinated to all of our existing and future secured indebtedness and all existing and future liabilities of our subsidiaries, including trade payables. As of June 30, 2006, we had \$5.7 million of outstanding secured indebtedness, of which \$0.2 million was held by our subsidiaries. Any borrowings under our \$600 million revolving credit facility will be secured by marketable securities. As of June 30, 2006, our subsidiaries had approximately \$0.2 million of indebtedness and other liabilities to which the notes would be structurally subordinated. As of June 30, 2006, we had approximately \$1,655.7 million of total consolidated outstanding indebtedness, including \$500.0 million of 1.0% convertible senior notes due 2023 of which \$489.6 million were repaid on July 17, 2006, and the notes.

Conversion rights

The notes are convertible into cash and, if applicable, shares of our common stock, \$0.01 par value per share, based on an initial conversion rate, subject to adjustment, of 29.9679 shares per \$1,000 principal amount of notes in the case of the 2011 notes (which represents an initial conversion price of approximately \$33.37 per share), or based on an initial conversion rate, subject to adjustment, of 29.9679 shares per \$1,000 principal amount of notes in the case of the 2013 notes (which represents an initial conversion price of approximately \$33.37 per share), only in the following circumstances and to the following extent:

- the notes are convertible during any calendar quarter after the calendar quarter ending September 30, 2006, if the closing sale price of our common stock for each of 20 or more trading days in a period of 30 consecutive trading days ending on the last trading day of the immediately preceding calendar quarter exceeds 130% of the conversion price in effect on the last trading day of the immediately preceding calendar quarter;
- the notes are convertible during the five consecutive business days immediately after any five consecutive trading day period (we refer to this five consecutive trading day period as the note measurement period) in which the average trading price per \$1,000 principal amount of notes was equal to or less than 97% of the average conversion value of the notes during the note measurement period;
- the notes are convertible if we make certain distributions on our common stock or engage in certain transactions; and
- the notes are convertible at any time from, and including, June 15, 2011 to, and including, the business day immediately preceding July 15, 2011 (in the case of the 2011 notes) and at any time from, and including, June 15, 2013 to, and including, the business day immediately preceding July 15, 2013 (in the case of the 2013 notes).

Upon conversion, holders will receive, per \$1,000 principal amount being converted, a settlement amount that is equal to the sum of the daily settlement amounts for each of the 30 trading days during the cash settlement averaging period.

The cash settlement averaging period with respect to any note means:

- for notes that are converted at any time on or after the 33rd scheduled trading day prior to the maturity date of the applicable notes, the 30 consecutive trading days beginning on, and including, the 30th scheduled trading day prior to the maturity date; and
- in all other instances, the 30 consecutive trading days beginning on the third trading day following the conversion date.

The daily settlement amount for a given trading day consists of:

- cash equal to the lesser of \$33.33 and the daily conversion value; and

- to the extent the daily conversion value exceeds \$33.33, a number of shares equal to:
 - the excess of the daily conversion value over \$33.33, divided by
 - the volume weighted average price of our common stock on that trading day.

We refer to the cash due upon conversion as the principal return, and we refer to the shares, if any, that are due upon conversion as the net shares. The daily conversion value on a given trading day means one-thirtieth of the product of the applicable conversion rate and the volume weighted average price of our common stock on that trading day.

A holder that surrenders notes for conversion in connection with a make-whole fundamental change that occurs before the maturity date for such notes may in certain circumstances be entitled to an increased conversion rate. See Description of notes Conversion rights.

Sinking fund
Redemption of notes at our option
Right of holder to require us to repurchase notes if a fundamental change occurs

None.
The notes are not redeemable at our option prior to their maturity.

Events of Default

If a fundamental change, as described in this prospectus, occurs, holders may require us to repurchase all or a portion of their notes for cash at a repurchase price equal to 100% of the principal amount of the notes to be repurchased, plus any accrued and unpaid interest to, but excluding, the repurchase date. See Description of notes Holders may require us to repurchase their notes upon a fundamental change.

If an event of default on the notes has occurred and is continuing, the principal amount of the notes plus any accrued and unpaid interest may become immediately due and payable. These amounts automatically become due and payable upon certain events of default. See Description of notes Events of default.

Certain U.S. federal income tax considerations

For a discussion of certain United States federal tax considerations relating to the purchase, ownership and disposition of the notes and shares of common stock into which the notes may be convertible, see Material United States federal income tax considerations.

Use of proceeds

We will not receive any proceeds from the sale of the notes or the shares of common stock offered by this prospectus.

DTC eligibility

The notes have been issued in book-entry-only form and are represented by one or more global certificates, without interest coupons, deposited with, or on behalf of, DTC and registered in the name of a nominee of DTC. Beneficial interests in the notes are shown on, and transfers are effected only through, records maintained by DTC and its direct and indirect participants. Except in limited circumstances, holders may not exchange interests in their notes for certificated securities. See Description of notes Form, denomination and registration of notes.

For a more complete description of the terms of the notes, see Description of notes. For a more complete description of our common stock, see Description of capital stock.

Ratio of earnings to fixed charges

The following table presents our ratio of earnings to fixed charges for the years ended December 31, 2001 through 2005 and for the six months ended June 30, 2006 and our pro forma deficiency of earnings to fixed charges for the year ended December 31, 2005 and the six months ended June 30, 2006 after adjustment for issuance of \$1.15 billion of convertible senior notes on June 28, 2006 and the use of a portion of the proceeds to retire \$489.6 million of our existing outstanding indebtedness:

	Year ended December 31,					Six months ended June 30, 2006
	2001	2002	2003	2004	2005	
Historical						
Deficiency of earnings to fixed charges (in millions)		\$ (1,050.4)	(1)	\$ (10.5)	(2)	\$ (28.5)
Ratio of earnings to fixed charges	174x		18x		2x	(2)(3)
Pro Forma						
Deficiency of earnings to fixed charges (in millions)					\$ (5.2)	(2)(3) \$ (34.5)

- (1) Reflects the charge of approximately \$1,179.3 million for acquired in-process research and development and other charges in connection with the acquisition of Aviron on January 10, 2002.
- (2) Reflects charges of approximately \$102.2 million and \$4.7 million during 2004 and 2005, respectively, related to the dissolution of our collaboration with Wyeth and reacquisition of full rights to the influenza vaccines franchise. See Note 16 to the Consolidated Financial Statements in our annual report on Form 10-K for the year ended December 31, 2005, which is incorporated by reference in this prospectus.
- (3) Reflects charges of approximately \$43.7 million for acquired in-process research and development in connection with the Company's acquisition of Collective Therapeutics, Inc. on October 14, 2005. See Note 3 to the Consolidated Financial Statements in the Company's annual report on Form 10-K for the year ended December 31, 2005, which is incorporated by reference in this prospectus.

Risk factors

You should carefully consider and evaluate all of the information included and incorporated by reference in this prospectus, including the risk factors incorporated herein by reference and those listed below. Any of these risks could materially and adversely affect our business, results of operations and financial condition, which in turn could materially and adversely affect the market price of the notes offered by this prospectus and the trading price of our common stock.

Keep these risk factors in mind when you read forward-looking statements contained in this prospectus and the documents incorporated by reference herein. These statements relate to our expectations about future events and time periods. In some cases, you can identify forward-looking statements by terminology such as may, will, intends, plans, believes, anticipates, expects, estimates, predicts, potential, continue or opportunity, the negative of these words or words of similar import. Similarly, statements that describe our future plans, strategies, intentions, expectations, objectives, goals or prospects are also forward-looking statements. Forward-looking statements involve risks and uncertainties, and future events and circumstances could differ significantly from those anticipated in the forward-looking statements.

The risk factors relating to our business are contained in our Annual Report on Form 10-K for the year-ended December 31, 2005, as updated by our Quarterly Reports on Form 10-Q. In addition to the risk factors relating to our business, which are incorporated by reference herein, you should carefully consider the risks relating to our common stock and the notes as described below.

The notes are unsecured, are effectively subordinated to all of our existing and future secured indebtedness and are structurally subordinated to all liabilities of our subsidiaries, including trade payables.

The notes are unsecured, are effectively subordinated to all of our existing and future secured indebtedness, to the extent of the assets securing such indebtedness, and are structurally subordinated to all liabilities of our subsidiaries, including trade payables. As of June 30, 2006, we had \$5.7 million of outstanding secured indebtedness, of which \$0.2 million was held by our subsidiaries. Any borrowings under our \$600 million revolving credit facility will be secured by marketable securities. As of June 30, 2006, our subsidiaries had approximately \$0.2 million of indebtedness and other liabilities to which the notes would be structurally subordinated. As of June 30, 2006, we had approximately \$1,655.7 million of total consolidated outstanding indebtedness, including \$500.0 million of 1% convertible senior notes due 2023 of which \$489.6 million was repaid on July 17, 2006, and the notes. In the event of our insolvency, bankruptcy, liquidation, reorganization, dissolution or winding up, we may not have sufficient assets to pay amounts due on any or all of the notes then outstanding. See Description of notes Ranking.

None of our subsidiaries has guaranteed or otherwise become obligated with respect to the notes. Our right to receive assets from any of our subsidiaries upon its liquidation or reorganization, and the right of holders of the notes to participate in those assets, is structurally subordinated to claims of that subsidiary's creditors, including trade creditors. Even if we were a creditor of any of our subsidiaries, our rights as a creditor would be subordinate to any security interest in the assets of that subsidiary and any indebtedness of that subsidiary senior to that held by us. Furthermore, none of our subsidiaries is under any obligation to make payments to us, and any payments to us would depend on the earnings or financial condition of our subsidiaries and various business considerations. Statutory, contractual or other restrictions may also limit our subsidiaries' ability to pay dividends or make distributions, loans or advances to us. For these reasons, we may not have access to any assets or cash flows of our subsidiaries to make payments on the notes.

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

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

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

The convertible note hedge and warrant transactions may affect the value of the notes and our common stock.

In connection with the sale of the notes, we entered into convertible note hedge transactions and warrant transactions with certain financial institutions we refer to as the hedge participants. The convertible note hedge transactions were designed to reduce the potential dilution of our common stock upon conversion of the notes. We used a portion of the net proceeds of the initial offering of the notes and of the warrants that we sold to the hedge participants to pay the cost of the convertible note hedge that we purchased from the same counterparties. These transactions were accounted for as an adjustment to our stockholders' equity. In connection with hedging these transactions, the hedge participants:

- may enter into various derivative transactions with respect to our common stock and/or purchase our common stock concurrently with or shortly after the initial offering of the notes; and
- may enter into, or may unwind, various derivatives and/or purchase or sell our common stock in secondary market transactions following the initial offering of the notes (including during any cash settlement averaging period related to a conversion of notes).

These activities could have the effect of increasing or preventing a decline in the price of our common stock.

We understand that the hedge participants are likely to modify their hedge positions from time to time prior to conversion or maturity of the notes by purchasing and selling shares of our common stock, other of our securities, or other instruments they may wish to use in connection with such hedging. In particular, such hedging modification may occur during any cash settlement averaging period for a conversion of notes, which may have a negative effect on the value of the consideration received upon conversion of those notes. In addition, we intend to exercise options we hold under the convertible note hedge transactions whenever notes are converted. In order to unwind their hedge position with respect to those exercised options, the hedge participants or their affiliates may sell shares of our common stock in secondary transactions or unwind various derivative transactions with respect to our common stock during the cash settlement averaging period, if any, for the converted notes.

Volatility of the market price of our common stock may depress the trading price of the notes.

The market price of our common stock has experienced, and may continue to experience, significant volatility. From January 1, 2004 through September 28, 2006, the trading price of our common stock on the Nasdaq Global Market has ranged from a low of \$20.77 per share to a high of \$37.58 per share. Because

the notes are potentially convertible into shares of our common stock in certain circumstances, volatility in the price of our common stock may depress the trading price of the notes. The risk of volatility and depressed prices of our common stock also applies to holders who receive shares of common stock upon conversion of their notes.

Numerous factors, including many over which we have no control, may have a significant impact on the market price of our common stock, including, among other things:

- our operating and financial performance and prospects;
- our ability to repay our debt;
- investor perceptions of us and the industry and markets in which we operate;
- changes in earnings estimates or buy/sell recommendations by analysts; and
- general financial, domestic, international, economic and other market conditions.

In addition, the stock market in recent years has experienced extreme price and trading volume fluctuations that often have been unrelated or disproportionate to the operating performance of individual companies. These broad market fluctuations may adversely affect the price of our common stock, regardless of our operating performance. In addition, sales of substantial amounts of our common stock in the public market, or the perception that those sales may occur, could cause the market price of our common stock to decline. Furthermore, stockholders may initiate securities class action lawsuits if the market price of our stock drops significantly, which may cause us to incur substantial costs and could divert the time and attention of our management.

These factors, among others, could significantly depress the trading price of the notes and the price of our common stock issued upon conversion of the notes.

The net share settlement feature of the notes may have adverse consequences.

The net share settlement feature of the notes, as described under Description of notes Conversion rights Payment upon conversion, may:

- result in holders receiving no shares upon conversion or fewer shares relative to the conversion value of the notes;
- reduce our liquidity;
- delay holders receipt of the consideration due upon conversion; and
- subject holders to market risk before receiving any shares upon conversion.

If the notes are convertible, upon conversion, holders will receive cash and, if applicable, shares of our common stock based on the sum of the daily settlement amounts described in this prospectus for the 30 consecutive trading days that begins on, and includes, the third trading day after the day the notes are tendered for conversion, subject to certain exceptions in connection with conversions during a period immediately preceding the maturity date of the relevant notes as described in this prospectus. We refer to this 30 trading day period as the cash settlement averaging period.

We will generally deliver the cash and, if applicable, shares of common stock issuable upon conversion as soon as practicable, but in no event more than three business days after the last trading day in the cash settlement averaging period, which will generally be at least 32 trading days after the date holders tender their notes for conversion. In addition, because the consideration due upon conversion is based in part on the trading prices of our common stock during the cash settlement averaging period, any decrease in the price of our common stock after you tender your notes for conversion may significantly decrease the value

of the consideration you receive. Furthermore, because we must settle at least a portion of our conversion obligation in cash, the conversion of notes may significantly reduce our liquidity.

The conversion rate of the notes may not be adjusted for all dilutive events that may occur.

As described under Description of notes Conversion rights Adjustments to the conversion rate, we will adjust the conversion rate of the notes for certain events, including, among others:

- the issuance of stock dividends on our common stock;
- the issuance of certain rights or warrants;
- certain subdivisions and combinations of our capital stock;
- the distribution of capital stock, indebtedness or assets; and
- certain tender or exchange offers.

We will not adjust the conversion rate for other events, such as an issuance of common stock for cash or in connection with an acquisition, that may adversely affect the trading price of the notes or our common stock. If we engage in any of these types of transactions, the value of the common stock into which your notes may be convertible may be diluted. An event that adversely affects the value of the notes, but does not result in an adjustment to the conversion rate may occur. Also, we will not increase the conversion rate to an amount, subject to adjustment, that exceeds 36.7107 shares per \$1,000 principal amount of notes.

The increase in the conversion rate applicable to notes that holders convert in connection with a make-whole fundamental change may not adequately compensate you for the lost option time value of your notes as a result of that fundamental change.

If a make-whole fundamental change occurs before the maturity date of the relevant notes, we will under certain circumstances increase the conversion rate applicable to holders who convert their notes within a specified time frame. The amount of the increase in the conversion rate depends on the date when the fundamental change becomes effective and the applicable price described in this prospectus. See Description of notes Conversion rights Adjustment to the conversion rate upon the occurrence of a make-whole fundamental change.

Although the increase in the conversion rate is designed to compensate you for the lost option time value of your notes as a result of the make-whole fundamental change, the increase in the conversion rate is only an approximation of the lost value and may not adequately compensate you for the loss. In addition, you will not be entitled to an increased conversion rate if:

- you surrender a note for conversion in connection with a make-whole fundamental change we have announced, but the make-whole fundamental change is not consummated; or
- the applicable price is greater than \$100.00 per share or less than \$27.24 per share (in each case, subject to adjustment) in the case of the 2011 notes, or the applicable price is greater than \$100.00 per share or less than \$27.24 per share (in each case, subject to adjustment) in the case of the 2013 notes.

Furthermore, a holder may not receive the additional consideration payable as a result of the increase in the conversion rate until the third business day after the effective date of the fundamental change, or even later, which could be a significant period of time after the date the holder has tendered its notes for conversion. Our obligation to increase the conversion rate as described above also could be considered a penalty, in which case its enforceability would be subject to general principles of reasonableness of

economic remedies. In addition, we will not increase the conversion rate to an amount, subject to adjustment, that exceeds 36.7107 shares per \$1,000 principal amount of notes.

We may not have the ability to raise the funds to pay interest on the notes, to purchase the notes upon a fundamental change or to pay the cash payment due upon conversion.

The 2011 notes bear interest semi-annually at a rate of 1.375% per year, and the 2013 notes bear interest semi-annually at a rate of 1.625% per year. In addition, we may in certain circumstances be obligated to pay additional interest. If a fundamental change occurs, holders of the notes may require us to repurchase, for cash, all or a portion of their notes. In addition, upon conversion of the notes, we must pay the principal return in cash. We may not have sufficient funds to pay the interest, repurchase price or principal return when due. In addition, the terms of our existing revolving credit facility and any borrowing agreements which we may enter into from time to time in the future may require early repayment of borrowings under circumstances similar to those constituting a fundamental change. These agreements may also make our repurchase of notes, or the cash payment due upon conversion of the notes, an event of default under such agreements. If we fail to pay interest on the notes, repurchase the notes or pay the cash payment due upon conversion when required, we will be in default under the indentures governing the notes. See Description of notes Interest payments, and Description of notes Holders may require us to repurchase their notes upon a fundamental change.

You may not be able to convert your notes into cash and, if applicable, shares of our common stock before June 15, 2011 (in the case of the 2011 notes) or June 15, 2013 (in the case of the 2013 notes), and the value of the notes could be less than the value of the common stock into which your notes could otherwise be converted.

Prior to June 15, 2011 (in the case of the 2011 notes) or June 15, 2013 (in the case of the 2013 notes), the notes are convertible into cash and, if applicable, shares of our common stock only if specified conditions are met. These conditions may not be met. If these conditions for conversion are not met, you will not be able to convert your notes and you may not be able to receive the value of the common stock into which the notes would otherwise be convertible. In addition, for these and other reasons, the trading price of the notes could be substantially less than the conversion value of the notes.

We have made only limited covenants in the indentures for the notes, and these limited covenants may not protect your investment.

The indentures for the notes do not:

- require us to maintain any financial ratios or specific levels of net worth, revenues, income, cash flows or liquidity and, accordingly, does not protect holders of the notes in the event that we experience significant adverse changes in our financial condition or results of operations;
- limit our subsidiaries' ability to incur indebtedness which would effectively rank senior to the notes;
- limit our ability to incur secured indebtedness or indebtedness that is equal in right of payment to the notes;
- restrict our subsidiaries' ability to issue securities that would be senior to the common stock of our subsidiaries held by us;
- restrict our ability to repurchase our securities;
- restrict our ability to pledge our assets or those of our subsidiaries; or
- restrict our ability to make investments or to pay dividends or make other payments in respect of our common stock or other securities ranking junior to the notes.

Furthermore, the indentures for the notes contain only limited protections in the event of a change in control. We could engage in many types of transactions, such as acquisitions, refinancings or recapitalizations, that could substantially affect our capital structure and the value of the notes and our common stock but may not constitute a fundamental change that permits holders to require us to repurchase their notes. For these reasons, you should not consider the covenants in the indentures or the repurchase features of the notes as a significant factor in evaluating whether to invest in the notes.

Provisions in the indentures for the notes, our charter documents and Delaware law could discourage an acquisition of us by a third party, even if the acquisition would be favorable to you.

If a fundamental change occurs, holders of the notes will have the right, at their option, to require us to repurchase all or a portion of their notes. In the event of a make-whole fundamental change, we also may be required to increase the conversion rate applicable to notes surrendered for conversion in connection with such make-whole fundamental change. In addition, the indentures for the notes prohibit us from engaging in certain mergers or acquisitions unless, among other things, the surviving entity assumes our obligations under the notes. These and other provisions, including the provisions of our charter documents and Delaware law described under Description of capital stock, could prevent or deter a third party from acquiring us even where the acquisition could be beneficial to you.

An adverse rating of the notes may cause their trading price to fall.

If a rating agency rates the notes, it may assign a rating that is lower than the ratings assigned to our other debt. Ratings agencies also may lower ratings on the notes in the future. If rating agencies assign a lower-than-expected rating or reduce, or indicate that they may reduce, their ratings in the future, the trading price of the notes could significantly decline.

You may have to pay U.S. federal income tax if we adjust the conversion rate in certain circumstances, even if you do not receive any cash.

We will adjust the conversion rate of the notes for stock splits and combinations, stock dividends, cash dividends and certain other events that affect our capital structure. See Description of notes Conversion rights Adjustments to the conversion rate. If we adjust the conversion rate, you may be treated as having received a constructive distribution from us, resulting in taxable income to you for U.S. federal income tax purposes, even though you would not receive any cash in connection with the conversion rate adjustment and even though you might not exercise your conversion right. See Material United States federal income tax considerations.

As a holder of notes, you will not be entitled to any rights with respect to our common stock, but you will be subject to all changes made with respect to our common stock.

If you hold notes, you will not be entitled to any rights with respect to our common stock (including, without limitation, voting rights and rights to receive any dividends or other distributions on our common stock), but you will be subject to all changes affecting our common stock. You will have the rights with respect to our common stock only when we deliver shares of common stock, if any, to you upon conversion of your notes. For example, in the event that an amendment is proposed to our charter or bylaws requiring stockholder approval and the record date for determining the stockholders of record entitled to vote on the amendment occurs prior to the date you are deemed to have received common stock, if any, upon conversion, you will not be entitled to vote on the amendment, although you will nevertheless be subject to any changes in the powers, preferences or special rights of our common stock. In addition, because of the contingent conversion and net share settlement features of the notes, you may not be able to convert your notes until the one month period immediately preceding their maturity date, and you may not receive any shares upon conversion.

We do not intend to pay cash dividends on our common stock in the foreseeable future.

We currently intend to continue our policy of retaining earnings to finance the growth of our business. As a result, we do not anticipate paying cash dividends on our common stock in the foreseeable future. Because we do not anticipate paying cash dividends for the foreseeable future, holders who convert their notes and receive shares of our common stock will not realize a return on their investment unless the trading price of our common stock appreciates, which we cannot assure.

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Forward-looking statements

The statements in this prospectus and the documents incorporated by reference in this prospectus that are not descriptions of historical facts may be forward-looking statements. Those statements involve substantial risks and uncertainties. You can identify those statements by the fact that they contain words such as anticipate, believe, estimate, expect, intend, project or other terms of similar meaning. Those statements reflect management's current beliefs, but are based on numerous assumptions, which we cannot control and that may not develop as we expect. Consequently, actual results may differ materially from those projected in the forward-looking statements. Among the factors that could cause actual results to differ materially are the risks, uncertainties and other matters discussed above under Risk Factors and elsewhere in this prospectus and the documents incorporated by reference in this prospectus. We caution you that RSV disease and influenza, two diseases targeted by our products, occur primarily during the winter months; We believe our operating results will reflect that seasonality for the foreseeable future. We are also developing several products for potential future marketing. We cannot assure you that our development efforts will succeed, that such products will receive required regulatory clearance or that, even if such regulatory clearance is received, such products will ultimately achieve commercial success. Unless otherwise indicated, the information in this prospectus and the documents incorporated by reference is as of the respective dates specified.

Use of proceeds

We will not receive any proceeds from the sale of the notes or the shares of common stock offered by this prospectus.

Price range of common stock and dividend policy

Our common stock trades on the Nasdaq Global Market under the symbol **MEDI**. The following table shows the range of high and low prices for the common stock for the periods indicated.

	Price range	
	High	Low
Year ended December 31, 2004		
First Quarter	\$ 26.41	\$ 20.77
Second Quarter	25.95	22.91
Third Quarter	25.15	21.70
Fourth Quarter	28.70	23.62
Year ended December 31, 2005		
First Quarter	\$ 27.45	\$ 23.20
Second Quarter	27.55	23.60
Third Quarter	33.83	26.48
Fourth Quarter	37.58	31.82
Year ended December 31, 2006		
First Quarter	\$ 37.45	\$ 31.81
Second Quarter	36.85	26.27
Third Quarter (through September 28, 2006)	30.00	24.87

We have never declared or paid any cash dividends on our common stock and we do not anticipate paying any cash dividends in the foreseeable future. We currently intend to retain any earnings to fund future growth, product development and operations.

Description of notes

The notes were issued under two indentures dated as of June 28, 2006, each between us and The Bank of New York, as trustee. The trustee's main role is to enforce your rights against us if there is a default under the indentures. We describe some of the limitations on the extent to which the trustee acts on your behalf under Events of default below.

The following summary of the terms of the notes, the indentures and the registration rights agreement does not purport to be complete and is subject, and qualified in its entirety by reference, to the detailed provisions of the notes, the indentures and the registration rights agreement, which have been filed as exhibits to our public reports. Those documents, and not this description, define your legal rights as a holder of the notes.

For purposes of this summary, the terms MedImmune, we, us and our refer only to MedImmune, Inc. and not to any of its subsidiaries, unless we specify otherwise. Unless the context requires otherwise, the term interest includes additional interest.

GENERAL

On June 28, 2006, we issued \$575 million aggregate principal amount of our convertible senior notes due 2011, or the 2011 notes, and \$575 million aggregate principal amount of our convertible senior notes due 2013, or the 2013 notes, and, collectively (unless the context requires otherwise) with the 2011 notes, the notes. The notes bear interest at a rate of 1.375% per annum (in the case of the 2011 notes) and at a rate of 1.625% per annum (in the case of the 2013 notes), in each case payable semi-annually in arrears on January 15 and July 15 of each year, beginning on January 15, 2007, to holders of record at the close of business on the preceding January 1 and July 1, respectively, except as described below.

The notes:

- bear additional interest if we fail to comply with the obligations we describe under Registration rights, additional interest;
- were issued in denominations of integral multiples of \$1,000 principal amount;
- are our unsecured indebtedness and are equal in right of payment to our other senior unsecured indebtedness as described under Ranking; and
- are subject to repurchase by us at the option of the holder upon a fundamental change, as described under Holders may require us to repurchase their notes upon a fundamental change, at a repurchase price in cash equal to 100% of the principal amount of the notes to be repurchased, plus accrued and unpaid interest to, but excluding, the fundamental change repurchase date.

The 2011 notes mature on July 15, 2011, and the 2013 notes mature on July 15, 2013.

All cash payments on the notes will be made in U.S. dollars.

We issued the notes in denominations of integral multiples of \$1,000 principal amount, without coupons. We initially issued the notes as global securities in book-entry form. We will make payments in respect of notes represented by global securities by wire transfer of immediately available funds to DTC or its nominee as registered owner of the global securities. We will make payments in respect of notes that are issued in certificated form by wire transfer of immediately available funds to the accounts specified by each holder of more than \$5.0 million aggregate principal amount of the 2011 notes or the 2013 notes, as applicable. However, if a holder of a certificated note does not specify an account, or holds \$5.0 million or less in aggregate principal amount of the applicable notes, then we will mail a check to that holder's registered address.

You may convert notes at the office of the conversion agent, present notes for registration of transfer at the office of the registrar for the notes and present notes for payment at maturity at the office of the paying agent. We have appointed the trustee as the initial conversion agent, registrar, bid solicitation agent and paying agent for the notes.

We will not provide a sinking fund for the notes. The indentures do not contain any financial covenants and will not limit our ability to incur additional indebtedness, including senior or secured indebtedness, pay dividends or repurchase our securities. In addition, the indentures do not provide any protection to holders of notes in the event of a highly leveraged transaction or a change in control, except as, and only to the limited extent, described under Holders may require us to repurchase their notes upon a fundamental change and Consolidation, merger and sale of assets.

If any payment date with respect to the notes falls on a day that is not a business day, we will make the payment on the next business day. The payment made on the next business day will be treated as though it had been made on the original payment date, and no interest will accrue on the payment for the additional period of time.

INTEREST PAYMENTS

We will pay interest on the notes at a rate of 1.375% per annum (in the case of the 2011 notes) and at a rate of 1.625% per annum (in the case of the 2013 notes), in each case payable semi-annually in arrears on each January 15 and July 15 of each year, beginning on January 15, 2007. Except as described below, we will pay interest that is due on an interest payment date to holders of record at the close of business on the preceding January 1 and July 1, respectively. Interest will accrue on the notes from and including June 28, 2006 or from and including the last date in respect of which interest has been paid or provided for, as the case may be, to, but excluding, the next interest payment date or maturity date, as the case may be. We will pay interest on the notes on the basis of a 360-day year consisting of twelve 30-day months.

If notes are converted after a record date but prior to the next interest payment date, holders of such notes at the close of business on the record date will, on the corresponding interest payment date, receive the interest payable on such notes on that interest payment date notwithstanding the conversion. The holder who surrenders a note for conversion after a record date but prior to the next interest payment date must pay to the conversion agent, upon surrender, an amount equal to the amount of interest payable on the corresponding interest payment date on the note so converted; *provided* that no such interest payment need be made to us:

- if the note is surrendered for conversion after the record date immediately preceding the maturity date of that note;
- if we have specified a repurchase date following a fundamental change that is after a record date but on or prior to the next interest payment date, and the note is tendered for conversion after such record date and on or before such interest payment date; or
- to the extent of any overdue interest, if any overdue interest exists at the time of conversion with respect to such note.

For a description of when and to whom we must pay additional interest, if any, see Registration rights, additional interest.

CONVERSION RIGHTS

If the conditions for conversion of the notes described below, including those described under

Conditions for conversion and Conversion procedures, are satisfied, holders of notes may, subject to prior maturity or repurchase, convert their notes in integral multiples of \$1,000 principal amount into cash in an amount described below and, if applicable, shares of our common stock, based on an initial

conversion rate, subject to adjustment, of 29.9679 shares per \$1,000 principal amount of notes in the case of the 2011 notes (which represents an initial conversion price of approximately \$33.37 per share), or based on an initial conversion rate, subject to adjustment, of 29.9679 shares per \$1,000 principal amount of notes in the case of the 2013 notes (which represents an initial conversion price of approximately \$33.37 per share). Except as described below, we will not make any payment or other adjustment on conversion with respect to any accrued interest on the notes, and we will not adjust the conversion rate to account for accrued and unpaid interest. Instead, accrued interest will be deemed to be paid by the consideration received by the holder upon conversion. As a result, accrued interest is deemed to be paid in full rather than cancelled, extinguished or forfeited.

On conversion, the holders of notes will, to the extent they receive any shares of our common stock upon conversion, also receive the rights under our stockholder rights agreement and any future stockholder rights plan (*i.e.*, a poison pill) we may establish, whether or not the rights are separated from our common stock prior to conversion. We describe our existing stockholder rights agreement and the rights under it under Description of capital stock Stockholder rights plan.

In certain circumstances, a holder must, upon conversion, pay interest if the conversion occurs between a record date and an interest payment date. See Interest payments above. A note for which a holder has delivered a fundamental change repurchase notice, as described below, requiring us to repurchase the note may be surrendered for conversion only if the holder withdraws the notice in accordance with the applicable indenture, unless we default in the payment of the fundamental change repurchase price.

Conversion procedures

To convert a certificated note, the holder must complete the conversion notice on the back of the note and deliver it, together with the note and any required interest payment, to the office of the conversion agent for the notes, which will initially be the office of the trustee. In addition, the holder must pay any tax or duty payable as a result of any transfer involving the issuance or delivery of the shares of common stock in a name other than that of the registered holder of the note. The note will be deemed to be converted on the business day on which the holder has satisfied all of these requirements. We refer to this date as the conversion date. To convert interests in a global note, the holder must comply with DTC's then applicable conversion program procedures.

A holder that has delivered a fundamental change repurchase notice with respect to a note, as described below, may convert that note only if the holder withdraws the notice in accordance with the applicable indenture. See Holders may require us to repurchase their notes upon a fundamental change.

We will deliver, through the conversion agent, the cash and, if applicable, shares of common stock issuable upon conversion as soon as practicable, but in no event more than three business days after the last trading day in the cash settlement averaging period described below. However, if a holder surrenders a note for conversion in connection with a make-whole fundamental change under circumstances where we must increase the conversion rate applicable to that note, then we will deliver, through the conversion agent, the consideration that is payable on account of the increase in the conversion rate as soon as practicable, but in no event after the third business day after the later of:

- the date the holder surrenders the note for conversion;
- the last trading day in the applicable cash settlement averaging period; and
- the effective date of the make-whole fundamental change.

For a discussion of certain tax considerations applicable to a holder that converts notes, see Material United States federal income tax considerations.

Payment upon conversion

Holders that surrender their notes for conversion will receive, in exchange for those notes, cash and, if applicable, shares of our common stock as follows. Upon conversion, holders will receive, per \$1,000 principal amount being converted, a settlement amount that is equal to the sum of the daily settlement amounts (as described below) for each of the 30 trading days during the cash settlement averaging period (as described below).

The cash settlement averaging period with respect to any note means:

- for notes that are converted at any time on or after the 33rd scheduled trading day prior to the maturity date of the applicable notes, the 30 consecutive trading days beginning on, and including, the 30th scheduled trading day prior to the maturity date; and
- in all other instances, the 30 consecutive trading days beginning on, and including, the third trading day following the conversion date.

The daily settlement amount, for each of the 30 trading days during the cash settlement averaging period, consists of:

- cash equal to the lesser of \$33.33 and the daily conversion value (as described below); and
- to the extent the daily conversion value exceeds \$33.33, a number of shares equal to:
- the excess of the daily conversion value over \$33.33, divided by
- the volume weighted average price of our common stock on that trading day.

We will deliver cash in lieu of any fractional shares of common stock based on the volume weighted average price per share of our common stock on the last trading day of the cash settlement averaging period.

We refer to the cash due upon conversion as the principal return, and we refer to the shares, if any, that are due upon conversion as the net shares. The daily conversion value on a given trading day means one-thirtieth of the product of:

- the applicable conversion rate; and
- the volume weighted average price of our common stock on that trading day.
- Trading day generally means any day during which: trading in our common stock generally occurs on the primary United States national securities exchange or market on which our common stock is listed or admitted to trading; and
- there is no market disruption event (as described below).

Market disruption event means (i) a failure by the primary United States national securities exchange or market on which our common stock is listed or admitted to trading to open for trading during its regular trading session or (ii) the occurrence or existence prior to 1:00 p.m. on any trading day for our common stock for an aggregate of at least 30 minutes of any suspension or limitation imposed on trading (by reason of movements in price exceeding limits permitted by the stock exchange or otherwise) in our common stock or in any options, contracts or future contracts relating to our common stock.

The volume weighted average price per share of our common stock on any trading day means such price as displayed on Bloomberg (or any successor service) page MEDI <equity> VAP in respect of the

period from 9:30 a.m. to 4:00 p.m., New York City time, on such trading day; or, if such price is not available, the volume weighted average price means the market value per share of our common stock on such day as determined by a nationally recognized investment banking firm retained for this purpose by us.

Conditions for conversion

The notes will become convertible only in certain circumstances, which we describe below. If the notes become convertible, we will provide written notice to each registered holder, at its address appearing in the security register, and we will publicly announce, through a reputable national newswire service, that the notes have become convertible, stating, among other things:

- the event causing the notes to become convertible;
- the time during which the notes will be convertible as a result of that event; if that event is a transaction described under Conversion upon the occurrence of certain corporate transactions, the anticipated effective date of the transaction; and
- the procedures holders must follow to convert their notes, including the name and address of the conversion agent.

We will mail the notice, and make the public announcement, as soon as practicable, but in no event later than the open of business on the third business day following the date the notes become convertible as a result of the event.

Holders may surrender their notes for conversion on or prior to the business day immediately preceding maturity or prior to repurchase only in the following circumstances:

Conversion based on price of common stock

Prior to maturity, or repurchase, holders may surrender their notes for conversion during any calendar quarter after the calendar quarter ending September 30, 2006, if the closing sale price of our common stock for each of 20 or more trading days in a period of 30 consecutive trading days ending on the last trading day of the immediately preceding calendar quarter exceeds 130% of the conversion price of the 2011 notes or the 2013 notes, as applicable, in effect on the last trading day of the immediately preceding calendar quarter. We will make appropriate adjustments, in our good faith determination, to account for any adjustment to the conversion rate that becomes effective, or any event requiring an adjustment to the conversion rate where the ex date of the event occurs, during that 30 consecutive trading day period.

Closing sale price on any date means the price of a share of our common stock on such date, determined (a) on the basis of the closing per share sale price (or if no closing sale price is reported, the average of the bid and ask prices or, if more than one in either case, the average of the average bid and the average ask prices) on such date on the U.S. principal national or regional securities exchange on which our common stock is listed; or (b) if our common stock is not listed on a U.S. national or regional securities exchange, as reported by Nasdaq; or (c) if not so reported, as reported by Pink Sheets LLC or a similar organization. In the absence of any such report or quotation, the closing sale price shall be such price as we shall reasonably determine as most accurately reflecting the price that a fully informed buyer, acting on his own accord, would pay to a fully informed seller, acting on his own accord in an arms-length transaction, for a share of our common stock.

Conversion upon satisfaction of the trading price condition

Prior to maturity or earlier repurchase, holders may surrender their notes for conversion during the five consecutive business days immediately after any five consecutive trading day period (we refer to this five consecutive trading day period as the note measurement period) in which the average trading price per \$1,000 principal amount of the 2011 notes or the 2013 notes, as applicable, as determined following a

request by a holder of notes in accordance with the procedures described below, was equal to or less than 97% of the average conversion value of the applicable notes during the note measurement period. We refer to this condition as the trading price condition.

For purposes of the trading price condition, the conversion value per \$1,000 principal amount of notes on a trading day is the product of the closing sale price per share of our common stock and the conversion rate of the notes in effect on that trading day.

Except as described below, the trading price of the notes on any day means the average secondary market bid quotations obtained by the bid solicitation agent for \$5 million principal amount of 2011 notes or 2013 notes, as applicable, at approximately 4:00 p.m., New York City time, on such day from three independent nationally recognized securities dealers we select. However, if the bid solicitation agent can reasonably obtain only two such bids, then the average of the two bids will instead be used, and if the bid solicitation agent can reasonably obtain only one such bid, then that one bid will be used. Even still, if on a given day:

- the bid solicitation agent cannot reasonably obtain at least one bid for \$5 million principal amount of the applicable notes from an independent nationally recognized securities dealer; or
- in our reasonable, good faith judgment, the bid quotation or quotations that the bid solicitation agent has obtained are not indicative of the secondary market value of the applicable notes,

then the trading price per \$1,000 principal amount of the applicable notes will be deemed to be equal to 97% of the product of the closing sale price of our common stock on that day and the conversion rate in effect on that day.

The bid solicitation agent will have no obligation to determine the trading price of the notes unless we have requested it to do so, and we will have no obligation to make such request unless a holder of at least \$5.0 million aggregate principal amount of the 2011 notes or the 2013 notes, as applicable, provides us with reasonable evidence that the trading price per \$1,000 principal amount of the applicable notes would be equal to or less than 97% of the conversion value of the applicable notes. At such time, we will instruct the bid solicitation agent to determine the trading price of the applicable notes for each of the next five trading days and on each following trading day until the trading price condition is no longer satisfied.

Conversion upon the occurrence of certain corporate transactions

If:

- a fundamental change, as described under *_____* Holders may require us to repurchase their notes upon a fundamental change, or a make-whole fundamental change, as described under *_____*
Adjustment to the conversion rate upon the occurrence of a make-whole fundamental change occurs; or
- we are party to a consolidation, merger or binding share exchange pursuant to which our common stock would be converted into or exchanged for, or would constitute solely the right to receive, cash, securities or other property,

then a holder may surrender its notes for conversion at any time during the period that begins on, and includes, the 45th calendar day before the date we originally announce as the anticipated effective date of the transaction and ends on, and includes, the 30th calendar day after the actual effective date of the transaction. In addition, if the transaction is a make-whole fundamental change, then the notes may also be surrendered for conversion at any time during the make-whole conversion period described under *_____*

Adjustment to the conversion rate upon the occurrence of a make-whole fundamental change, and if the transaction is a fundamental change, then the notes may also be surrendered for conversion at any time until, and including, the fundamental change repurchase date for that fundamental change. Holders

that convert their notes in connection with a make-whole fundamental change may in some circumstances also be entitled to an increased conversion rate. See Adjustment to the conversion rate upon the occurrence of a make-whole fundamental change.

In addition, if we take any action, or become aware of any event, that would require an adjustment to the conversion rate as described in the third, fourth, fifth or sixth bullet point under Adjustments to the conversion rate below, then we must mail to registered holders written notice of the action or event at least 45 calendar days before the record, effective or expiration date, as the case may be, of the transaction. Holders may surrender their notes for conversion beginning on the date we mail the notice (or, if earlier, the date the applicable indenture requires us to mail the notice) until the close of business on the business day immediately preceding the ex date (as defined in the indentures) or the expiration date for such transaction or until we announce that the transaction will not take place.

Conversion during specified periods

The notes may be surrendered for conversion at any time from, and including, June 15, 2011 to, and including, the business day immediately preceding July 15, 2011 (in the case of the 2011 notes) and at any time from, and including, June 15, 2013 to, and including, the business day immediately preceding July 15, 2013 (in the case of the 2013 notes).

Change in the conversion right upon certain reclassifications, business combinations and asset sales

If we reclassify our common stock (other than a change only in par value or a change as a result of a subdivision or combination of our common stock) or are party to a consolidation, merger or binding share exchange, or if we sell, transfer, lease, convey or otherwise dispose of all or substantially all of our property or assets, in each case pursuant to which our common stock would be converted into or exchanged for, or would constitute solely the right to receive, cash, securities or other property, then, at the effective time of the transaction, the right to convert a note will be changed into a right to convert it into the kind and amount of cash, securities or other property (the reference property) that a holder of such note would have received (assuming, if applicable, that the holder would have made the applicable election referred to in the immediately following paragraph) if the holder had converted the note and, upon such conversion, received, immediately before the transaction, a number of shares of our common stock equal to the then applicable conversion rate of the 2011 notes or the 2013 notes, as applicable, multiplied by the principal amount (expressed in thousands) of the note. However, at and after the effective time of the transaction, the principal return payable upon conversion of the notes will continue to be payable in cash (instead of reference property) and the daily conversion value will be calculated based on the value of the reference property. A change in the conversion right such as this could substantially lessen or eliminate the value of the conversion right. For example, if a third party acquires us in a cash merger, each note would be convertible solely into cash and would no longer be potentially convertible into securities whose value could increase depending on our future financial performance, prospects and other factors. There is no precise, established definition of the phrase all or substantially all of our property or assets under applicable law. Accordingly, there may be uncertainty as to whether the provisions above would apply to a sale, transfer, lease, conveyance or other disposition of less than all of our property or assets.

If a transaction described above occurs and holders of our common stock have the opportunity to elect the form of consideration to receive in that transaction, then we will make adequate provision to give holders of the 2011 notes and holders of the 2013, each treated as a single class, a reasonable opportunity to elect the form of such consideration for purposes of determining the composition of the reference property described above with respect to the 2011 notes and the 2013 notes, as applicable. Once the election is made, it will apply to all holders of the applicable notes after the effective time of the transaction.

Adjustments to the conversion rate

Subject to the terms of the indentures, we will adjust the conversion rate for:

- dividends or distributions on our common stock payable in shares of our common stock to all holders of our common stock;
- subdivisions, combinations or certain reclassifications of our common stock;
- distributions to all or substantially all holders of our common stock of certain rights or warrants (other than, as described below, rights distributed pursuant to a stockholder rights plan) entitling them, for a period expiring not more than 60 days immediately following the record date for the distribution, to purchase or subscribe for shares of our common stock at a price per share that is less than the current market price per share of our common stock on the record date for the distribution;
- dividends or other distributions to all or substantially all holders of our common stock of shares of our or any of our existing or future subsidiaries capital stock (other than our common stock), evidences of indebtedness or other assets (other than dividends or distributions covered by the two bullet points below) or the dividend or distribution to all or substantially all holders of our common stock of certain rights or warrants (other than those covered in the immediately preceding bullet point or, as described below, certain rights or warrants distributed pursuant to a stockholder rights plan) to purchase or subscribe for our securities;
- cash dividends or other cash distributions by us to all or substantially all holders of our common stock, other than distributions described in the immediately following bullet point; and
- distributions of cash or other consideration by us or any of our subsidiaries in respect of a tender offer or exchange offer for our common stock, to the extent such cash and the value of any such other consideration per share of our common stock validly tendered or exchanged exceeds the closing sale price of our common stock on the first trading day after expiration of the tender or exchange offer.

However, in no event will we adjust the conversion rate pursuant to the events described in the third, fourth, fifth or sixth bullet points above to an amount that exceeds 36.7107 shares per \$1,000 principal amount of notes. We will adjust this maximum conversion rate in the same manner in which we must adjust the conversion rate for stock splits and combinations, stock dividends, reclassifications and similar events. In addition, in no event will we increase the conversion rate to the extent the increase reduces the conversion price to an amount that is less than the par value per share of our common stock.

If we distribute cash in accordance with the fifth bullet point above, then we will increase the conversion rate so that it equals the rate determined by multiplying the conversion rate in effect immediately before the open of business on the ex-date for the cash distribution by a fraction whose numerator is the current market price per share of our common stock on the ex-date and whose denominator is that current market price less the per share amount of the distribution.

Current market price per share of our common stock on a date means the average of the closing sale prices of our common stock for the 10 consecutive trading days ending on, but excluding, the earlier of that date or the ex-date (as defined in the indentures) with respect to the distribution requiring such computation. We will make adjustments to the current market price in accordance with the indentures to account for the occurrence of certain events during the 10 consecutive trading day period.

If we issue rights, options or warrants that are only exercisable upon the occurrence of certain triggering events, then:

- we will not adjust the conversion rate pursuant to the bullet points above until the earliest of these triggering events occurs; and
- we will readjust the conversion rate to the extent any of these rights, options or warrants are not exercised before they expire.

The indentures do not require us to adjust the conversion rate for any of the transactions described in the bullet points above if we make provision for each holder of the applicable notes to participate in the transaction without conversion as if such holder held a number of shares equal to the conversion rate in effect on the ex date or effective date, as the case may be, for such transaction multiplied by the principal amount (expressed in thousands) of the applicable notes held by such holder.

We will not adjust the conversion rate pursuant to the bullet points above unless the adjustment would result in a change of at least 1% in the then effective conversion rate. However, we will carry forward any adjustment that we would otherwise have to make and take that adjustment into account in any subsequent adjustment. However, if we mail a notice of a fundamental change or make-whole fundamental change, or any transaction described under Conversion upon the occurrence of certain corporate transactions above, occurs, then we will give effect to all adjustments that we have otherwise deferred pursuant to this provision, and those adjustments will no longer be carried forward and taken into account in any subsequent adjustment.

To the extent permitted by law and the continued listing requirements of the Nasdaq Global Market, we may, from time to time, increase the conversion rate by any amount for a period of at least 20 days or any longer period permitted or required by law, so long as the increase is irrevocable during that period and our board of directors determines that the increase is in our best interests. We will mail a notice of the increase to registered holders at least 15 days before the day the increase commences. In addition, we may, but are not obligated to, also increase the conversion rate as we determine to be advisable in order to avoid or diminish taxes to recipients of certain distributions.

To the extent that the amended and restated rights agreement, dated as of October 31, 1998, by and between us and American Stock Transfer & Trust Company, as rights agent, or any future rights plan (i.e., a poison pill) adopted by us, is in effect, upon conversion of the notes, you will receive, in addition to the consideration that is otherwise due upon conversion, the rights under such rights agreement or future rights plan, unless the rights have separated from our common stock at the time of conversion, in which case the conversion rate will be adjusted at the time of separation as if we had distributed to all holders of our common stock, shares of our capital stock, evidences of indebtedness, other assets or certain rights or warrants as described in the fourth bullet point under Adjustments to the conversion rate above, subject to readjustment in the event of the expiration, termination or redemption of such rights. See Description of Capital Stock Stockholder rights plan.

In the event of:

- a taxable distribution to holders of common stock which results in an adjustment to the conversion rate; or
- an increase in the conversion rate at our discretion,

the holders of the notes may, in certain circumstances, be deemed to have received a distribution subject to U.S. federal income tax as a dividend. This generally would occur, for example, if we adjust the conversion rate to compensate holders for cash dividends on our common stock and could also occur if we make other distributions of cash or property to our stockholders. See Material United States federal income tax considerations.

Adjustment to the conversion rate upon the occurrence of a make-whole fundamental change

If, prior to July 15, 2011 (in the case of the 2011 notes) or July 15, 2013 (in the case of the 2013 notes):

- there occurs a sale, transfer, lease, conveyance or other disposition (other than a permitted transfer as described below) of all or substantially all of our property or assets to any person or group (as those terms are used in Sections 13(d) and 14(d) of the Securities Exchange Act of 1934), including any group acting for the purpose of acquiring, holding, voting or disposing of securities within the meaning of Rule 13d-5(b)(1) under the Securities Exchange Act of 1934 (we refer to such a transaction as an asset sale make-whole fundamental change); or
- there occurs any transaction or series of related transactions (other than a listed stock business combination as described under Holders may require us to repurchase their notes upon a fundamental change), in connection with which (whether by means of an exchange offer, liquidation, tender offer, consolidation, merger, combination, reclassification, recapitalization, asset sale, lease of assets or otherwise) our common stock is exchanged for, converted into, acquired for or constitutes solely the right to receive other securities, other property, assets or cash (we refer to such any transaction described in this and the immediately preceding bullet point as a make-whole fundamental change),

then we will increase, as described below under The increase in the conversion rate, the conversion rate applicable to notes that are surrendered for conversion at any time from, and including, the 45th day before the date we originally announce as the anticipated effective date of the make-whole fundamental change to, and including, the 30th business day after the actual effective date of the make-whole fundamental change (or, if the make-whole fundamental change also constitutes a fundamental change, as described under Holders may require us to repurchase their notes upon a fundamental change, to, and including, the fundamental change repurchase date for that fundamental change). We refer to this period as the make-whole conversion period.

We will mail to registered holders, at their addresses appearing in the security register, notice of, and we will publicly announce, through a reputable national newswire service, the anticipated effective date of any proposed make-whole fundamental change. We must make this mailing and announcement at least 45 days before the first anticipated effective date of the make-whole fundamental change. In addition, no later than the third business day after the completion of the make-whole fundamental change, we must make an additional notice and announcement announcing such completion.

A permitted transfer means any transfer, whether in a single transaction or series of related transactions, of all or substantially all of our property or assets to one or more of our subsidiaries, so long as at and after such transaction or series of transactions, such subsidiary will guarantee, or each of such subsidiaries will jointly and severally guarantee, as the case may be, in each case on a senior unsecured basis, our obligations under the notes.

If a holder surrenders a note for conversion in connection with a make-whole fundamental change we have announced, but the make-whole fundamental change is not consummated, then the holder will not be entitled to the increased conversion rate referred to above in connection with the conversion.

The increase in the conversion rate

In connection with the make-whole fundamental change, we will increase the conversion rate by reference to the tables below, based on the date when the make-whole fundamental change becomes effective, which we refer to as the effective date, and the applicable price. If the make-whole fundamental change is a transaction or series of related transactions described in the second bullet point under Adjustment to the conversion rate upon the occurrence of a make-whole fundamental change and the consideration (excluding cash payments for fractional shares or pursuant to statutory appraisal

rights) for our common stock in the make-whole fundamental change consists solely of cash, then the applicable price will be the cash amount paid per share of our common stock in the make-whole fundamental change. If the make-whole fundamental change is an asset sale make-whole fundamental change and the consideration paid for our property and assets consists solely of cash, then the applicable price will be the cash amount paid for our property and assets, expressed as an amount per share of our common stock outstanding on the effective date of the asset sale make-whole fundamental change. In all other cases, the applicable price will be the average of the closing sale prices per share of our common stock for the five consecutive trading days immediately preceding the relevant effective date. We will make appropriate adjustments, in our good faith determination, to account for any adjustment to the conversion rate that becomes effective, or any event requiring an adjustment to the conversion rate where the ex date of the event occurs, at any time during those five consecutive trading days.

The following tables set forth the number of additional shares per \$1,000 principal amount of notes that will be added to the conversion rate applicable to the 2011 notes and the 2013 notes, as the case may be, that are converted during the make-whole conversion period. The increased conversion rate will be used to determine the amount of cash and, if applicable, shares that are due upon conversion, as described under Payment upon conversion above. If an event occurs that requires an adjustment to the conversion rate, we will, on the date we must adjust the conversion rate, adjust each applicable price set forth in the first column of the tables below by multiplying the applicable price in effect immediately before the adjustment by a fraction:

- whose numerator is the conversion rate in effect immediately before the adjustment; and
- whose denominator is the adjusted conversion rate.

In addition, we will adjust the number of additional shares in the tables below in the same manner in which, and for the same events for which, we must adjust the conversion rate as described under Adjustments to the conversion rate.

2011 Notes Make-Whole Table

The following table sets forth the number of additional shares per \$1,000 principal amount of notes that will be added to the conversion rate applicable to the 2011 notes:

Number of additional shares

(per \$1,000 principal amount of notes)

Applicable price	Effective Date					
	June 28, 2006	July 15, 2007	July 15, 2008	July 15, 2009	July 15, 2010	July 15, 2011
\$27.24	7.20	7.41	7.31	7.14	6.87	7.00
\$30.00	5.72	5.80	5.57	5.22	4.63	3.59
\$35.00	3.90	3.86	3.52	3.03	2.23	0
\$40.00	2.77	2.67	2.32	1.83	1.09	0
\$45.00	2.03	1.93	1.60	1.17	0.58	0
\$50.00	1.54	1.44	1.15	0.79	0.36	0
\$55.00	1.20	1.11	0.87	0.58	0.26	0
\$60.00	0.95	0.89	0.68	0.44	0.21	0
\$65.00	0.77	0.72	0.55	0.36	0.18	0
\$70.00	0.64	0.60	0.45	0.30	0.16	0
\$75.00	0.53	0.51	0.38	0.26	0.14	0
\$80.00	0.45	0.44	0.33	0.23	0.13	0
\$85.00	0.38	0.38	0.29	0.20	0.12	0
\$90.00	0.33	0.33	0.26	0.18	0.11	0
\$95.00	0.28	0.29	0.23	0.17	0.10	0
\$100.00	0.25	0.26	0.21	0.15	0.10	0

The exact applicable price and effective date may not be as set forth in the table above, in which case:

- if the actual applicable price is between two applicable prices listed in the table above, or the actual effective date is between two effective dates listed in the table above, we will determine the number of additional shares by linear interpolation between the numbers of additional shares set forth for the two applicable prices, or for the two effective dates based on a 365-day year, as applicable;
- if the actual applicable price is greater than \$100.00 per share (subject to adjustment), we will not increase the conversion rate; and
- if the actual applicable price is less than \$27.24 per share (subject to adjustment), we will not increase the conversion rate.

2013 Notes Make-Whole Table

The following table sets forth the number of additional shares per \$1,000 principal amount of notes that will be added to the conversion rate applicable to the 2013 notes:

Number of additional shares
(per \$1,000 principal amount of notes)

Applicable price	Effective Date							
	June 28, 2006	July 15, 2007	July 15, 2008	July 15, 2009	July 15, 2010	July 15, 2011	July 15, 2012	July 15, 2013
\$27.24	7.49	7.76	7.69	7.59	7.44	7.23	6.93	7.04
\$30.00	6.15	6.32	6.17	5.97	5.70	5.31	4.69	3.64
\$35.00	4.46	4.52	4.31	4.03	3.65	3.12	2.29	0
\$40.00	3.36	3.37	3.14	2.84	2.45	1.92	1.15	0
\$45.00	2.61	2.60	2.37	2.09	1.73	1.26	0.64	0
\$50.00	2.08	2.06	1.85	1.59	1.27	0.88	0.41	0
\$55.00	1.70	1.68	1.48	1.25	0.98	0.66	0.30	0
\$60.00	1.41	1.39	1.22	1.02	0.78	0.52	0.25	0
\$65.00	1.18	1.17	1.02	0.85	0.65	0.43	0.21	0
\$70.00	1.01	1.00	0.87	0.72	0.55	0.37	0.19	0
\$75.00	0.87	0.87	0.75	0.62	0.47	0.32	0.18	0
\$80.00	0.75	0.76	0.65	0.54	0.41	0.29	0.16	0
\$85.00	0.66	0.67	0.58	0.48	0.37	0.26	0.15	0
\$90.00	0.58	0.59	0.51	0.42	0.33	0.24	0.14	0
\$95.00	0.51	0.53	0.46	0.38	0.30	0.22	0.13	0
\$100.00	0.45	0.47	0.41	0.34	0.27	0.20	0.12	