

# U.S. SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

## FORM 10-Q

QUARTERLY REPORT PURSUANT TO SECTION 13 or 15(d)  
OF THE SECURITIES EXCHANGE ACT OF 1934  
For the Quarter ended October 1, 2004

*Commission File Number 1-16137*

## WILSON GREATBATCH TECHNOLOGIES, INC.

(Exact name of Registrant as specified in its charter)

**Delaware**

(State of incorporation)

16-1531026

(I.R.S. employer identification no.)

9645 Wehrle Drive  
Clarence, New York  
14031

(Address of principal executive offices)

(716) 759-5600

(Registrant's telephone number, including area code)

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 is an accelerated filer (as defined in Exchange Act Rule 12b-2). Yes ☒ No ☐

The number of shares outstanding of the Company's common stock, \$.001 par value per share, as of November 5, 2004 was: 21,393,819 shares.

**WILSON GREATBATCH TECHNOLOGIES, INC.**  
**TABLE OF CONTENTS FOR FORM 10-Q**  
**QUARTER ENDED SEPTEMBER 30, 2004**

	Page
COVER PAGE	1
TABLE OF CONTENTS	2
PART I - FINANCIAL INFORMATION (unaudited)	
ITEM 1. Financial Statements	
Condensed Consolidated Balance Sheet	3
Condensed Consolidated Statement of Operations	4
Condensed Consolidated Statement of Cash Flows	5
Notes to Condensed Consolidated Financial Statements	6
ITEM 2. Management's Discussion and Analysis of Financial Condition and Results of Operations	16
ITEM 3. Quantitative and Qualitative Disclosures About Market Risk	24
ITEM 4. Controls and Procedures	24
PART II - OTHER INFORMATION	
ITEM 1. Legal Proceedings	25
ITEM 2. Changes in Securities, Use of Proceeds and Issuer Purchases of Equity Securities	25
ITEM 3. Defaults Upon Senior Securities	25
ITEM 4. Submission of Matters to a Vote of Security Holders	25
ITEM 5. Other Information	25
ITEM 6. Exhibits and Reports on Form 8-K	25
SIGNATURES	26
EXHIBIT INDEX	27

PART I - FINANCIAL INFORMATION  
ITEM 1. FINANCIAL STATEMENTS

WILSON GREATBATCH TECHNOLOGIES, INC.  
CONDENSED CONSOLIDATED BALANCE SHEET - Unaudited  
(IN THOUSANDS)

ASSETS	September 30, 2004	December 31, 2003
Current assets:		
Cash and cash equivalents	\$77,801	\$119,486
Short-term investments	6,064	11,559
Accounts receivable, net	28,777	23,726
Inventories	33,348	28,598
Prepaid expenses and other current assets	1,328	3,591
Refundable income taxes	575	583
Deferred income taxes	3,163	3,163
Asset available for sale	3,600	3,658
	-----	-----
Total current assets	154,656	194,364
Property, plant, and equipment, net	83,146	63,735
Intangible assets, net	65,061	51,441
Goodwill	156,759	119,521
Deferred income taxes	2,896	2,896
Other assets	5,009	6,286
	-----	-----
Total assets	\$467,527	\$438,243
	=====	=====
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	3,077	4,091
Accrued expenses and other current liabilities	18,147	18,968
Current portion of long-term debt	809	850
	-----	-----
Total current liabilities	22,033	23,909
Long-term debt, net of current portion	1,138	928
Convertible subordinated notes	170,000	170,000
Deferred income taxes	20,026	7,251
Other long-term liabilities	-	815
	-----	-----
Total liabilities	213,197	202,903
	-----	-----
Stockholders' equity:		
Preferred stock	-	-
Common stock	21	21
Additional paid-in capital	211,812	207,969
Deferred stock-based compensation	(615)	(1,185)
Treasury stock, at cost	-	(179)
Retained earnings	43,112	28,714
	-----	-----
Total stockholders' equity	254,330	235,340
	-----	-----
Total liabilities and stockholders' equity	\$467,527	\$438,243
	=====	=====

The accompanying notes are an integral part of these condensed consolidated financial statements

WILSON GREATBATCH TECHNOLOGIES, INC.  
CONDENSED CONSOLIDATED STATEMENT OF OPERATIONS - Unaudited  
(IN THOUSANDS EXCEPT PER SHARE AMOUNTS)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2004	2003	2004	2003
Sales	\$45,177	\$56,335	\$153,644	\$166,994
Cost of sales	27,775	32,375	89,249	97,004
	-----	-----	-----	-----
Gross profit	17,402	23,960	64,395	69,990
Selling, general and administrative expenses	6,913	7,290	20,227	23,127
Research, development and engineering costs, net	4,156	3,953	14,725	13,148
Amortization of intangible assets	1,074	796	2,925	2,424
Other operating expense, net	346	125	3,524	272
	-----	-----	-----	-----
Operating income	4,913	11,796	22,994	31,019
Interest expense	1,144	1,154	3,448	2,952
Interest income	(244)	(253)	(802)	(384)
Early extinguishment of debt	-	-	-	1,603
Other income, net	(75)	(25)	(75)	(113)
	-----	-----	-----	-----
Income before provision for income taxes	4,088	10,920	20,423	26,961
Provision for income taxes	1,042	3,144	6,025	8,196
	-----	-----	-----	-----
Net income	\$3,046	\$7,776	\$14,398	\$18,765
	=====	=====	=====	=====
Earnings per share:				
Basic	\$0.14	\$0.37	\$0.67	\$0.89
Diluted	\$0.14	\$0.36	\$0.67	\$0.87
Weighted average shares outstanding:				
Basic	21,387	21,168	21,345	21,132
Diluted	21,495	21,623	21,517	21,507

The accompanying notes are an integral part of these condensed consolidated financial statements

WILSON GREATBATCH TECHNOLOGIES, INC.  
CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS - Unaudited  
(IN THOUSANDS)

	Nine Months Ended September 30,	
	2004	2003
Cash flows from operating activities:		
Net income	\$14,398	\$18,765
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	10,861	10,305
Stock-based compensation	2,061	1,966
Early extinguishment of debt	-	1,487
Deferred income taxes	4,780	(468)
Loss on disposal of assets	551	411
Changes in operating assets and liabilities:		
Accounts receivable	(5,051)	(7,687)
Inventories	(4,750)	3,681
Prepaid expenses and other current assets	2,310	2,623
Accounts payable	(1,131)	(1,355)
Accrued expenses and other current liabilities	49	6,596
Income taxes	(159)	5,764
Net cash provided by operating activities	23,919	42,088
Cash flows from investing activities:		
Sale (purchase) of short-term investments	5,495	(9,447)
Acquisition of property, plant and equipment	(26,046)	(7,724)
Proceeds from sale of assets	69	2,458
Decrease in other assets	37	107
Acquisition of subsidiary, net	(45,604)	-
Net cash used in investing activities	(66,049)	(14,606)
Cash flows from financing activities:		
Proceeds from issuance of long-term debt	-	170,000
Principal payments of long-term debt	(924)	(85,240)
Payment of debt issue costs	-	(4,535)
Issuance of common stock	1,190	441
Issuance of treasury stock	179	-
Net cash provided by financing activities	445	80,666
Net (decrease) increase in cash and cash equivalents	(41,685)	108,148
Cash and cash equivalents, beginning of year	119,486	4,608
Cash and cash equivalents, end of period	\$77,801	\$112,756

The accompanying notes are an integral part of these condensed consolidated financial statements

**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS - Unaudited**  
(IN THOUSANDS EXCEPT PER SHARE AMOUNTS)

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**1. BASIS OF PRESENTATION**

The accompanying unaudited condensed consolidated financial statements have been prepared in accordance with generally accepted accounting principles for interim financial information and with the instructions to Form 10-Q and Article 10 of Regulation S-X. Accordingly, they do not include all of the information necessary for a fair presentation of financial position, results of operations, and cash flows in conformity with generally accepted accounting principles. Operating results for interim periods are not necessarily indicative of results that may be expected for the fiscal year as a whole. In the opinion of management, the condensed consolidated financial statements reflect all adjustments (consisting of normal recurring adjustments) considered necessary for a fair presentation of the results of Wilson Greatbatch Technologies, Inc. (the "Company") for the periods presented. The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, sales, expenses, and related disclosures at the date of the financial statements and during the reporting period. Actual results could differ from these estimates. For further information, refer to the consolidated financial statements and notes thereto included in the Company's Annual Report on Form 10-K for the year ended January 2, 2004.

Certain reclassifications were made to the prior years' financial statements to conform with the current year presentation. None of the reclassifications affected net income or stockholders' equity.

The Company utilizes a fifty-two, fifty-three week fiscal year ending on the Friday nearest December 31st. For 52-week years, each quarter contains 13 weeks. For clarity of presentation, the Company describes all periods as if each quarter end is March 31st, June 30th and September 30th and as if the year-end is December 31st. The third quarter of 2004 and 2003 each contained 13 weeks. The nine months ended September 30, 2004 and 2003 each contained 39 weeks.

**2. ACQUISITION**

During March 2004, the Company completed the following acquisition:

o NanoGram Devices Corporation ("NDC"), a materials research and development company focused on developing nanoscale materials for implantable medical devices. NDC was acquired to further broaden our materials science expertise. NDC utilizes nanomaterials synthesis technology in the development of battery and medical device applications.

The acquisition was accounted for using the purchase method of accounting and accordingly, the results of the operations of NDC have been included in the consolidated financial statements from the date of acquisition.

#### Acquisition information:

Acquisition date	March 16, 2004
Purchase price:	
-----	
Cash paid	\$45,000
Transaction costs	604
	-----
Total purchase price	\$45,604
	=====
Purchase price allocation:	
-----	
Assets:	
Property and equipment	\$717
Other assets	168
Intangible assets (amortizing over 13 years)	16,500
Goodwill	35,082
Liabilities:	
Accounts payable	117
Other current liabilities	971
Deferred income taxes	5,775
	-----
Total purchase price	\$45,604
	=====

The following pro forma information presents the Company's consolidated results of operations for 2004 and 2003 as if the acquisition had been consummated at January 1, 2003. The pro forma consolidated results of operations include certain pro forma adjustments, including the amortization of intangible assets and interest on a term loan.

In thousands except per share amounts:	Three months ended		Nine months ended	
	September 30,	September 30,	September 30,	September 30,
	2004	2003	2004	2003
Sales	\$45,177	\$56,335	\$153,644	\$166,994
Net income	\$3,046	\$6,690	\$13,305	\$15,843
Net income per diluted share:	\$0.14	\$0.31	\$0.62	\$0.74

The pro forma results are not necessarily indicative of those that would have actually occurred had the acquisition taken place at the beginning of the periods presented.

### 3. STOCK-BASED COMPENSATION

The Company accounts for stock-based compensation in accordance with Statement of Financial Accounting Standards No. 123, Accounting for Stock-Based Compensation ("SFAS No. 123"). As permitted in that standard, the Company has chosen to account for stock-based compensation using the intrinsic value method prescribed in Accounting Principles Board No. 25, Accounting for Stock Issued to Employees, and related interpretations.

The Company has determined the pro forma information as if the Company had accounted for stock options granted under the fair value method of SFAS No. 123. The Black-Scholes option-pricing model was used with the following weighted average assumptions. These pro forma calculations assume the common stock is freely tradable for all periods presented and, as such, the impact is not necessarily indicative of the effects on reported net income of future years.

	Three Months Ended September 30, 2004		Nine Months Ended September 30, 2004	
	2004	2003	2004	2003
Risk-free interest rate	3.48%	2.61%	3.65%	2.68%
Expected volatility	50%	55%	50%	55%
Expected life (in years)	5	5	5	5
Expected dividend yield	0%	0%	0%	0%

The Company's net income and earnings per share as if the fair value based method had been applied to all outstanding and unvested awards in each year is as follows:

	Three Months Ended September 30, 2004		Nine Months Ended September 30, 2004	
	2004	2003	2004	2003
Net income as reported	\$3,046	\$7,776	\$14,398	\$18,765
Stock-based employee compensation cost included in net income as reported, net of related tax effects	\$396	\$606	\$1,484	\$1,368
Stock-based employee compensation cost determined using the fair value based method, net of related tax effects	\$1,082	\$1,134	\$2,747	\$2,576
Pro forma net income	\$2,360	\$7,248	\$13,135	\$17,557
Earnings per share:				
Basic - as reported	\$0.14	\$0.37	\$0.67	\$0.89
Basic - pro forma	\$0.11	\$0.34	\$0.62	\$0.83
Diluted - as reported	\$0.14	\$0.36	\$0.67	\$0.87
Diluted - pro forma	\$0.11	\$0.34	\$0.61	\$0.82



#### 4. SUPPLEMENTAL CASH FLOW INFORMATION

	Nine Months Ended September 30,	
	2004	2003
Noncash investing and financing activities:		
Acquisition of property utilizing capital leases	\$1,089	\$1,585
Common stock contributed to ESOP	\$2,723	\$3,668

#### 5. SHORT-TERM INVESTMENTS

Short-term investments at September 30, 2004 consist of investments acquired with maturities that exceed three months and are less than one year at the time of acquisition.

Held-to-maturity securities comprised the following:

	As of September 30, 2004			
	Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
Municipal Bonds	\$6,064	\$-	\$(6)	\$6,058
	-----	-	---	-----
Short-term investments	\$6,064	\$-	\$(6)	\$6,058
	=====	=	===	=====

The municipal bonds have maturity dates ranging from July 2004 to January 2005.

	As of December 31, 2003			
	Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
Municipal Bonds	\$11,559	\$-	\$(1)	\$11,558
	-----	-	---	-----
Short-term investments	\$11,559	\$-	\$(1)	\$11,558
	=====	=	===	=====

#### 6. INVENTORIES

Inventories comprised the following:

	September 30, 2004	December 31, 2003
Raw materials	\$12,199	\$11,688
Work-in-process	12,518	10,421
Finished goods	8,631	6,489
	-----	-----
Total	\$33,348	\$28,598
	=====	=====

## 7. INTANGIBLE ASSETS

Intangible assets comprised the following:

	As of September 30, 2004		
	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount
Amortizing intangible assets:			
Patented technology	\$21,462	\$(9,737)	\$11,725
Unpatented technology	30,886	(5,969)	24,917
Other	1,340	(1,174)	166
	-----	-----	-----
	53,688	(16,880)	36,808
Non-amortizing intangible assets:			
Trademark and names	31,420	(3,167)	28,253
	-----	-----	-----
Total intangible assets	\$85,108	\$(20,047)	\$65,061
	=====	=====	=====

Aggregate amortization expense for the third quarter 2004 and 2003 was \$1,086 and \$800, respectively. Aggregate amortization expense for the nine months ended September 30, 2004 and 2003 was \$2,948 and \$2,438, respectively.

Estimated amortization expense for the remainder of 2004 and for the years subsequent to 2004 are as follows:

Remainder of 2004	\$1,074
2005	3,841
2006	3,812
2007	3,794
2008	3,794
2009	3,248

## 8. EARNINGS PER SHARE

The following table reflects the calculation of basic and diluted earnings per share:

	Three Months Ended September 30,		Nine months September 30,	
	2004	2003	2004	2003
Earnings per share - basic	----	----	----	----
-----				
Earnings available to common shareholders	\$3,046	\$7,776	\$14,398	\$18,765
Weighted average shares outstanding	21,387	21,168	21,345	21,132
Earnings per share - basic	\$0.14	\$0.37	\$0.67	\$0.89
Earnings per share - diluted				
-----				
Earnings available to common shareholders	\$3,046	\$7,776	\$14,398	\$18,765
Weighted average shares outstanding	21,387	21,168	21,345	21,132
Dilutive impact of options outstanding & unvested restricted stock	108	455	172	375
	-----	-----	-----	-----
Weighted average shares and potential dilutive shares outstanding	21,495	21,623	21,517	21,507
Earnings per share - diluted	\$0.14	\$0.36	\$0.67	\$0.87

Net income per diluted share for the three and nine months ended September 30, 2004 and 2003 exclude the effect of 4,219 shares related to the contingent convertible notes, as the effect is anti-dilutive. See Note 13 for discussion of recent accounting standards impacting contingent convertible securities.

## 9. COMPREHENSIVE INCOME

For all periods presented, the Company's only component of comprehensive income is its net income.

## 10. COMMITMENTS AND CONTINGENCIES

The Company is a party to various legal actions arising in the normal course of business. The Company does not believe that the ultimate resolution of any such pending activities will have a material adverse effect on its consolidated results of operations, financial position, or cash flows.

Product Warranties - The change in aggregate product warranty liability for the quarter ended September 30, 2004, is as follows:

Beginning balance at June 30, 2004	\$337
Additions to warranty reserve	81
Warranty claims paid	( 66 )
	-----
Ending balance at September 30, 2004	\$352
	=====

Lease Agreements - In second quarter 2004, the Company entered into an operating lease agreement for a 144,000 square foot manufacturing facility in Tijuana, Mexico. The lease has an initial term of ten years with two renewal options for an additional 5 years each. This facility is currently under construction and will initially house the Company's new assembly operations. Lease payments will not commence until construction of the facility is substantially completed per the terms of the agreement. When payments commence, the annual lease expense is estimated to be \$338 for the first year, \$566 for the second year, with 3% annual increases thereafter for years three through ten.

Workers' Compensation Trust - In Western New York, the Company is a member of a group self-insurance trust that provides workers' compensation benefits to eligible employees of the Company and other group member employers. For locations outside of Western New York, the Company utilizes traditional insurance relationships to provide workers' compensation benefits. Under the terms of the Trust, the Company makes annual contributions to the Trust based on reported salaries paid to the employees using a rate based formula. Based on actual experience, the Company could receive a refund or be assessed additional contributions. For financial statement purposes, no amounts have been recorded for any refund or additional assessment since the Trust has not informed the Company of any such adjustments. Under the trust agreement, each participating organization has joint and several liability for trust obligations if the assets of the trust are not sufficient to cover its obligation. The Company does not believe that it has any current obligations under the joint and several liability.

## 11. BUSINESS SEGMENT INFORMATION

The Company operates its business in two reportable segments: Implantable Medical Components ("IMC") and Electrochem Power Solutions ("EPS"). The IMC segment designs and manufactures critical components used in implantable medical devices. The principal components are batteries, capacitors, filtered feedthroughs, enclosures and precision components. The principal medical devices are pacemakers, defibrillators and neurostimulators. The EPS segment designs and manufactures high performance batteries and battery packs; principal markets for these products are for oil and gas exploration, oceanographic equipment, and aerospace.

In second quarter of 2003, the Company was completely reorganized. This reorganization consisted of position additions, eliminations and reassignments along with new operational performance measures to align compensation with new roles. Fundamental to this was the need to more fully allocate various costs to the new business units and functional areas. During 2003, the Company's IMC segment included multiple business units that were aggregated because they share similar economic characteristics and similarities in the areas of products, production processes, types of customers, methods of distribution and regulatory environment. The reportable segments were separately managed, and their performance was evaluated based on numerous factors, including income from operations. Effective January 1, 2004, the Company completed an internal reorganization consolidating three business units into one business unit which comprises the IMC segment.

The Company defines segment income from operations as gross profit less costs and expenses attributable to segment specific selling, general and administrative, research, development and engineering expenses, intangible amortization and other operating expenses. Segment income also includes a portion of non-segment specific selling, general and administrative, and research, development and engineering expenses based on allocations appropriate to the expense categories. The remaining unallocated operating expenses along with other income and expense are not allocated to reportable segments. Transactions between the two segments are not significant. The accounting policies of the segments are the same as those described and referenced in Note 1.

An analysis and reconciliation of the Company's business segment information to the respective information in the condensed consolidated financial statements is as follows:

Sales:	Three Months Ended		Nine Months Ended	
	September 30,		September 30,	
	2004	2003	2004	2003
IMC				
ICD batteries	\$7,687	\$10,603	\$27,226	\$32,641
Pacemaker and other batteries	4,116	6,121	15,166	19,518
ICD Capacitors	4,103	7,869	18,750	22,866
Feedthroughs	9,533	14,086	35,521	37,441
Enclosures	5,631	6,235	16,170	19,453
Other	6,676	4,693	19,390	14,737
	-----	-----	-----	-----
Total IMC	37,746	49,607	132,223	146,656
EPS	7,431	6,728	21,421	20,338
	-----	-----	-----	-----
Total sales	\$45,177	\$56,335	\$153,644	\$166,994
	=====	=====	=====	=====
Segment income from operations:				
IMC	\$5,272	\$13,296	\$24,490	\$35,768
EPS	2,267	1,423	6,170	2,922
	-----	-----	-----	-----
Total segment income from operations	7,539	14,719	30,660	38,690
Unallocated operating expenses	(2,626)	(2,923)	(7,666)	(7,671)
	-----	-----	-----	-----
Operating income as reported	4,913	11,796	22,994	31,019
Unallocated other income and expense	(825)	(876)	(2,571)	(4,058)
	-----	-----	-----	-----
Income before income taxes as reported	\$4,088	\$10,920	\$20,423	\$26,961
	=====	=====	=====	=====

The changes in the carrying amount of goodwill are as follows:

	IMC	EPS	Total
Balance at January 1, 2004	\$116,955	\$2,566	\$119,521
Goodwill recorded during the year	37,238	-	37,238
	-----	-----	-----
Balance at September 30, 2004	\$154,193	\$2,566	\$156,759
	=====	=====	=====

The Company assesses goodwill for impairment under the provisions of SFAS No. 142 Goodwill and Other Intangible Assets. SFAS No. 142 requires the Company to assess goodwill for impairment by comparing the fair value of the reporting units to their carrying amounts on an annual basis, or more frequently if certain events occur or circumstances change, to determine if there is potential impairment. The Company will be performing its annual goodwill impairment test at January 1, 2005.

## 12. OTHER OPERATING EXPENSE

During second quarter 2004, there were two charges included in other operating expense in the Company's Condensed Consolidated Statement of Operations.

**Patent acquisition.** The Company recorded a \$2,000 pre-tax charge associated with the acquisition of certain patents during the quarter. The acquired patents cover how wet tantalum capacitors are used in an Implantable Cardioverter Defibrillator ("ICD"). Although the Company believed that the patents could have been successfully challenged in court proceedings prior to the acquisition, a decision was made to acquire the patents and remove this as a potential obstacle for existing customers to more fully adopt wet tantalum technology and for potential customers to initially adopt the technology. The Company had a prior legal opinion that in effect said the patents were not valid, therefore the Company believes it is appropriate to record the \$2,000 acquisition cost in accordance with its economic substance as a period expense.

**Severance charges.** In response to a reduction in forecasted sales for the year, the Company implemented a 7% workforce reduction during June, which resulted in a severance charge of \$800 during the second quarter. The severance charges during the second quarter 2004 were \$600 and \$100 for IMC and EPS, respectively. The remaining \$100 relates to corporate employees and is included in year to date unallocated operating expenses.

The remaining accrued severance of \$190 as of September 30, 2004, is expected to be paid within the next three months. The unpaid balance is \$120, \$40 and \$30 for IMC, EPS, and unallocated corporate, respectively.

## 13. IMPACT OF RECENTLY ISSUED ACCOUNTING STANDARDS

On September 30, 2004 the Emerging Issues Task Force (EITF) of the Financial Accounting Standards Board reached a final consensus that the dilutive effect of contingent convertible debt instruments must be included in diluted earnings per share regardless of whether the triggering contingency has been satisfied. This consensus, EITF Issue 04-8, The Effect of Contingently Convertible Debt on Diluted Earnings per Share, is effective for the Company for reporting periods ending after December 15, 2004. The Financial Accounting Standards Board ("FASB") ratified this consensus in October 2004. The provisions of EITF Issue 04-8 will be applied on a retroactive basis and will require restatement of prior period diluted earnings per share. The Company believes that the EITF as written could result in additional dilution to its diluted earnings per share of up to 4,129 shares. The Company will adopt EITF 04-08 as of December 31, 2004 and will restate the computation of diluted earnings per share for prior periods. When the Company adopts this consensus in the fourth quarter of 2004, it anticipates it will restate its diluted earnings per share for the 2nd, 3rd and 4th quarters of 2003, the full year 2003, and the 1st and 2nd quarters of 2004. For the 3rd quarter of 2004 and for the anticipated results of the 4th quarter and full year 2004, the impact would be anti-dilutive and therefore will not be adjusted.

## ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

### Introduction

We are a leading developer and manufacturer of critical components used in implantable medical devices ("IMDs") through our Implantable Medical Components ("IMC") business. The principal components are batteries, capacitors, filtered feedthroughs, enclosures and precision components. The principal medical devices are pacemakers, defibrillators and neurostimulators. We also leverage our core competencies in technology and manufacturing through our Electrochem Power Solutions ("EPS") business to develop and produce batteries and battery packs for commercial applications that demand high performance and reliability. The principal markets for these products are oil and gas exploration, oceanographic equipment and aerospace.

We utilize a fifty-two, fifty-three week fiscal year ending on the Friday nearest December 31st. For 52-week years, each quarter contains 13 weeks. For clarity of presentation, we describe all periods as if each quarter end is March 31st, June 30th and September 30th and as if the year-end is December 31st. The third quarter of 2004 and 2003 each contained 13 weeks. The nine months ended September 30, 2004 and 2003 each contained 39 weeks.

The commentary that follows should be read in conjunction with our consolidated financial statements and related notes and with the Management's Discussion and Analysis of Financial Condition and Results of Operations contained in our Form 10-K for the fiscal year ended January 2, 2004.

### Overview

During and subsequent to the third quarter 2004, there were several developments affecting our business:

- We executed a supply agreement with Medtronic, Inc. to provide sub-assembly for many of its Cardiac Rhythm Management ("CRM") and Neurostimulation devices.
- We are on schedule to complete construction of our new advanced battery manufacturing plant in Alden, New York and the assembly plant in Tijuana, Mexico in the first quarter of 2005.
- We have successfully implemented the ERP business platform at three locations and remain on schedule to implement the final location in the fourth quarter of 2004.
- We extended the current supply agreement with St. Jude Medical, Inc. through 2008.
- We amended the current supply agreement with Guidant Corporation to include QHR cell pricing, our next generation medical battery technology.
- We experienced a 20% decline in sales during the third quarter primarily due to lower sales volume to one major CRM customer.



## Results of Operation and Financial Condition

In thousands, except per share data	Three months ended				Nine months ended			
	September 30, 2004	September 30, 2003	\$ Change	% Change	September 30, 2004	September 30, 2003	\$ Change	% Change
IMC								
ICD batteries	\$7,687	\$10,603	(2,916)	-28%	\$27,226	\$32,641	\$(5,415)	-17%
Pacemaker and other batteries	4,116	6,121	(2,005)	-33%	15,166	19,518	(4,352)	-22%
ICD Capacitors	4,103	7,869	(3,766)	-48%	18,750	22,866	(4,116)	-18%
Feedthroughs	9,533	14,086	(4,553)	-32%	35,521	37,441	(1,920)	-5%
Enclosures	5,631	6,235	(604)	-10%	16,170	19,453	(3,283)	-17%
Other	6,676	4,693	1,983	42%	19,390	14,737	4,653	32%
Total IMC	37,746	49,607	(11,861)	-24%	132,223	146,656	(14,433)	-10%
EPS	7,431	6,728	703	10%	21,421	20,338	1,083	5%
Total sales	45,177	56,335	(11,158)	-20%	153,644	166,994	(13,350)	-8%
Cost of sales	27,775	32,375	(4,600)	-14%	89,249	97,004	(7,755)	-8%
Gross profit	17,402	23,960	(6,558)	-27%	64,395	69,990	(5,595)	-8%
Gross margin	38.5%	42.5%			41.9%	41.9%		
Selling, general, and administrative expenses (SG&A)	6,913	7,290	(377)	-5%	20,227	23,127	(2,900)	-13%
SG&A as a % of sales	15.3%	12.9%			13.2%	13.8%		
Research, development and engineering costs, net (RD&E)	4,156	3,953	203	5%	14,725	13,148	1,577	12%
RD&E as a % of sales	9.2%	7.0%			9.6%	7.9%		
Intangible amortization	1,074	796	278	35%	2,925	2,424	501	21%
Other operating expense	346	125	221	177%	3,524	272	3,252	1196%
Operating income	4,913	11,796	(6,883)	-58%	22,994	31,019	(8,025)	-26%
Operating margin	10.9%	20.9%			15.0%	18.6%		
Interest expense	1,144	1,154	(10)	-1%	3,448	2,952	496	17%
Interest income	(244)	(253)	9	-4%	(802)	(384)	(418)	109%
Early extinguishment of debt	-	-	-		-	1,603	(1,603)	-100%
Other expense (income), net	(75)	(25)	(50)	200%	(75)	(113)	38	-34%
Provision for income taxes	1,042	3,144	(2,102)	-67%	6,025	8,196	(2,171)	-26%
Effective tax rate	25.5%	28.8%			29.5%	30.4%		
Net income	\$3,046	\$7,776	\$(4,730)	-61%	\$14,398	\$18,765	\$(4,367)	-23%
Net margin	6.7%	13.8%			9.4%	11.2%		
Diluted earnings per share	\$0.14	\$0.36	\$(0.22)	-61%	\$0.67	\$0.87	\$(0.20)	-23%

## Sales

IMC. Our medical technology sales comprise various component products that are sold to medical device manufacturers. Many of the medical technology products that we sell are utilized by customers in cardiac rhythm management ("CRM") devices. The nature and extent of our selling relationship with each CRM customer is different in terms of component products purchased, selling prices, product volumes, ordering patterns and inventory management. We have pricing arrangements with our customers that do not specify minimum order quantities. Our visibility to customer ordering patterns is over a relatively short period of time. Our customers may have inventory management programs and alternate supply arrangements of which we are unaware. Additionally, the relative market share among the CRM device manufacturers changes periodically. Consequently, these and other factors can significantly impact our sales in any given period.

A volume decrease of 21% combined with a 3% price decrease were the primary drivers for the sales decline for IMC in the third quarter. As a percentage of the total IMC sales decline for the quarter, 84% was primarily due to lower sales volume to one major CRM customer. This particular decline is not expected to reverse in the immediate future. Due to a variety of factors, we anticipate that our customers will continue to demand technologically advanced products at competitive prices. The average selling prices of our current IMC products are expected to decrease over the next several years.

A volume decrease of 8% combined with a 2% price decrease were the primary drivers for the sales decline for IMC on a year to date basis. On a year-to-date basis, the IMC sales volume decline was primarily due to lower sales to one major CRM customer.

EPS. The increase in EPS sales for the quarter and the year to date was primarily the result of demand for batteries by customers in the oil and gas industry. Price changes did not significantly impact sales in the third quarter or year to date.

## Gross profit

For the quarter ended September 2004, approximately 280 basis points of the 400 basis point decrease in overall gross margin were related to the price decreases in the IMC product lines. Price changes in the EPS segment were not a significant factor in the overall gross margin analysis. The remaining decrease in the gross margin was primarily related to the unfavorable impact of spreading fixed manufacturing costs over lower production volumes in the IMC segment.

For the year-to-date comparison, price decreases of IMC products had a negative impact of approximately 220 basis points on the overall gross margin. Price in the EPS segment was not a significant factor in the overall gross margin analysis. This decrease was offset by improved plant performance, in particular in the area of scrap reduction.

## SG&A expenses

The lower SG&A expense for the third quarter and year to date is primarily due to the continued effect of cost controls put in place during the second quarter of 2004 including lower incentive compensation.

## RD&E expenses

Expenses for the third quarter and year to date increased compared to last year in absolute dollars, and as a percent of sales due to the inclusion of seven months of development costs from NDC. We expect the expense level for RD&E to increase for the balance of 2004 as the new Greatbatch Technologies Advanced Research Laboratory is fully integrated. The additional expense is estimated at between \$1.0 million and \$3.0 million.

## Amortization expense

Amortization expense for the third quarter and year to date is higher than the prior year due to the incremental intangible asset amortization resulting from the NDC acquisition. The acquisition has added \$0.4 million per quarter to our amortization expense.

## Other operating expense

Other operating expense for the third quarter included \$0.4 million for start-up expenses related to the new Tijuana facility and \$0.2 million for dispositions of property, plant and equipment. These increases were offset by a \$0.2 million reduction for other miscellaneous items.

Year to date operating expense has three primary components. First is the \$2.0 million acquisition of certain patents incurred in the second quarter. Also, the second quarter implementation of a 7% workforce reduction resulted in a severance charge of \$0.8 million. Lastly, we have incurred \$0.7 million in expense for dispositions of property, plant and equipment.

## Interest expense and interest income

Interest expense for the third quarter is consistent with the prior year. Year to date interest increased over the prior year as the interest-bearing debt increased by \$90.0 million in May of 2003 as the result of the issuance of the convertible subordinated notes.

Interest income for the quarter is consistent with the prior year. Year to date interest income increased over the prior year as the issuance of the convertible subordinated notes provided additional funds that are being invested on a short-term basis.

## Provision for income taxes

The effective tax rate for the third quarter declined from the prior year due to various state planning initiatives realized in the current quarter. For the year to date, our effective tax rate declined from the prior year primarily as a result of increased research and development credits, as well as the benefits of federal and state tax planning strategies. We anticipate the fourth quarter effective tax rate to be 29.5%.

The American Jobs Creation Act of 2004 (P.L. 108-357) ("the Act") signed into law on October 22, 2004 repeals the Extraterritorial Income Exclusion ("ETI") after the World Trade Organization ruled it to be an illegal export subsidy. The Act addresses the illegal subsidy issue and creates new tax breaks for a broad spectrum of taxpayers. The repeal of the ETI will impact transactions after December 31, 2004. We have not completed a full assessment on how this law change will impact the Company.

## **Liquidity and Capital Resources**

Our principal source of short-term liquidity is our working capital of \$132.6 million at September 30, 2004 combined with our unused \$20 million credit line with our lending syndicate. At September 30, 2004 our current ratio was 7.0:1, a decrease from 7.6:1 at June 30, 2004. While these ratios are down from 8.1:1 at December 31, 2003, we do not consider this decline to be significant as \$45.5 million of cash was utilized during the first quarter of 2004 to fund the acquisition of NDC and our liquidity continues to be sound.

Year to date operating cash flow declined from 2003 levels due in large measure to the increase in inventories compared to 2003. Inventory levels have increased to meet the safety stock requirements of our customers. The other key factor contributing to the decline in operating cash flow is the reduction in accrued expenses and other current liabilities in 2004 compared to 2003. This reflects the payment of accrued 2003 bonuses during the first quarter of 2004 that were significantly higher than the 2002 bonuses paid during 2003.

The Company regularly engages in discussions relating to potential acquisitions and may announce an acquisition transaction at any time.

At September 30, 2004, our capital structure consisted primarily of \$170.0 million of convertible subordinated notes and our 21.4 million shares of common stock outstanding. We have in excess of \$83.0 million in cash, cash equivalents and short-term investments and are in a position to facilitate future acquisitions if necessary. We are also authorized to issue 100 million shares of common stock and 100 million shares of preferred stock. The market value of our outstanding common stock since our IPO has exceeded our book value and the average daily trading volume of our common stock has also increased; accordingly, we believe that if needed we can access public markets to sell additional common or preferred stock assuming conditions are appropriate.

Capital spending of \$26.0 million in the first nine months of 2004 is significantly higher than historical expenditure levels. The majority of the current year spending was for the build-out of our new medical battery plant and the continuation of the ERP implementation. In comparison, we spent \$7.7 million in the nine months ended September 30, 2003, which was primarily for maintenance capital expenditures. In 2003, we significantly enhanced our balance sheet through improved cash flow from operations and through the convertible note financing we completed in May. This improved capital structure allows us to support our internal growth and provides liquidity for corporate development initiatives. We anticipate that for the remainder of 2004 we will continue to incur additional capital costs related to the advanced battery manufacturing plant, the Mexican manufacturing facility and the ERP implementation. We estimate that capital spending for the balance of 2004 will be in the range of \$20.0 million to \$25.0 million.

## **Off-Balance Sheet Arrangements**

We have no off-balance sheet arrangements within the meaning of Item 303(a)(4) of Regulation S-K.

## **Inflation**

We do not believe that inflation has had a significant effect on our operations.

## **Impact of Recently Issued Accounting Standards**

On September 30, 2004 the Emerging Issues Task Force (EITF) of the Financial Accounting Standards Board reached a final consensus that the dilutive effect of contingent convertible debt instruments must be included in diluted earnings per share regardless of whether the triggering contingency has been satisfied. This consensus, EITF Issue 04-8, The Effect of Contingently Convertible Debt on Diluted Earnings per Share, is effective for us for reporting periods ending after December 15, 2004. The Financial Accounting Standards Board ("FASB") ratified this consensus in October 2004. The provisions of EITF Issue 04-8 will be applied on a retroactive basis and will require restatement of prior period diluted earnings per share. We believe that the EITF as written could result in additional dilution to our diluted earnings per share of up to 4,129,000 shares. We will adopt EITF 04-08 as of December 31, 2004 and will restate the computation of diluted earnings per share for prior periods. When we adopt this consensus in the fourth quarter of 2004, we anticipate we will restate our diluted earnings per share for the 2nd, 3rd and 4th quarters of 2003, the full year 2003, and the 1st and 2nd quarters of 2004. For the 3rd quarter of 2004 and for the anticipated results of the 4th quarter and full year 2004, the impact would be anti-dilutive and therefore will not be adjusted.

## **Application of Critical Accounting Estimates**

Our unaudited consolidated financial statements are based on the selection of accounting policies and the application of significant accounting estimates, some of which require management to make significant assumptions. We believe that some of the more critical estimates and related assumptions that affect our financial condition and results of operations are in the areas of inventories, goodwill and other indefinite lived intangible assets, long-lived assets and income taxes.

During the nine months ended September 30, 2004, we did not change or adopt new accounting policies that had a material effect on our consolidated financial condition and results of operations.

## **Contractual Obligations**

In the second quarter of 2004, we entered into an operating lease agreement for a 144,000 square foot manufacturing facility in Tijuana, Mexico. The lease has an initial term of ten years with two renewal options for an additional 5 years each. This facility is currently under construction and will initially house the Company's new assembly operations. Lease payments will not commence until construction of the facility is substantially completed per the terms of the agreement. When payments commence, the annual lease expense is estimated to be \$338 for the first year, \$566 for the second year, with 3% annual increases thereafter for years three through ten.

## Forward-Looking Statements

Some of the statements contained in this Quarterly Report on Form 10-Q and other written and oral statements made from time to time by us and our representatives, are not statements of historical or current fact. As such, they are "forward-looking statements" within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. We have based these forward-looking statements on our current expectations, which are subject to known and unknown risks, uncertainties and assumptions. They include statements relating to:

- o future sales, expenses and profitability;
- o the future development and expected growth of our business and the implantable medical device industry;
- o our ability to successfully execute our business model and our business strategy;
- o our ability to identify trends within the for implantable medical devices, medical components, and commercial power sources industries and to offer products and services that meet the changing needs of those markets;
- o projected capital expenditures; and
- o trends in government regulation.

You can identify forward-looking statements by terminology such as "may," "will," "should," "could," "expects," "intends," "plans," "anticipates," "believes," "estimates," "predicts," "potential" or "continue" or the negative of these terms or other comparable terminology. These statements are only predictions. Actual events or results may differ materially from those suggested by these forward-looking statements. In evaluating these statements and our prospects generally, you should carefully consider the factors set forth below. All forward-looking statements attributable to us or persons acting on our behalf are expressly qualified in their entirety by these cautionary factors and to others contained throughout this report. We are under no duty to update any of the forward-looking statements after the date of this report or to conform these statements to actual results.

Although it is not possible to create a comprehensive list of all factors that may cause actual results to differ from the results expressed or implied by our forward-looking statements or that may affect our future results, some of these factors include the following: dependence upon a limited number of customers, product obsolescence, inability to market current or future products, pricing pressure from customers, reliance on third party suppliers for raw materials, products and subcomponents, fluctuating operating results, inability to maintain high quality standards for our products, challenges to our intellectual property rights, product liability claims, inability to

successfully consummate and integrate acquisitions, unsuccessful expansion into new markets, competition, inability to obtain licenses to key technology, regulatory changes or consolidation in the healthcare industry, and other risks and uncertainties that arise from time to time as described in the Company's Annual Report on Form 10-K and other periodic filings with the Securities and Exchange Commission.

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

Under our existing line of credit any borrowings bear interest at fluctuating market rates. At September 30, 2004, we did not have any borrowings outstanding under our line of credit and thus no interest rate sensitive financial instruments.

### **ITEM 4. Controls and Procedures.**

a) Evaluation of Disclosure Controls and Procedures. We carried out an evaluation, under the supervision and with the participation of the Company's management including our Chief Executive Officer and our Chief Financial Officer, of the effectiveness of the design and operation of our "disclosure controls and procedures" (as defined in the Securities Exchange Act of 1934 Rules 13a-15(e)). Based upon that evaluation, our Chief Executive Officer and Chief Financial Officer concluded that, as of the end of the period covered by this report, our disclosure controls and procedures were effective to ensure that information required to be disclosed by us in the reports we file or submit under the Exchange Act is recorded, processed, summarized and reported within the time periods specified by the SEC's rules and forms.

b) Changes in Internal Control Over Financial Reporting.

As previously disclosed, the Company is in the process of implementing a global ERP system designed to enhance our internal controls. By the end of 2004, all facilities are expected to be operational on the global ERP system.

The Company is currently undergoing a comprehensive effort to comply with Section 404 of the Sarbanes-Oxley Act of 2002. Compliance is required for our fiscal year-end December 31, 2004. This effort includes documenting and testing of internal controls. During the course of these activities, the Company has identified certain internal control issues which management believes should be improved. The Company's review continues, but to date the Company has not identified any material weaknesses in its internal control as defined by the Public Company Accounting Oversight Board. The Company is nonetheless making improvements to its internal controls over financial reporting as a result of its review efforts. These planned improvements include additional information technology controls, further formalization of policies and procedures, improved segregation of duties and additional monitoring controls.



## **PART II - OTHER INFORMATION**

### **ITEM 1. Legal Proceedings.**

None.

### **ITEM 2. Changes in Securities, Use of Proceeds, and Issuer Purchases of Equity Securities.**

None.

### **ITEM 3. Defaults Upon Senior Securities.**

None.

### **ITEM 4. Submission of Matters to a Vote of Security Holders.**

None.

### **ITEM 5. Other Information.**

None.

### **ITEM 6. Exhibits.**

See the Exhibit Index for a list of those exhibits filed herewith.

## SIGNATURES

Pursuant to the requirements of Sections 13 or 15(d) 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.

*Dated: November 10, 2004 WILSON GREATBATCH TECHNOLOGIES, INC.*

*By /s/ Edward F. Voboril*

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*Edward F. Voboril  
Chairman of the Board, President and Chief  
Executive Officer  
(Principal Executive Officer)*

*By /s/ Lawrence P. Reinhold*

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*Lawrence P. Reinhold  
Executive Vice President and  
Chief Financial Officer  
(Principal Financial Officer)*

*By /s/ Thomas J. Mazza*

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*Thomas J. Mazza  
Vice President and Controller  
(Principal Accounting Officer)*

## EXHIBIT INDEX

Exhibit No. -----	Description -----
3.1	Amended and Restated Certificate of Incorporation (incorporated by reference to Exhibit 3.1 to our registration statement on Form S-1 (File No. 333-37554) filed on May 22, 2000).
3.2	Amended and Restated Bylaws (incorporated by reference to Exhibit 3.2 to our quarterly report on Form 10-Q ended March 29, 2002).
10.1+	Supply Agreement, dated August 2, 2004, by and between Wilson Greatbatch Technologies, Inc. and Medtronic Puerto Rico Operations Co.
31.1	Certification of Chief Executive Officer pursuant to Rule 13a-14(a) of the Securities Exchange Act.
31.2	Certification of Chief Financial Officer pursuant to Rule 13a-14(a) of the Securities Exchange Act.
32.1	Certification of Chief Executive Officer and Chief Financial Officer pursuant to 18 U.S.C. Section 1350 as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

Portions of the exhibit marked "+" have been omitted and filed separately with the Securities and Exchange Commission pursuant to a request for confidential treatment.

The confidential portions of this exhibit, which have been removed and replaced with an asterisk, have been omitted and filed separately with the Securities and Exchange Commission pursuant to a request for confidential treatment under Rule 406 promulgated under the Securities Act of 1933 and Rule 24b-2 under the Securities Exchange Act of 1934.

## **SUPPLY AGREEMENT**

### **Shield Assemblies**

This Supply Agreement (this "Agreement") is made as of the 2nd day of August, 2004, by and between Wilson Greatbatch Technologies, Inc., a corporation incorporated under the laws of the state of Delaware and having a principal place of business at 9645 Wehrle Drive, Clarence New York 14031 (as defined below, "WGT"), and Medtronic Puerto Rico Operations Co., a corporation incorporated under the laws of the Cayman Islands and having its place of business at Road 31, Km. 24, HM 4 Ceiba Norte Industrial Park Juncos, PR 00777 (as defined below, "Medtronic").

## **RECITALS**

A. WGT has the capability and desire to manufacture for and supply to Medtronic Implantable Device Shield Sub-Assemblies and other Products, as defined below.

B. Medtronic desires to purchase Implantable Device Shield Sub-Assemblies and other products from WGT in accordance with the terms of this Agreement.

C. The parties acknowledge that Medtronic's purpose in entering into this Agreement is to obtain a reliable source of Implantable Device Shield Sub-Assemblies and other products of high quality and that WGT agrees to provide such a source subject to all terms and conditions set forth in this Agreement.

NOW, THEREFORE, the parties hereto agree as follows:

## **ARTICLE 1**

### **DEFINITIONS**

1.1) Specific Definitions. As used in this Agreement, the following terms shall have the meanings set forth or as referenced below:

"Affiliate" of a specified person (natural or juridical) means a person that directly, or indirectly through one or more intermediaries, controls, or is controlled by, or is under common control with, the person specified. "Control" shall mean ownership of more than 50% of the shares of stock entitled to vote for the election of directors in the case of a corporation, and more than 50% of the voting power in the case of a business entity other than a corporation.

"Agreement" means this Agreement and all its attachments.

"Assembly Ready" means units of a Product that are delivered to Medtronic by WGT in a state that is finished per Medtronic's specifications.

"Asset Purchase Documents" means such purchase order or orders, and/or such other or related bills of sale, assignments and contracts, as Medtronic and WGT may execute and deliver relating to the contemplated purchase by WGT from Medtronic of certain assets currently used by Medtronic in the production of Products.

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

(a) The acquisition by any person of beneficial ownership, directly or indirectly, of securities of WGT representing fifty percent (50%) or more of the total voting power represented by WGT's then outstanding voting securities;

(b) A change in the composition of the Board of Directors of WGT occurring within a two-year period, as a result of which fewer than a majority of the directors are Incumbent Directors. "Incumbent Directors" shall mean directors who either (i) are directors of WGT as of the date hereof, or (ii) are elected, or nominated for election, to the Board of Directors of WGT with the affirmative votes of at least a majority of the Incumbent Directors at the time of such election or nomination (but shall not include an individual not otherwise an Incumbent Director whose election or nomination is in connection with an actual or threatened proxy contest relating to the election of directors to WGT);

(c) A merger or consolidation of WGT with any other corporation, other than a merger or consolidation which would result in the voting securities of WGT outstanding immediately prior thereto continuing to represent (either by remaining outstanding or by being converted into voting securities of the surviving entity) at least fifty percent (50%) of the total voting power represented by the voting securities of WGT or such surviving entity outstanding immediately after such merger or consolidation, or the approval by the stockholders of WGT of a plan of complete liquidation of WGT or of an agreement for the sale or disposition by WGT of all or substantially all WGT's assets;

(d) The sale or transfer of all or substantially all of the assets of WGT relating to the manufacture of any Product; or

(e) The complete liquidation or dissolution of WGT.

"Confidential Information" means know-how, trade secrets, and unpublished information disclosed (whether before or during the term of this Agreement) by one of the parties (the "disclosing party") to the other party (the "receiving party"), and which is marked as proprietary or confidential as provided below.

All Confidential Information disclosed by one party to the other under this Agreement shall be in writing and bear a legend "Proprietary," "Confidential" or words of similar import or, if disclosed in any manner other than writing, shall be followed by confirmation that such information is confidential by the disclosing party within 30 days. The following information communicated to WGT by Medtronic shall be considered Confidential Information of Medtronic for purposes of Article 4 and the other provisions of this Agreement whether or not marked "Proprietary" or "Confidential": (1) Specifications; (2) information regarding circuitry design or mechanical design; (3) information regarding product or component qualification or verification; (4) information regarding delivery or production schedules; (5) information regarding product features; (6) information regarding manufacturing processes, including without limitation the Exclusive Processes; (7) information related to product technology; and (8) information related to product costs and pricing. The following information communicated to Medtronic by WGT shall be considered Confidential Information of WGT for purposes of Article 4 and the other provisions of this Agreement whether or not marked "Proprietary" or "Confidential": (1) information regarding WGT delivery and production schedules or production capacity; (2) information regarding WGT product or component qualification or verification; (3) information related to WGT manufacturing processes; (4) information related to product technology including WGT designs and materials used for components and assemblies; and (5) information related to Product pricing.

"Contract Year" means each fiscal year of Medtronic during the Term; provided, that the first Contract Year shall commence on the date hereof and end on April 29, 2005.

"Covered Inventory" means WGT's inventory, as of the date of a notice of termination under Section 7.2(a) or 7.2(c), of finished Products, work-in-process and raw materials, components and subcomponents which were purchased by WGT specifically for the purpose of manufacturing Products for Medtronic hereunder and which cannot practically be used by WGT otherwise in its business, in each case to the extent consistent with Medtronic's then-current Forecast for the ninety (90) days following the date of such notice.

"Effective Date" means the date upon which this Agreement is fully executed by the parties hereto.

"Exclusive Processes" means the manufacturing processes described in Exhibit B hereto.

"Feedthrough" means a subassembly, for use in Implantable Device Shield Sub-Assemblies and consisting of the following components: (a) an outer electrically conductive member (usually referred to as a flange or ferrule), an inner electrically conductive member or members (usually represented as a metallic wire or pin, or multiple wires or pins), and a nonconductive material fused or brazed between the inner and outer members (usually a glass or ceramic material) such that they are electrically insulated and hermetically sealed and (b) an EMI filtering capacitor (or multiple EMI filtering capacitors).

"Feedthrough Transfer Price" means, with respect to any Feedthrough provided by Medtronic to WGT for incorporation into a Product hereunder, an amount to be established by Medtronic and set forth in an amended Exhibit K.

"Force Majeure" means as defined in Section 4.9(a).

"Implantable Device Shield Sub-Assembly(ies)" means drawn titanium enclosure halves which are manufactured for use in Medtronic's implantable pacemakers, implantable defibrillators and implantable neurostimulation systems, and with respect to which specified value-added operations (including without limitation cleaning, insulator attachment, engraving, spot welding of various other metal components, laser welding of filtered feedthroughs, and appropriate packaging for transport) have been completed.

"Intellectual Property" means U.S. and foreign Patent Rights, trademarks, service marks and registrations thereof and applications therefore, copyrights and copyright registrations and applications, mask works and registrations thereof, Know-How, trade secrets, Inventions, discoveries, ideas, technology, data, information, processes, drawings, designs, licenses, computer programs and software, and technical information including but not limited to information embodied in material specifications, processing instructions, equipment specifications, product specifications, confidential data, electronic files, research notebooks, invention disclosures, research and development reports and the like related thereto, all amendments, modifications, and improvements to any of the foregoing.

"Intellectual Property Rights" means all rights in Intellectual Property.

"Interest Rate" means interest compounded quarterly at a per annum rate equal to the prime commercial lending rate quoted by Wells Fargo Bank Minnesota, N.A. in effect from time to time, plus two percent (2%).

"Interim Period" means the period beginning on the date hereof and ending on \* .

"Invention" means any invention, discovery, know-how, trade secret, data, information, technology, process or concept, whether or not patented or patentable, and whether or not memorialized in writing.

"Know-How" means all trade secrets, expertise, inventions, discoveries and technical information, including but not limited to information embodied in drawings, designs, patent applications, material specifications, processing instructions, formulas, equipment specifications, product specifications, confidential data, computer software, electronic files, research notebooks, invention disclosures, research and development reports, fabrication procedures, work flow descriptions or depictions, assembly procedures, formulae and the like related thereto, and all amendments, modifications and improvements to any of the foregoing.

"Knowledge" of a person means actual knowledge of a fact or the knowledge that such person could reasonably be expected to have based on reasonable inquiry. The "knowledge" of an entity shall include the knowledge of the individuals who are executive officers of such entity at the time in question.

"Materials Cost Change" means an increase or decrease, as the case may be, in the six-month moving average cost to WGT of raw materials or of components (to the extent the vendor's price change is based on an increase or decrease in the cost of raw materials) measured by changes in (i) a published index (or market pricing history provided to the parties by the relevant raw material vendor) for such raw material(s) using the price as of June 30, 2004 (or the closest date prior thereto on which such index was published) as the base for measurement or (ii) if there is no such index, using WGT's cost for such raw material or component as of June 30, 2004 as the base for measurement.

"Medtronic" means Medtronic Puerto Rico Operations Co. and its Affiliates.

"Mexico Facility" means the facility leased by WGT and located at Tijuana Industrial Center II, Building 10, Boulevard Belles Artes #20120, Tijuana, Baja California, Tijuana, Mexico.

"Medtronic Competitor" means any person that designs, manufactures and/or sells implantable pacemakers, implantable defibrillators or implantable neurostimulation systems.

"New Product Category" means each of the following categories of Products:

(i) Feedthroughs, (ii) batteries and (iii) capacitors, and (iv) such other categories of products, if any, as Medtronic and WGT shall agree upon in writing.

"Product" means the Implantable Device Shield Sub-Assemblies, Feedthroughs, battery and capacitor cases, and other medical device components, in each case identified on Exhibit A, as modified from time to time pursuant to Section 2.1.

"Qualification" means Product performance testing conducted according to an approved and controlled protocol to ensure that the Product meets Specifications. Shield Assemblies used to perform the qualification must be manufactured using validated equipment and processes per WGT procedures.

"Specifications" means (i) with respect to Products listed on Exhibit A as of the date hereof, the specifications listed on Exhibit C, and (ii) with respect to Products added to Exhibit A after the date hereof, all applicable specifications and protocols provided to WGT by Medtronic hereunder, after consultation with WGT, relative to the design, physical characteristics, function, performance, manufacture, packaging and quality of such Products, in each case as modified pursuant to Section 3.2. To the extent not inconsistent with the foregoing, Specifications will also include all published specifications and protocols of WGT applicable to the Products.

"Term" means as defined in Section 7.1.

"Third Party Documentation" means drawings, designs, material specifications, processing instructions, equipment specifications, product specifications, confidential data, computer software, electronic files, research notebooks, invention disclosures, research and development reports, fabrication procedures, work flow descriptions or depictions, assembly procedures, formulae, and the like that are given or made available to, or summarized and provided to, WGT in writing or by electronic transmission by a person other than Medtronic.

"WGT" means Wilson Greatbatch Technologies, Inc. and its Affiliates.

1.2) General Definitional Provisions.



import, when used in this Agreement, shall refer to this Agreement as a whole and not to any particular provisions of this Agreement.

(b) The terms defined in the singular shall have a comparable meaning when used in the plural, and vice versa. Terms referring to a masculine gender shall be deemed to refer to the feminine or neuter genders, as applicable.

(c) References to an "Exhibit" or to a "Schedule" are, unless otherwise specified, to one of the Exhibits or Schedules attached to or referenced in this Agreement, and references to an "Article" or a "Section" are, unless otherwise specified, to one of the Articles or Sections of this Agreement.

(d) The term "person" includes any individual, partnership, joint venture, corporation, trust, unincorporated organization or government or any department or agency thereof

(e) The term "dollars" or "\$" shall refer to the currency of the United States of America.

## **ARTICLE 2**

### **SALE AND PURCHASE OF PRODUCT**

#### **2.1) Sale of Products.**

(a) During the Term, WGT will sell and supply to Medtronic Assembly Ready Implantable Device Shield Sub-Assemblies and other Products listed on Exhibit A, as amended from time to time as described herein.

(b) If Medtronic delivers to WGT written notice identifying additional Implantable Device Shield Sub-Assemblies or other Products to be added to Exhibit A, together with specifications with respect to such additional products (an "Additional Product Notice"), the products identified in such Additional Product Notice shall be deemed to be added to Exhibit A as of the thirtieth (30th) business day after the date of such Additional Product Notice. A purchase order identifying such additional Product shall constitute written notice for purposes of this Section 2.1(b).

(c) During the Term, WGT shall develop products and components for use in Products in accordance with the terms set forth in Exhibit L, as amended from time to time upon mutual agreement of the parties. Upon completion of development with respect to a product pursuant to Exhibit L, such product shall be added to Exhibit A and become a Product upon notice from Medtronic to WGT. Upon completion of development of a component for use in Products pursuant to Exhibit L, such component shall be incorporated into the Specifications with respect to such Product upon notice from Medtronic to WGT. Upon request by Medtronic or as set forth in Exhibit L, WGT shall provide to Medtronic a reasonably detailed report setting forth a summary of the development activities of WGT hereunder to date and the status of pending development under Exhibit L.

2.2) Forecasts. Attached hereto as Exhibit J for informational purposes is a demand plan indicating Medtronic's anticipated demand for Products for the first Contract Year. On or about February 1, 2005, Medtronic shall deliver to WGT a 12-month demand plan indicating by fiscal quarter of Medtronic the number of Products anticipated to be purchased by Medtronic (as updated as provided herein, the "Forecast"). The Forecast shall be updated by Medtronic in good faith no less frequently than quarterly (on or before the first day of each subsequent fiscal quarter of Medtronic) for a rolling successive 12-month period. If Medtronic does not provide WGT with an updated Forecast for a particular period, as required by this Section 2.2, then the forecast most recently provided shall be deemed to constitute the forecast for such particular period. Each Forecast may be used for purposes of facilitating WGT's manufacturing plans, and meeting the lead times required by certain of WGT's suppliers, but does not constitute a firm order. WGT agrees to comply with the Supplier obligations under the Supplier Managed Inventory Agreement attached hereto as Exhibit O.

### **2.3) Orders.**

(a) Products will be ordered via standard Medtronic purchase orders, which may be submitted via mail, fax or, if mutually agreed by the parties, electronic interface technologies, such as electronic data interchange (EDI) and XML. WGT will promptly acknowledge receipt of orders. Each order shall be deemed to have been accepted by WGT if (i) the order provides for delivery of Products to the specified delivery destination no earlier than \* after the date of the order, or

(ii) unless the order is rejected by WGT providing Medtronic written notice of rejection within \* after receipt.

(b) Each accepted purchase order shall give rise to a contract between Medtronic and WGT for the sale of the Products ordered and shall be subject to and governed by the terms of this Agreement. The terms and conditions of this Agreement shall so govern and supersede any additional or contrary terms set forth in Medtronic's purchase order or any WGT or Medtronic acceptance, confirmation, invoice or other document unless duly signed by an authorized representative of both Medtronic and WGT and expressly stating and identifying which specific additional or contrary terms shall supersede the terms and conditions of this Agreement. WGT will use best efforts to satisfy all orders submitted by Medtronic for Products.

**(c) Continuity of Supply:**

(i) WGT will deliver written notice to Medtronic at least \* before exiting the business of making a Product. Within \* after receipt of such notice, Medtronic may submit an order or orders for Products, which order or orders shall be deemed accepted by WGT to the extent the number of units of Products so ordered does not exceed, in the aggregate, \* times Medtronic's most recent annual forecast for such Products under Section 2.2. WGT shall satisfy any such order as soon as reasonably practicable, and in any event WGT shall deliver all Products ordered pursuant to this subsection over a period no longer than \* after the date of such order, on a delivery schedule consistent with the timing of Product deliveries over the \* immediately preceding Medtronic's order pursuant to this subsection.

(ii) WGT shall give Medtronic not less than \* prior written notice before consummating or entering into an agreement with respect to a Change of Control. Such notice shall set forth in reasonable detail the names of all parties involved in such Change of Control transaction. In the event of a Change of Control pursuant to which any Medtronic Competitor would acquire control of WGT or the portion of WGT's business that manufactures any of the Products, then:

(A) Upon such a Change of Control, (x) Medtronic may terminate this Agreement under Section 7.2(c), except upon not less than \* written notice, and

(y) WGT agrees that, upon such termination and in addition to its obligations under paragraph (i) of this Section 2.3(c), WGT will provide Medtronic with commercially reasonable cooperation in connection with the transition of the manufacture and production of Products to such person(s) (including Medtronic) and to facility or facilities as Medtronic may designate; and

(B) WGT or its successors shall continue to manufacture and sell all Products then covered by this Agreement for the longer of: (x) \* after the effective date of such Change of Control or (y) the balance of the Term of this Agreement (the "Continuity Period"), on the same terms and conditions of sale as provided for in this Agreement; provided, however, that this clause (C) shall not restrict Medtronic's right to terminate this Agreement under Section 2.3(ii)(B).

**2.4) Pricing.**

(a) Exhibit A lists the \* prices to be paid for Assembly Ready Implantable Device Shield Sub-Assemblies and all other Products, subject to Section 2.4(d) below. The parties will in good faith negotiate, based on the pricing model attached hereto as Exhibit D (solely with respect to "Shield Products" (as defined below)) and prices prevailing in the market for similar products, the prices for any additional Products added to Exhibit A pursuant to Section 2.1 after the date hereof. If despite such good faith negotiations, the parties have not reached agreement on the price for any such additional Product within \* after the date of the Additional Product Notice with respect to such additional Product, either party may initiate the accelerated arbitration process described in Exhibit I solely to determine the price for such additional Product. The results of such arbitration shall be binding upon the parties. For purposes of this Section, "Shield Products" shall mean drawn titanium enclosure halves other than Implantable Device Shield Sub-Assemblies.

(b) \*. If requested by Medtronic, within \* of the completion of any Contract Year, WGT shall provide to Medtronic a written certification signed by the Chief Financial Officer or President of WGT that WGT has fully complied with the terms of this Section 2.4(b). Upon reasonable notice and during regular business hours, but no more frequently than \* during any Contract Year and only with respect to a Contract Year or Contract Years within the \* most recently completed Contract Years, WGT shall make available appropriate records substantiating the accuracy of WGT's certifications referenced above for audit at Medtronic's expense by a nationally recognized independent certified public accounting firm to verify the accuracy of such certifications. Such firm shall execute a suitable confidentiality agreement reasonably acceptable to WGT prior to conducting such audit. Such firm may disclose to Medtronic (i) its conclusions regarding the accuracy and completeness of said certifications; and

(ii) if the firm concludes that said certifications are inaccurate, all information necessary for Medtronic to determine the amount of the price adjustment and payment or credit to which it is entitled hereunder. \* .

(c) The parties acknowledge that nothing in this Agreement will prevent Medtronic from developing products similar or identical to the Products covered by this Agreement or from sourcing such products from another supplier, and that nothing in this Agreement entitles WGT to any notice from or right to negotiate (exclusively or otherwise) with Medtronic with respect to the manufacture and sale of such products.

(d) The price for a Product from time to time set forth on Exhibit A is subject to upward or downward modification from time to time due to (i) a Materials Cost Change in an amount greater than \* percent \* of the price then in effect hereunder for such Product; or (ii) any incremental increases or decreases in the costs of production labor, equipment and materials which are directly and exclusively related to changes expressly required by Medtronic pursuant to Section 3.2(b) in the materials, structure or manufacture of Products to be provided by WGT to Medtronic; or (iii) changes in federal law or regulations (including treaties to which the United States of America is a party) that increase or decrease the amount of taxes, duties, tariffs or similar charges (collectively, "Importation Charges") payable on the importation of such Product into the United States from Mexico, in comparison to the Importation Charges that would be payable under the laws in effect as of \* , by an amount greater than \* percent \* of the price then in effect hereunder for such Product. If either Medtronic or WGT determines that a price increase or decrease under this Section 2.4(d) is required or permissible, such party shall deliver written notice to the other party setting forth the basis for such determination (a "Cost Change Notice"). If the parties agree on the amount of the change in costs due to the circumstances described above, the price of the affected Product shall be adjusted by \* percent \* of the amount of such cost change. If within \* after the date of the Cost Change Notice the parties have not agreed on the amount of the change in costs due to the circumstances described above, either party may initiate the accelerated arbitration process described in Exhibit I solely to determine the amount of such cost change. The results of such arbitration shall be binding upon the parties and the price of the affected Products shall be adjusted by \* percent \* of the amount of such cost change due to the circumstances described above. Price adjustments hereunder shall be effective beginning \* after the date of the parties' agreement or the arbitrator's determination regarding the amount of such cost change, and Medtronic shall be permitted to adjust its then current Forecast to take into account any such price adjustment. WGT may not impose a price increase hereunder, and a price decrease shall not be required hereunder, more frequently than \* every \* . Notwithstanding the foregoing provisions (other than those regarding the process for determining the amount of a cost change), WGT may at any time give effect to price increases based on cost changes described in subpart (ii) above upon determination or agreement (as provided above) with respect to the amount of such cost changes. WGT shall deliver to Medtronic in connection with any notice provided for herein a written report setting forth in reasonable detail any and all information relevant to the determination that a price adjustment is required or permitted under this Section 2.4(d). Upon Medtronic's request, WGT shall make available appropriate records regarding cost changes for audit at Medtronic's expense by a nationally recognized independent certified public accounting firm. Such firm shall execute a suitable confidentiality agreement reasonably acceptable to WGT prior to conducting such audit. Such firm may disclose to Medtronic (i) its conclusions regarding the amount of any cost change; and (ii) if the firm concludes that any cost change determination by WGT is inaccurate, all information necessary for Medtronic to determine the amount of the price adjustment and payment or credit to which it is entitled hereunder.

(e) If, during any Contract Year, Medtronic orders in the aggregate a number of units of Products that is less than \* percent \* of the aggregate number of units of Products set forth in the Forecast in effect as of the beginning of such Contract Year, WGT may at its option require Medtronic to negotiate in good faith an increase in the prices set forth on Exhibit A for the next Contract Year, to account for higher per unit manufacturing costs due to lower than anticipated volume. WGT may exercise this option by delivering written notice (the "WGT Pricing Notice") to Medtronic no later than \* after the end of such Contract Year, and within \* after the date of the WGT Pricing Notice, the parties shall commence good faith negotiations with respect to such price increase for such next Contract Year. If, despite such good faith negotiations, the parties have not reached agreement on the amount of such price increase within \* days after the date of the WGT Pricing Notice, either party may initiate the accelerated arbitration process described in Exhibit I solely to determine the amount of such price increase. The results of such arbitration shall be binding upon the parties. Any increase in the prices set forth on Exhibit A as a result of the procedure set forth in this Section shall be effective for all Products ordered pursuant hereto after the date of the WGT Pricing Notice.

(f) If, during any Contract Year, Medtronic orders in the aggregate a number of units of Products that is greater than \* percent \* of the aggregate number of units of Products set forth in the Forecast in effect as of the beginning of such Contract Year, Medtronic may at its option require WGT to negotiate in good faith a decrease in the prices set forth on Exhibit A for the next Contract Year, to account for lower per unit manufacturing costs due to higher than anticipated volume. Medtronic may exercise this option by delivering written notice (the "Medtronic Pricing Notice") to WGT no later than \* after the end of such Contract Year, and within \* after the date of the Medtronic Pricing Notice, the parties shall commence good faith negotiations with respect to such price decrease for such next Contract Year. If, despite such good faith negotiations, the parties have not reached agreement on the amount of such price decrease within \* after the date of the Medtronic Pricing Notice, either party may initiate the accelerated arbitration process described in Exhibit I solely to determine the amount of such price decrease. The results of such arbitration shall be binding upon the parties. Any decrease in the prices set forth on Exhibit A as a result of the procedure set forth in this Section shall be effective for all Products ordered pursuant hereto after the date of the Medtronic Pricing Notice.

(g) During the Interim Period, the price for any Product requiring a Feedthrough (pursuant to applicable Specifications) shall be determined by adding to the price of such Product set forth in Exhibit A the appropriate Feedthrough Transfer Price set forth in Exhibit K. Within ninety (90) days after the date hereof, Medtronic shall establish Feedthrough Transfer Prices for Feedthroughs to be supplied by Medtronic pursuant to Section 3.13 and incorporated into Products. The Feedthrough Transfer Prices shall be set forth in an amended Exhibit K.

2.5) Payment Terms. Except as otherwise specified in a purchase order, payment terms will be net thirty (30) days after the date of invoice.

2.6) Delivery. WGT will deliver Products on, or no more than three (3) business days before, the delivery dates and to the locations specified in Medtronic's purchase orders that have been accepted or deemed accepted pursuant to Section 2.3(a). Unless otherwise agreed in writing by Medtronic and WGT, delivery of Products will be FCA WGT's production facility (per Incoterms 2000), and title and risk of loss will pass from WGT to Medtronic when Products are tendered for shipment as directed by Medtronic.

## **2.7) Order Limitations.**

(a) WGT shall not be required, pursuant to any purchase order deemed accepted pursuant to Section 2.3, to deliver in any fiscal quarter of Medtronic quantities in excess of \* of forecasted requirements for such \* as reflected in the most recent Forecast; provided, that WGT shall use all commercially reasonable efforts to supply any such excess as specified in such purchase order; and provided, further, that deliveries of replacement Products pursuant to Section 3.6(b) or otherwise shall not be considered delivered for purposes of this Section 2.7.

(b) WGT shall maintain inventories of finished Products, and raw materials necessary to produce finished Products, sufficient to meet its supply obligations hereunder.

(c) Modification of Orders. No accepted order shall be modified or canceled except as provided herein or upon the mutual agreement of the parties. Mutually agreed change orders shall be subject to all provisions of this Agreement, whether or not the change order so states. Notwithstanding the foregoing, Medtronic may in its sole discretion by written notice to WGT cancel orders for and deliveries of any Products which are not delivered as specified in the accepted order, or which are delivered but do not meet the applicable Specifications and are not replaced with Products meeting such Specifications, within thirty (30) days after the delivery date specified in the accepted order. In the event of such cancellation by Medtronic, Medtronic may then make such appropriate adjustments to any outstanding orders and forecasts as it deems advisable in light of any shortfalls in supply which relate to such cancellation.

**ARTICLE 3**  
**PRODUCTION**

3.1) Compliance with Specifications. WGT will cause all Products to be manufactured in strict accordance with the applicable Specifications and will cause all Products delivered hereunder to meet such Specifications.

**3.2) Changes.**

(a) If WGT determines that it is necessary or desirable to change the Specifications for any Product, or to change the design, materials production processes or production testing affecting the form, fit, function, performance or materials composition of any Product, WGT will immediately notify Medtronic in writing. WGT shall not implement any such change without Medtronic's prior written consent.

(b) If Medtronic determines that it is necessary or desirable to make a change to the applicable Specifications for any Product, then Medtronic will so notify WGT in writing (by purchase order or otherwise). WGT will respond to Medtronic in writing as soon as practicable, but in no event later than \*, after the date of any such notice, specifying (i) WGT's suggestions, if any, for modifying Medtronic's Specifications change; and (ii) the lead time necessary to implement such change; and (iii) the amount and nature of additional costs or cost savings, if any, estimated to result from implementing such change; and

(iv) WGT's recommendation with respect to an adjustment, if any, to the price of the affected Product due to such change. If despite good faith negotiations, the parties have not reached agreement on the amount of the price adjustment with respect to the affected Product within \* after the date of WGT's response, either party may initiate the accelerated arbitration process described in Exhibit I solely to determine the amount of such adjustment. The results of such arbitration shall be binding upon the parties. Notwithstanding any negotiations or arbitration regarding price adjustments, WGT shall implement such change (and the applicable Specifications shall be deemed to be modified in accordance with such change) as soon as reasonably practicable, but in any event within the lead time specified by WGT in its response to Medtronic as provided above.

(c) WGT shall provide a written report to Medtronic on a \* basis setting forth in reasonable detail WGT's production yield on Products during the immediately preceding \* with respect to each Product. If WGT's production yield for any Products is lower than \* percent \* in any month, WGT shall also provide to Medtronic written \* corrective action reports until WGT's production yield for such Product exceeds \* percent \* over a \* period.

3.3) Packaging and Labeling. All Products will be packaged and labeled in accordance with any applicable Specifications.

### **3.4) Quality.**

(a) Unless otherwise specifically agreed in writing by Medtronic, all Products supplied under this Agreement will be manufactured in accordance with:

(1) all applicable standards of the International Standards Organization (ISO) and applicable ISO-certified processes and (2) all other quality standards and quality assurance plans referenced in the Specifications.

(b) WGT shall use best efforts to resolve any Product quality or performance issues that arise during the Term. Upon written demand by Medtronic, such efforts shall include making appropriate WGT personnel available (at WGT's expense) at Medtronic facilities where such Product quality or performance issues are identified.

(c) Medtronic agrees to follow reasonable quality control standards with respect to the storage, preservation and use of Products purchased under this Agreement and consistent in all material respects with the reasonable recommendations of WGT. Medtronic shall maintain production, inventory and sales records as required by applicable law with respect to devices incorporating Products purchased hereunder.

3.5) Compliance. WGT represents and warrants to Medtronic that: (a) the Products delivered to Medtronic will not be adulterated or misbranded within the meaning of the United States Food, Drug, and Cosmetic Act; (b) all Products delivered to Medtronic will have been manufactured in accordance with a quality system that is consistent with FDA Good Manufacturing Practices, Quality System Regulations and other applicable standards; (c) the manufacture, sale and delivery of Products will not violate any, and the Products will conform to all applicable, governmental statutes, treaties, conventions, embargoes, orders, ordinances or regulations referenced in the Specifications; and (d) the manufacture, sale and delivery of Products will not, to WGT's knowledge, be in violation of any, and the Products will conform to all applicable, other governmental statutes, treaties, conventions, embargoes, orders, ordinances or regulations.

### **3.6) Non-Conforming Product.**

(a) Medtronic will have the right to reject any Product that does not meet all applicable Specifications. Any such rejection based on patent nonconformity with Specifications shall be accomplished by written notice (specifying the basis for rejection) from Medtronic to WGT promptly after inspection and in any event within sixty (60) days after actual delivery.

(b) In the event that any Product does not meet applicable Specifications and Medtronic has notified WGT, WGT will replace such Product free of charge and WGT shall cover expenses (including freight and customs clearance, if any) incurred by Medtronic in connection with (a) shipment of replacement Product to the same location and (b) shipment of the nonconforming Product back to WGT (if so requested by WGT). In the event of a rejection of nonconforming Product, WGT will ship replacement Product as soon as practicable, but in any event within thirty (30) days of its receipt of a proper rejection notice from Medtronic. Notwithstanding the foregoing, and without any effect on the determination of whether WGT has timely delivered Products for purposes of Section 6.1, if the nonconformance is the result of manufacturing issues with respect to which WGT has initiated appropriate corrective action, WGT will use best efforts to ship replacement Product within thirty (30) days after Medtronic's rejection notice and will in any event ship such replacement Product within thirty (30) days after implementing such corrective action.



3.7) Regulator Approval Efforts. During the term of this Agreement, Medtronic shall have responsibility for obtaining at its expense, in its name and at its discretion any necessary device regulatory approvals from the U.S. Food and Drug Administration (i.e., PMAs or 510(k)s as the case may be), and applicable regulatory agencies of such other countries in which products incorporating the Products will be sold. WGT shall supply Medtronic with all documents (including without limitation instruments, information and reports) and advice and general assistance as is necessary to complete, and as is reasonably requested by Medtronic in connection with, such regulatory approval efforts.

3.8) Taxes. Medtronic shall be responsible for and shall pay, or reimburse WGT for, all taxes, duties, import fees, assessments and other governmental charges (except income taxes) including those that relate to the importation of Products from the United States into countries to which Medtronic has requested delivery of such Products. Notwithstanding the foregoing, if WGT elects to manufacture Products outside of the United States, WGT shall be responsible for and pay any taxes or fees associated with any exportation of such products from locations outside the United States and importation of such Products into the United States.

### **3.9) Excused Performance.**

(a) If either party is prevented from performing its obligations hereunder solely as a result of a strike, riot, war, invasion, act of God, fire, explosion, flood, delay of common carrier, act of government agency or instrumentality, judicial action, or similar event or condition, in each case which is outside the reasonable control of such party and which did not exist and was not reasonably foreseeable as of the date hereof (a "Force Majeure"), such party's performance hereunder will be temporarily excused, only by the degree affected and after reasonable efforts by the party to avoid being so affected; provided, that such party delivers to the other party written notice promptly upon learning of such event or condition, which notice shall include a detailed description of the event or condition and the anticipated effect on such party's ability to perform its obligations hereunder.

(b) Upon giving notice to the other party, a party affected by a Force Majeure shall be excused from the performance of its obligations under this Agreement as described in Section 3.9(a), except for the obligation to pay any amounts due and owing hereunder, but only to the extent and only for the period that its performance of such obligations is prevented by such Force Majeure. Nothing in this Section 3.9 shall affect Medtronic's right to terminate a purchase order as provided in Section 2.8 or the determination of whether WGT has timely delivered Products for purposes of Section 6.1.

(c) During the period that the performance by one of the parties of its obligations under this Agreement has been suspended by reason of an event of Force Majeure, the other party may likewise suspend the performance of all or part of its obligations hereunder to the extent that such suspension is commercially reasonable.

3.10) Subcontracting. WGT shall not subcontract any of its obligations under this Agreement without the prior written consent of Medtronic, which shall not unreasonably be withheld or delayed. Medtronic shall be deemed to have consented to subcontracting hereunder, to the extent approved in writing as part of Medtronic's applicable qualification procedures. WGT shall not make any changes in suppliers of material or subcomponents, or subcontractors of any processes, in connection with supplying Products hereunder, unless (i) such subcontracting is in accordance with WGT's current pre-production quality assurance process; and (ii) Medtronic has provided its prior written consent, which shall not unreasonably be withheld or delayed. Any subcontracting will be subject to the following terms:

(a) the subcontracting must be under a written agreement which (a) obligates the subcontractor to comply with all relevant terms and conditions of this Agreement as though it were WGT, and (b) names Medtronic as a third party beneficiary, and

(b) WGT must remain primarily responsible for all acts and omissions of the subcontractor and will guarantee the performance of the subcontractor.

### **3.11) Exclusivity.**

(a) WGT acknowledges that Medtronic has provided WGT the Exclusive Processes, which constitute proprietary Intellectual Property related to the manufacturing of Implantable Device Shield Sub-Assemblies, to allow WGT to manufacture Products as required by Medtronic. WGT agrees to use and make available the Exclusive Processes only as required to manufacture Products for Medtronic hereunder. WGT will use best efforts to ensure that other customers will not see or otherwise have access to these Exclusive Processes. Notwithstanding the foregoing, WGT shall not be restricted from using in WGT's business (i) Third Party Documentation received from other WGT customers so long as such Third Party Documentation, to the knowledge of WGT, was not disclosed by such customer in violation of any obligation of confidentiality; or (ii) any Intellectual Property of WGT as of the date of this Agreement.

(b) During the Term, WGT shall not, directly or indirectly, develop, manufacture, sell or distribute to or for any third party any product that is substantially identical to a Product specifically developed for Medtronic by WGT hereunder.

### **3.12) Manufacturing Facilities.**

(a) All Products shall be manufactured at WGT's Mexico Facility or WGT's current manufacturing facility for such Product identified on Exhibit N, except as provided otherwise in this Section 3.12(a). If WGT intends to manufacture Products at any other location, WGT shall provide written notice of such intention to Medtronic at least 180 days before commencing Product manufacturing operations at such location. WGT represents and warrants to Medtronic that no Product, nor any subcomponent of any Product, shall be manufactured or assembled (i) in any country that is embargoed by the United States, as identified by the Office of Foreign Assets Control of the U.S. Department of Treasury; or (ii) by any person listed on the Prohibited Parties Lists maintained by the U.S. Departments of Treasury, State and Commerce.

(b) All Products shall be manufactured at facilities that meet Medtronic's manufacturing facility specifications attached hereto as Exhibit E. WGT shall, upon reasonable notice and during regular business hours, provide Medtronic personnel and third party consultants access to appropriate personnel, facilities and records of WGT used for manufacturing Products hereunder for the purpose of confirming WGT's compliance with applicable requirements of this Article 3.

### **3.13) Components.**

(a) Attached hereto as Exhibit F is a list (1) setting forth the names and addresses of subcomponent suppliers that WGT shall use in connection with the manufacture and assembly of Products; and (2) describing in all material respects the goods provided to WGT by such supplier. WGT shall not obtain subcomponents from third parties for use in Products other than as described on Exhibit F without the prior written consent of Medtronic, which shall not unreasonably be withheld. In any event, WGT shall obtain subcomponents for use in Products only from suppliers that have been qualified in accordance with Medtronic's applicable supplier qualification procedures.

(i) (b) During the Interim Period, Medtronic shall supply Feedthroughs to WGT solely for use in manufacturing Products for delivery to Medtronic hereunder, and WGT shall use no other Feedthroughs in the manufacture of Products. The quantity of Feedthroughs required for each Product supplied during the Interim Period hereunder, as set forth in Medtronic's Specifications for such Product, shall be delivered at the Feedthrough Transfer Price; provided, that additional Feedthroughs in quantities within the "fall-out" rates set forth in Exhibit K shall be provided to WGT at no cost. In addition, WGT shall pay Medtronic the Feedthrough Transfer Price (plus shipping and related costs associated with transporting such Feedthroughs to WGT facilities) for (i) any additional Feedthrough included in a replacement Product delivered hereunder, and (ii) Feedthroughs used in manufacturing Products, in quantities exceeding the applicable "fall-out" rates set forth in Exhibit K.

(c) Unless otherwise agreed in writing by Medtronic and WGT, delivery of Feedthroughs supplied under this Section 3.13 will be CPT WGT's production facility (per Incoterms 2000), and title and risk of loss will pass from Medtronic to WGT when such Feedthroughs are tendered for shipment. During the Interim Period, WGT shall (i) maintain a reasonable supply of Feedthroughs in good condition as required to permit WGT to satisfy its obligations hereunder;

(ii) provide Medtronic written notice at least forty-five (45) days before additional quantities of Feedthroughs are required by WGT; and (iii) reasonably communicate and otherwise cooperate with Medtronic to prevent Feedthrough shortages. If during the Interim Period Medtronic fails to supply WGT with sufficient Feedthroughs that meet the Specifications to enable WGT to meet its obligations to supply Products under this Agreement in a timely manner, then WGT shall have no liability to Medtronic on account of such failure, and Medtronic shall have no right, as a result of such failure, to exercise its license under Section 6.1(a) or to terminate this Agreement under Sections 7.2(a) or 7.2(b).

3.14) Ownership of Tooling and Components. Medtronic, at its discretion, may provide WGT certain Product-specific tooling for use in the production of Products. All molds, tooling and components (excluding, during the Interim Period, Feedthroughs) delivered to WGT for use in the production of Products shall be the property of Medtronic and WGT shall not use any Medtronic-supplied mold, tooling or components (including Feedthroughs) for any purposes except as expressly authorized in writing by Medtronic. WGT will take no action that could result in a lien on or other encumbrance of, or that could otherwise compromise Medtronic's ownership of such molds, tooling or components. Upon the termination or expiration of this Agreement or the earlier request of Medtronic, all molds, tooling and components owned by Medtronic will be returned to Medtronic in good condition, except in the case of molds and tooling for reasonable wear and tear, and any Medtronic-supplied Feedthroughs will be returned upon reimbursement by Medtronic for amounts paid by WGT for such Feedthroughs. WGT shall at all times during the Term maintain adequate insurance to cover any damage or loss with respect to such molds, tooling and components, and, upon request by Medtronic, deliver a certificate of insurance evidencing such coverage.

3.15) Maintenance of Tooling. WGT shall maintain all of Medtronic's molds and tooling in good working condition at all times while in WGT's possession. Routine maintenance of molds and tooling will be carried out at WGT's expense. "Routine Maintenance" shall include cleaning standard components and repairing any damage caused by neglect or negligence. Subject to Medtronic's prior written authorization, Medtronic will be responsible for the cost of replacing molds and tooling, except to the extent that such replacement is necessary due to WGT's failure to maintain, neglect, negligence or intentional acts.

3.16) Records. WGT will at all times maintain, and make available to Medtronic upon request, a complete list of all Medtronic molds, tooling and components in WGT's possession. WGT shall evaluate in writing the condition of all molds and tooling upon receipt from Medtronic and shall submit such evaluations to Medtronic for its review. Upon request by Medtronic, WGT shall prepare and deliver to Medtronic a written report of the condition, maintenance, and usage history for all Medtronic molds and tooling.

3.17) Feedthrough Qualification. WGT shall use commercially reasonable efforts to achieve Qualification of Feedthroughs for use in Products. Medtronic shall provide commercially reasonable cooperation, including timely disclosure of qualification procedures and standards, to WGT in connection with such efforts.

**ARTICLE 4**  
**CONFIDENTIALITY AND PUBLICITY**

4.1) Confidential Information. The receiving party agrees to maintain the confidentiality of the Confidential Information of the disclosing party and agrees not to disclose or use (except as permitted or required for performance by the receiving party of its rights or duties hereunder) any Confidential Information of the disclosing party; provided, however, that a party shall not be so restricted from using or disclosing any information (that otherwise is covered under the Confidential Information) that:

(a) was already in the possession of the receiving party prior to its receipt from the disclosing party (provided that the receiving party is able to provide the disclosing party with reasonable documentary proof thereof;

(b) is or becomes part of the public domain by reason of acts not attributable to the receiving party;

(c) is or becomes available to the receiving party from a source other than the disclosing party which source, to the best of the receiving party's knowledge, has rightfully obtained such information and has no obligation of nondisclosure or confidentiality to the disclosing party with respect thereto;

(d) is made available by the disclosing party to a third party unaffiliated with the disclosing party on an unrestricted basis;

(e) is independently developed by the receiving party completely without reference to any Confidential Information of the disclosing party, as evidenced by the receiving party's written records; or

(f) has been or must be publicly disclosed by reason of legal, accounting or regulatory requirements beyond the reasonable control, and despite the reasonable efforts, of the receiving party.

The receiving party further agrees to take appropriate measures to prevent any such prohibited disclosure by its and its subsidiaries' present and future employees, officers, agents and consultants.

4.2) Public Announcement. In the event either party proposes to issue any press release or public announcement concerning any provisions of this Agreement or the transactions contemplated hereby, such party shall so advise the other party hereto, and the parties shall thereafter use their reasonable best efforts to cause a mutually agreeable release or announcement to be issued. Neither party will publicly disclose or divulge any provisions of this Agreement or the transactions contemplated hereby without the other parties' written consent, except as may be required by applicable law (including applicable SEC rules and regulations) or stock exchange regulation; provided that, prior to disclosure of any provision of this Agreement to any governmental agency or stock exchange, the parties shall cooperate to seek confidential treatment or other applicable limitations on the public availability of any information that either of the parties considers sensitive or confidential.

**ARTICLE 5**  
**INDEMNITIES; LIMITATION OF DAMAGES; WARRANTIES**

5.1) Specific Warranties. WGT warrants to Medtronic as follows:

(a) Each Product provided to Medtronic under this Agreement will comply with all Specifications and will be free from defects in design, materials and workmanship; provided however, that (i) WGT's warranty that Products will be free from defects in design shall not apply to Products if the Product design element at issue was designed solely by Medtronic; and (ii) WGT makes no representation or warranty as to any Feedthroughs provided by Medtronic to WGT or other components of any Product provided by Medtronic to WGT.

(b) WGT shall inform Medtronic in writing promptly (but in any event within two business days) after WGT obtains knowledge of any actual or potential problems relating to the performance of any Product manufactured for Medtronic or any similar product manufactured by WGT for a third party. For purposes of this Section 5.1(b), "knowledge" shall include actual knowledge of any WGT plant manager, as well as the knowledge any such plant manager could reasonably be expected to have based on reasonable inquiry.

(c) WGT's execution and performance of this Agreement, the transactions contemplated herein, and Medtronic's incorporation of Products into medical devices for sale by or for Medtronic will not infringe, misappropriate, misuse or conflict with the rights, including Intellectual Property Rights, of third parties; provided, however, that WGT makes no representation or warranty as to any Feedthroughs provided by Medtronic to WGT or other components of any Product provided by Medtronic to WGT.

(d) WGT has full corporate right and authority to enter into and perform this Agreement. WGT is not a party to any agreement which conflicts with the terms of this Agreement and will not become a party to any such agreement during the term of this Agreement. For purposes of clarification, the existence of a supply contract between WGT and a Medtronic Competitor or other customer shall not alone constitute a breach of the foregoing warranty.

(e) If WGT's standard product warranty provides additional warranties and/or remedies, such warranties shall be in addition to the warranty provided herein. In no event shall WGT's warranty be less than provided in this paragraph.

5.2) Disclaimer. OTHER THAN THE EXPRESS WARRANTIES HEREIN, WGT MAKES NO OTHER WARRANTY AND HEREBY EXPRESSLY DISCLAIMS ALL OTHER WARRANTIES OF ANY KIND, EXPRESS OR IMPLIED. WGT MAKES NO IMPLIED WARRANTY OF MERCHANTABILITY AND MAKES NO IMPLIED WARRANTY OF FITNESS FOR A PARTICULAR PURPOSE.

5.3) Indemnification. WGT agrees to defend, indemnify and hold harmless Medtronic and its Affiliates, and their respective officers, directors, employees, shareholders, agents and representatives, from and against and in respect of any and all demands, claims, actions or causes of action, assessments, losses, damages, liabilities, interest and penalties, costs and expenses (including, without limitation, reasonable legal fees and disbursements incurred in connection therewith and in seeking indemnification therefor, and any amounts or expenses required to be paid or incurred in connection with any action, suit, proceeding, claim, appeal, demand, assessment or judgment), whether or not involving a third party claim, ("Losses") resulting from, arising out of, or imposed upon or incurred by any person to be indemnified hereunder by reason of (a) any breach of representation, warranty, or agreement on the part of WGT under this Agreement; (b) any act or omission of WGT, its agents, employees or its suppliers hereunder except to the extent that injury or damage is due to Medtronic's negligence or fault; (c) personal injury and property damages, and costs and expenses related thereto that occur during production (i.e. the formulation, fabrication, or manufacturing) of a Product by or for WGT (except to the extent caused by Feedthroughs provided to WGT by Medtronic or other components provided to WGT by Medtronic for use in Products) or for claims based on violations of federal, state or local laws or regulations (including those applicable to employee or environmental protection) in connection with such production (e.g., a claim based on WGT's violations of environmental standards or standards dealing with providing a safe place to work or the maintenance of hazardous materials); (d) personal injury, recall, or product damage resulting from the failure of a Product to meet any Specification or due to a defect in materials or workmanship (except to the extent caused by Feedthroughs provided to WGT by Medtronic or other components provided to WGT by Medtronic for use in Products); or (e) any allegation that WGT's execution and performance of this Agreement, the transactions contemplated herein, or Medtronic's incorporation of Products into medical devices for sale by or for Medtronic infringes, misappropriates, misuses or conflicts with the rights, including Intellectual Property Rights, of third parties (except to the extent caused by Feedthroughs provided to WGT by Medtronic or other components provided to WGT by Medtronic for use in Products). An amount for which Medtronic is entitled to indemnification pursuant hereto is referred to as an "Indemnified Amount."

#### **5.4) Limitation of Liability.**

- (a) Except for claims resulting from a breach of WGT's warranty under Section 5.1(b) and for Indemnified Amounts, neither party shall be liable under this Agreement to the other party for its incidental, special or consequential damages.
- (b) Except with respect to claims resulting from a breach of WGT's warranty under Section 5.1(b), and provided that WGT is in compliance with its obligations to maintain insurance as described in Section 5.5, WGT's liability to Medtronic for Losses resulting from or arising out of personal injury or product damage to third parties resulting from the failure of a Product to meet any Specification or due to a defect in materials or workmanship shall not exceed an amount equal to the products liability insurance limits required pursuant to Section 5.5.

### **5.5) Products Liability Insurance.**

(a) WGT shall, at its sole cost and expense, obtain and at all times during the term of this Agreement maintain products liability insurance with policy limits equal to the greater of (i) such amounts as ordinary good business practice for its type of business would make advisable; (ii) such amount as WGT carries for its products, generally; and (iii) \* Dollars \* per occurrence and in the aggregate (over and above up to \* Dollars \* in deductible or self-insured retention amount). Such products liability insurance shall name Medtronic, Inc. as an additional insured thereunder, it being understood that Medtronic shall have the right to seek recovery under said products liability insurance for any claims for damages, liabilities, costs (including but not limited to attorneys' fees), settlements or judgments which may be made against Medtronic on account of bodily injury, property damage, medical expense, or personal injury to any person caused by or arising from defects in materials, design, workmanship, or manufacture of Products supplied by WGT to Medtronic under this Agreement, and Medtronic agrees to seek recovery for any such claims directly from WGT's products liability insurance carrier. WGT's products liability insurance coverage shall: (i) provide for \* advance written notice to Medtronic before any cancellation or modification of such coverage; and (ii) provide that the coverages will be primary and will not participate with nor be excess over, any insurance or program of self-insurance carried or maintained by Medtronic; and

(iii) subject to the aggregate limits set forth above, provide that Medtronic's right to payment under such coverage is separate from and in addition to any right to payment of WGT; and (iv) with respect to recovery by Medtronic as described above, not be subject to any deductible or self-insured retention in excess of \* Dollars \* , which deductible or self-insured retention shall be the sole responsibility of WGT.

(b) WGT has, prior to the date hereof, delivered to Medtronic a true and accurate certificate of insurance, which is attached hereto as Exhibit G, setting forth the amount of products liability insurance currently maintained by WGT. Medtronic acknowledges and agrees that the amount of products liability insurance set forth in such certificate satisfies the criteria set forth in this

Section 5.5. Within \* after the beginning of each Contract Year during the term of this agreement, WGT shall deliver to Medtronic an updated certificate of insurance setting forth the amount of products liability insurance maintained by WGT for such Contract Year.

5.6) Set-off. Medtronic shall be entitled, in its discretion and without limitation of any other rights or remedies of Medtronic, to set-off against any amounts which are then owed or thereafter become owed by Medtronic to WGT all or any part of an Indemnified Amount or any amount owed to Medtronic by WGT pursuant to the Asset Purchase Documents. Medtronic shall be entitled to set-off an Indemnified Amount when such costs are threatened, whether or not yet incurred and whether or not the amount thereof has been finally determined. If Medtronic defers payment of any amount to WGT past the scheduled payment date because there exists a pending indemnification claim by Medtronic pursuant to this Article the amount of which has not then been finally determined, the excess, if any, of such deferred amount over the finally determined amount of the indemnification claim shall be promptly paid upon such final determination, together with interest at the Interest Rate on such excess accrued from the originally scheduled payment date for such deferred amount.



**ARTICLE 6**  
**INTELLECTUAL PROPERTY**

**6.1) Failure to Supply License.**

(a) WGT hereby grants Medtronic a non-exclusive, worldwide, paid-up license under any intellectual property and/or know-how and manufacturing processes owned or otherwise licensable by WGT to enable Medtronic to make, have made, and use and sell Products. Subject to the terms and conditions of this Agreement, Medtronic agrees that it will not manufacture or have a Product made pursuant to this license, unless WGT fails for any reason to timely deliver such Product ordered in accordance with the provisions of Article 2, including but not limited to a failure to deliver such Product which conforms to the Specifications therefor, which failure is not cured within \* after WGT is notified in writing of such failure (a "Failure of Supply"). Upon Medtronic's exercise of such right, WGT agrees to promptly provide Medtronic (or its designee) with all specifications, know-how, trade secrets, software, and other items (including all specialized items, including tooling, molds, etc.) together with information and training reasonably necessary for the manufacture of such Product and access to and use of WGT's facilities in which such Product can be manufactured, to the extent possible, for the production of such Product. This manufacturing right may be exercised for a period, not to exceed \*, as is reasonably necessary to economically transfer and start-up alternative production with another supplier or suppliers. The license granted hereunder shall continue until the later of (i) the \* of the date of any such Failure of Supply; and (ii) the earlier of: (A) the date that WGT has re-established to Medtronic's satisfaction its ability to perform its obligations hereunder without a Failure of Supply or (B) the termination of this Agreement.

(b) In the event that a bankruptcy petition is filed by or on behalf of WGT and WGT, or a custodian or trustee acting on behalf of WGT, rejects this Agreement, Medtronic shall be permitted to elect to retain such license pursuant to ss.365(n) of the federal bankruptcy code (11 U.S.C. ss.101 et.seq.).

6.2) Third Party Licenses. WGT shall comply with all of the material provisions of, and shall maintain in full force and effect, any and all license agreements with third parties pursuant to which WGT is licensee of Intellectual Property and which would have a material effect on the rights granted to Medtronic by WGT under this Agreement such that if WGT failed to comply with the provisions of or to maintain in full force such agreements, Medtronic's rights hereunder would be materially adversely affected. WGT shall promptly notify Medtronic if any such third party Licensor alleges any breach by WGT of any such license agreement. Medtronic shall be entitled, but not obligated, to cure any alleged breach by WGT of such license agreement and set-off the cost of such cure against amounts otherwise owed to WGT hereunder.

6.3) Use and Return of Property. All material and information (including, without limitation, specifications, drawings, designs, samples, software, formulae, molds, tooling, and components) furnished by Medtronic to WGT shall be used only in the performance of work for Medtronic and shall remain the property of Medtronic and, together with all copies thereof, shall be returned in good repair, normal wear and tear excepted, by WGT to Medtronic at Medtronic's direction and expense upon termination or expiration of this Agreement or the earlier request by Medtronic. WGT assumes risk of loss and damage to said items while in its possession or under its control. WGT shall notify Medtronic promptly whenever any items of Medtronic's tangible property are damaged or are in need of repair or replacement. Medtronic's property shall be marked or otherwise adequately identified by as property of Medtronic for use only under this Agreement and shall be safely stored. WGT waives any right it may have in law or equity to withhold Medtronic's property.

#### **6.4) Intellectual Property Matters.**

(a) WGT agrees that any creations, discoveries, Inventions, designs, improvements or other ideas (collectively, "Creations") that are generated by employees of or consultants working for WGT shall be solely owned by Medtronic if (i) such Creations are generated solely as a result of Medtronic's disclosure of Confidential Information to WGT, or (ii) Medtronic's sole ownership rights with respect to such Creations are set forth in Exhibit L (as amended by the parties from time to time) in connection with the development of a product or component for Medtronic pursuant to Section 2.1(c). WGT hereby assigns such Creations to Medtronic. WGT will promptly disclose any such Creations to Medtronic and will execute and deliver documents appropriate to evidence Medtronic's ownership of the Creations. All documentation, drawings, prototypes and the like relating to such Creations shall also constitute the property of Medtronic. Medtronic grants no license to WGT to use any property of Medtronic, including Creations, for any purpose other than as may be necessary for WGT to manufacture Products for Medtronic under this Agreement.

(b) All Intellectual Property of Medtronic existing on the date hereof and any Inventions developed solely by employees of, or non-WGT consultants to, Medtronic after the date hereof shall be and remain the property of Medtronic, and WGT shall not have any rights therein. Except for the rights granted to Medtronic hereunder, including under Sections 3.11(b), 6.1(a) and 6.4(a), and any other separate agreements between Medtronic and WGT, all Intellectual Property of WGT existing on the date hereof shall be the property of WGT, and Medtronic shall not have any rights therein.

(c) If Medtronic and WGT (or their employees or agents) jointly conceive, reduce to practice, or otherwise make, develop or acquire an Invention relating to a Product (a "Joint Creation"), all rights with respect to such Joint Creation shall be solely owned by Medtronic; provided, that unless otherwise agreed in Exhibit L (as amended by the parties from time to time), Medtronic shall grant to WGT a non-exclusive, worldwide, paid-up license under such Joint Creation to make, have made, use and sell products to or for third parties, which license shall (i) be exercisable by WGT only after the date that is one year after commercial release by Medtronic of a product incorporating such Joint Creation; and (ii) not be transferable or sublicensable.

**ARTICLE 7**  
**TERM AND TERMINATION**

7.1) Term. This Agreement shall become binding and enforceable on the Effective Date and, unless earlier terminated in accordance with Section 7.2, shall continue in force until the end of the seventh (7th) Contract Year, at which time it shall expire. The period beginning on the Effective date and ending on the date of such termination or expiration shall be referred to herein as the "Term." This Agreement may be renewed beyond this Term if both parties so agree in writing. Both parties agree to negotiate in good faith prior to completion of the fifth (5th) Contract Year regarding a renewal or establishment of a new agreement related to Implantable Device Shield Sub-Assemblies beyond the initial Term of this Agreement.

7.2) Termination. This Agreement may be terminated as follows:

- (a) Either party may terminate this Agreement by giving notice in writing to the other party in the event the other party is in breach of any material representation, warranty or covenant of this Agreement and shall have failed to cure such breach within \* after delivery to the breaching party of written notice describing such breach;
- (b) Either party may terminate this Agreement by giving notice in writing to the other party if the other party has been in breach of a material term or condition of this Agreement on \* or more occasions within any \* period, whether or not such breaches were cured within the cure period provided in Section 7.2(a);
- (c) Medtronic may terminate this Agreement at any time, for any or no reason, by giving notice in writing to WGT at least \* in the case of circumstances described in Section 2.3(c)(ii)(A)) in advance of the effective date of such termination (the "Section 7.2(c) Notice Period").
- (d) Either party may terminate this Agreement at any time by giving notice in writing to the other party, which notice shall be effective upon dispatch, should the other party file a petition of any type as to its bankruptcy, be declared bankrupt, become insolvent, make an assignment for the benefit of creditors, go into liquidation or receivership; or
- (e) Either party may terminate this Agreement by giving notice in writing to the other party should an event of Force Majeure continue for more than \* .

**7.3) Survival; Effect.**

- (a) Upon expiration of the Term, all then outstanding accepted orders for Products shall survive. Upon an early termination of the Term, the party electing to terminate the Term may elect whether or not outstanding accepted orders shall survive.

(b) Upon termination or expiration of the Term, WGT shall promptly return all property of Medtronic in WGT's possession as directed by Medtronic and shall execute such documents and take other action as reasonably requested by Medtronic in connection therewith.

(c) Notwithstanding anything to the contrary, all representations, warranties and indemnifications made in this Agreement, and all other provisions of this Agreement intended to be observed and performed by the parties after the Term, including without limitation those provisions relating to the protection of Confidential Information, shall survive the termination of the Term and continue thereafter in full force and effect, subject to applicable statutes of limitation.

(d) In the event of a termination of this Agreement by Medtronic under Section 7.2(c), or a termination by WGT under Section 7.2(a), then during the Section 7.2(c) Notice Period (or, in the case of a termination by WGT under Section 7.2(a), during the \* after the effectiveness of such termination) Medtronic shall either (i) purchase Products hereunder in quantities sufficient for WGT to fully relieve the Covered Inventory; or (ii) purchase from WGT, and WGT shall sell to Medtronic, the Covered Inventory for an amount equal to (A) in the case of Covered Inventory consisting of finished goods, the applicable price hereunder; (B) in the case of Covered Inventory consisting of work-in-process, raw materials, components and subcomponents, WGT's recorded costs of such Covered Inventory.

(e) If Medtronic terminates this Agreement under Section 7.2(c) within this \* after the date of this Agreement, then Medtronic shall purchase (or repurchase) from WGT, at a price and on other terms set forth in the Asset Purchase Documents, all equipment purchased by WGT from MDT pursuant to, and identified expressly in, the Asset Purchase Documents. Medtronic shall also have the option, exercisable in its discretion by delivering written notice to WGT, to purchase any specialized equipment purchased by WGT specifically for the production hereunder of Products for Medtronic.

## **ARTICLE 8**

### **MISCELLANEOUS**

8.1) Assignment. Neither party shall have the right to assign or otherwise transfer its rights and obligations under this Agreement (whether by merger, share exchange, combination or consolidation of any type, operation of law, purchase or otherwise) except with the prior written consent of the other party; provided, that Medtronic or any Affiliate of Medtronic may assign its rights pursuant to this Agreement to any person who, by merger, share exchange, combination or consolidation of any type, purchase, operation of law, asset purchase or otherwise, acquires substantially all of the business of Medtronic or such Affiliate to which this Agreement relates. Any prohibited assignment shall be null and void.

8.2) Notices. All notices or other communications to a party required or permitted hereunder shall be in writing and shall be delivered personally or by facsimile (receipt confirmed electronically) to such party or shall be sent by a reputable express delivery service or by certified mail, postage prepaid with return receipt requested, addressed as follows:

**if to Medtronic, to:**

Medtronic Puerto Rico Operations Co.  
Road 31, Km. 24, HM 4

Ceiba Norte Industrial Park Juncos, PR 00777

Attention: Plant Manager - Cardiac Rhythm Management Facsimile: (787) 561-2394

with a copy to:

General Counsel  
Medtronic, Inc.  
World Headquarters  
Mail Stop LC400  
710 Medtronic Parkway  
Minneapolis, MN 55432-5604 Facsimile: (763) 572-5459

**if to WGT, to:**

Wilson Greatbatch Technologies, Inc.  
9645 Wehrle Drive  
Clarence, New York 14031

Attention: President FAX: (716) 759-5672

with a copy to:

Hodgson Russ LLP  
One M&T Plaza  
Suite 2000  
Buffalo, New York 14203 Attention: Robert B. Fleming, Jr., Esq.

FAX: (716) 849-0349

Any party may change the above-specified recipient and/or mailing address by notice to all other parties given in the manner herein prescribed. All notices shall be deemed given on the day when actually delivered as provided above (if delivered personally or by facsimile) or on the day shown on the return receipt (if delivered by mail or delivery service).

8.3) Consents; Waivers. Any approval, authorization, waiver or consent required by this Agreement must be in writing, duly signed by an authorized representative of the granting party. The withholding of an approval, authorization, waiver or consent for regulatory, quality, or competitive reasons shall not be deemed unreasonable. The failure of either party to enforce at any time any of the provisions of this Agreement shall in no way be construed to be a waiver of any such provision, nor in any way to affect the validity of this Agreement or any part of it or the right of either party after any such failure to enforce each and every such provision. No waiver of any breach of this Agreement shall be held to be a waiver of any other or subsequent breach.

8.4) No Joint Venture. Nothing contained in this Agreement will be deemed to create a joint venture, partnership, agency or similar endeavor between the parties hereto. Each party will act solely as an independent contractor and neither part will have any power or authority to direct or indirectly bind or act on behalf of the other.

8.5) Governing Law. This Agreement shall be governed by and construed in accordance with the laws of the State of Minnesota without reference to the choice of law principles thereof Subject to Section 8.13, and without limiting the rights of the parties to pursue in any appropriate jurisdiction their respective rights with respect to any judgment obtained in respect hereof, the parties hereby irrevocably consent to the exclusive jurisdiction and venue of any United States court of competent jurisdiction located in the State of Minnesota and/or the state courts located in Anoka County therein to adjudicate any legal action commenced in respect of this Agreement and waive any objections either may have at any time to such jurisdiction and venue. The parties agree to the personal jurisdiction of such courts and agree that service of process may be made pursuant to notice sent in accordance with Section 8.2.

8.6) Entire Agreement. This Agreement (including accompanying purchase orders), together with any related schedules and exhibits, constitute the entire agreement between the parties with respect to the subject matter hereof and supersede all prior proposals, discussions, or agreements, whether written or oral, relating hereto. Medtronic and Globe Tool and Manufacturing Company, Inc. hereby agree that the Supply Agreement dated February 1, 2002 shall terminate as of the date hereof.

8.7) Titles and Headings; Construction. The section and article headings contained in this Agreement are for reference purposes only and shall not in any way affect the meaning or interpretation of this Agreement. This Agreement shall be construed without regard to any presumption or other rule requiring construction hereof against the party causing this Agreement to be drafted.

8.8) Severability. If any provision of this Agreement is held invalid by a court of competent jurisdiction, the remaining provisions shall nonetheless be enforceable according to their terms. Further, if any provision is held to be overbroad as written, such provision shall be deemed amended to narrow its application to the extent necessary to make the provision enforceable according to applicable law and shall be enforced as amended.

8.9) Counterparts. This Agreement may be executed in one or more counterparts, each of which shall be deemed to be an original, but all of which shall be considered one and the same instrument.

8.10) Benefit. Except as provided in Article 5, nothing in this Agreement, expressed or implied, is intended to confer on any person other than the parties hereto or their respective permitted successors or assigns, any rights, remedies, obligations or liabilities under or by reason of this Agreement.

8.11) Execution of Further Documents. Each party agrees to execute and deliver without further consideration any further applications, licenses, assignments or other documents, and to perform such other lawful acts as the other party may reasonably request to fully secure and/or evidence the rights or interests herein.

8.12) Compliance with Laws. The parties will comply with all applicable international, national, state, regional and local laws and regulations, including all applicable import and export control laws, in exercising their rights or performing their duties under this Agreement.

8.13) Arbitration. Any dispute arising under this Agreement (other than a failure to agree with respect to Product pricing under Sections 2.4(a), 2.4(d), 2.4(e), 2.4(f) or 3.2(b)) shall be referred first to the President of WGT and the President of Medtronic Cardiac Rhythm Management or his or her designee (each a "Relationship Manager") within three (3) business days after receipt of a notice from either party specifying the nature of the dispute and referencing this Section. Each Relationship Manager shall make a good faith attempt to begin discussions regarding such dispute in person or by telephone with the other Relationship Manager within ten (10) business days of a dispute being referred to him or her. The Relationship Managers shall meet as often as the parties reasonably deem necessary in order to gather and furnish to the other all information with respect to the matter in issue which the parties believe to be appropriate and germane in connection with its resolution. The Relationship Managers shall discuss the problem and negotiate in good faith in an effort to resolve the dispute without the necessity of any formal proceeding. Should the Relationship Managers fail to reach agreement within thirty (30) days of the initiation of the dispute resolution process (or such longer period as such representatives may agree in writing), then formal proceedings for the resolution of a dispute may be commenced in accordance with Exhibit H. The results of such arbitration proceedings shall be binding upon the parties, and judgment may entered upon the arbitration award in any court having jurisdiction thereof

[Remainder of page intentionally blank; signatures follow]

IN WITNESS WHEREOF, this Supply Agreement has been signed on behalf of each of the parties hereto as of the date first above written.

**WILSON GREATBATCH TECHNOLOGIES, INC.**

*By: /s/ Edward F. Voboril*  
-----  
*Name: Edward F. Voboril*  
-----  
*Title: Chairman and CEO*  
-----

**MEDTRONIC PUERTO RICO OPERATIONS CO.**

*By: /s/ Gary L. Ellis*  
-----  
*Gary L. Ellis*  
-----  
*Vice President, Controller and Treasurer*  
-----

**GLOBE TOOL AND MANUFACTURING COMPANY,  
INC. (solely with respect to Section 8.6)**

*By: /s/ Edward F. Voboril*  
-----  
*Name: Edward F. Voboril*  
-----  
*Title: President*  
-----



## EXHIBITS

Exhibit A	Products and Pricing
Exhibit B	Exclusive Processes
Exhibit C	Product Specifications
Exhibit D	WGT Pricing Model
Exhibit E	Facilities Specifications
Exhibit F	Subcomponent Suppliers
Exhibit G	Insurance Certificate
Exhibit H	Alternative Dispute Resolution
Exhibit I	Price Arbitration Procedure
Exhibit J	Initial Forecast
Exhibit K	Feedthrough Reimbursement Amounts and Yield Rates
Exhibit L	Product/Component Development
Exhibit M	WGT Facilities
Exhibit N	Supplier Managed Inventory

## CERTIFICATION

I, Edward F. Voboril, certify that:

1. I have reviewed this report on Form 10-Q for the fiscal quarter ended October 1, 2004 of Wilson Greatbatch Technologies, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by the report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant and we have:
  - a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - b. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures as of the end of the period covered by this report based on such evaluation; and
  - c. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting.
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent functions):
  - a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

*Date: November 10, 2004*

*/s/ Edward F. Voboril*

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*Edward F. Voboril  
Chairman of the Board, President and  
Chief Executive Officer*

## CERTIFICATION

I, Lawrence P. Reinhold, certify that:

1. I have reviewed this report on Form 10-Q for the fiscal quarter ended October 1, 2004 of Wilson Greatbatch Technologies, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by the report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant and we have:
  - a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - b. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures as of the end of the period covered by this report based on such evaluation; and
  - c. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting.
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent functions):
  - a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

*Date: November 10, 2004*

*/s/ Lawrence P. Reinhold*  
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*Lawrence P. Reinhold*  
*Executive Vice President and*  
*Chief Financial Officer*

**CERTIFICATION**

Pursuant to 18 U.S.C. Section 1350 as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

Pursuant to 18 U.S.C. Section 1350 as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, each of the undersigned officers of Wilson Greatbatch Technologies, Inc. (the "Company"), does hereby certify, to such officer's knowledge, that:

The Quarterly Report on Form 10-Q for the quarter ended October 1, 2004 (the "Form 10-Q") of the Company fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934 and the information contained in the Form 10-Q fairly presents, in all material respects, the financial condition and results of operations of the Company.

*Dated: November 10, 2004*

*/s/ Edward F. Voboril*

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*Edward F. Voboril*  
*President and Chief Executive Officer and*  
*Chairman of the Board*

*Dated: November 10, 2004*

*/s/ Lawrence P. Reinhold*

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*Lawrence P. Reinhold*  
*Executive Vice President and*  
*Chief Financial Officer*

This certification is being furnished solely to accompany this Form 10-Q pursuant to 18 U.S.C. Section 1350, and is not being filed for purposes of Section 18 of the Securities Exchange Act of 1934, as amended, or otherwise, and is not to be deemed incorporated by reference into any filing of the Company except to the extent the company specifically incorporates it by reference therein.