

BINAX INC
Form 424B5
May 08, 2009

Table of Contents**CALCULATION OF REGISTRATION FEE**

Title of Each Class of Securities Registered	Amount Registered	Offering Price per Unit	Aggregate Offering Price	Amount of Registration Fee(1)
9.00% Senior Subordinated Notes due 2016 Subsidiary Guarantees	\$ 400,000,000 (2)	96.865% (2)	\$ 387,460,000 (2)	\$ 21,621 (2)

(1) Calculated in accordance with Rule 457(r) of the Securities Act of 1933.

(2) Pursuant to Rule 457(n) under the Securities Act of 1933, no separate registration fee is payable with regard to the guarantees.

Table of Contents

**Filed Pursuant to Rule 424(b)(5)
Registration File No. 333-158542**

PROSPECTUS SUPPLEMENT

To Prospectus dated May 1, 2009

\$400,000,000

Inverness Medical Innovations, Inc.

9.00% Senior Subordinated Notes due 2016

We are offering \$400,000,000 aggregate principal amount of our 9.00% Senior Subordinated Notes due 2016. The notes will mature on May 15, 2016. Interest will be payable on May 15 and November 15 of each year, beginning on November 15, 2009.

We may redeem the notes in whole or in part on and after May 15, 2013 at the redemption prices described herein plus accrued and unpaid interest at the date of redemption. In addition, we may redeem up to 35% of the notes before May 15, 2012 with the proceeds of certain equity offerings. Prior to May 15, 2013, we may also redeem the notes upon payment of the make-whole premium described herein plus accrued and unpaid interest at the date of redemption. If we sell certain of our assets or experience specific kinds of changes in control, we may be required to offer to repurchase the notes. There is no sinking fund for the notes.

The notes are our senior subordinated unsecured obligations and will be subordinated in right of payment to all our existing and future senior debt. Subject to certain exceptions, our obligations under the notes are or will be guaranteed on a senior subordinated basis by our current and future domestic subsidiaries that guarantee certain of our other indebtedness. The notes will also be effectively subordinated to our and our guarantor subsidiaries' existing and future secured debt and other secured obligations, to the extent of the value of the assets securing such debt, and will be structurally subordinated to all obligations of our subsidiaries that do not guarantee the notes.

The notes have been authorized for listing on the New York Stock Exchange, subject to notice of issuance. Currently, there is no public market for the notes.

Investing in the notes involves substantial risk. See Risk Factors beginning on page S-12.

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

	Public offering price(1)	Underwriting discount	Proceeds, before expenses, to us
Per note	96.865%	2.000%	94.865%

Total	\$ 387,460,000	\$ 8,000,000	\$ 379,460,000
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(1) Plus accrued interest from May 12, 2009 to the date of delivery.

We expect that delivery of the notes will be made to purchasers in book-entry form through The Depository Trust Company on or about May 12, 2009.

Joint Book-Running Managers

UBS Investment Bank

Goldman, Sachs & Co.

Banc of America Securities LLC

Co-Managers

Canaccord Adams

Leerink Swann

Stifel Nicolaus

The date of this prospectus supplement is May 7, 2009.

About this prospectus supplement

This document is in two parts. The first part is this prospectus supplement, which describes the specific terms of this offering. The second part is the accompanying prospectus, which describes more general information, some of which may not apply to this offering. If the description of the offering varies between this prospectus supplement and the accompanying prospectus, you should rely on the information in this prospectus supplement.

In making your investment decision, you should rely only on the information contained or incorporated by reference in this prospectus supplement and the accompanying prospectus or any issuer free writing prospectus. We have not, and the underwriters have not, authorized any other person to provide you with any other information. If anyone provides you with any other information, you should not rely on it. You should assume that the information appearing or incorporated by reference in this prospectus supplement and the accompanying prospectus or any issuer free writing prospectus is accurate as of the dates on their respective covers. Our business, financial condition, results of operations and prospects may have changed since those dates. Neither the delivery of this prospectus supplement and the accompanying prospectus or any issuer free writing prospectus nor any sale made hereunder shall under any circumstance imply that the information contained or incorporated by reference in this prospectus supplement is correct as of any date subsequent to the date on the cover of this prospectus supplement or that the information contained or incorporated by reference in the accompanying prospectus or any issuer free writing prospectus is correct as of any date subsequent to the dates on their respective covers.

We and the underwriters are offering to sell the notes only in places where such offers and sales are permitted.

TABLE OF CONTENTS

Prospectus Supplement

<u>Summary</u>	S-1
<u>Risk factors</u>	S-12
<u>Special note regarding forward-looking statements</u>	S-33
<u>Market and industry data</u>	S-34
<u>Use of proceeds</u>	S-35
<u>Capitalization</u>	S-36
<u>Selected consolidated financial information</u>	S-38
<u>Management's discussion and analysis of financial condition and results of operations</u>	S-40
<u>Business</u>	S-68
<u>Management</u>	S-80
<u>Description of other indebtedness</u>	S-85
<u>Description of notes</u>	S-88
<u>Underwriting</u>	S-143
<u>Material United States federal income tax consequences</u>	S-147
<u>Legal matters</u>	S-151
Consolidated financial statements	SF-1
Prospectus	
<u>About this prospectus</u>	1
<u>About Inverness Medical Innovations, Inc.</u>	1
<u>Ratio of earnings to fixed charges and related matters</u>	2
<u>Special note regarding forward-looking statements</u>	2

<u>How we intend to use the proceeds</u>	4
<u>Description of common stock we may offer</u>	4
<u>Description of preferred stock we may offer</u>	7
<u>Description of warrants we may offer</u>	8
<u>Description of stock purchase contracts we may offer</u>	10
<u>Description of depositary shares we may offer</u>	10
<u>Description of debt securities and subsidiary guarantees we may offer</u>	13
<u>Description of units we may offer</u>	22
<u>How we plan to offer and sell the securities</u>	24
<u>Incorporation of documents by reference</u>	26
<u>Where you can find more information</u>	28
<u>Experts</u>	28
<u>Legal matters</u>	29

Table of Contents

Summary

This summary highlights the information contained elsewhere or incorporated by reference in this prospectus supplement. Because this is only a summary, it does not contain all of the information that may be important to you. For a more complete understanding of this offering, we encourage you to read this prospectus supplement, the accompanying prospectus and the documents incorporated by reference in this prospectus supplement and the accompanying prospectus. You should read the following summary together with the more detailed information and consolidated financial statements, including the accompanying notes, included elsewhere or incorporated by reference in this prospectus supplement and the accompanying prospectus.

INVERNESS MEDICAL INNOVATIONS, INC.

Inverness Medical Innovations, Inc. enables individuals to take charge of improving their health and quality of life at home by developing new capabilities in near-patient diagnosis, monitoring and health management. Our global leading products and services, as well as our new product development efforts, focus on cardiology, women's health, infectious disease, oncology and drugs of abuse. Our business is organized into four major reportable segments: professional diagnostics, health management, consumer diagnostics and vitamins and nutritional supplements. Through our professional diagnostics segment, we develop, manufacture and market an extensive array of innovative rapid diagnostic test products and other in vitro diagnostic tests to medical professionals and laboratories for detection of infectious diseases, cardiac conditions, drugs of abuse and pregnancy. Our health management segment provides comprehensive, integrated programs and services focused on wellness, disease and condition management, productivity enhancement and informatics, all designed to reduce health-related costs and enhance the health and quality of life of the individuals we serve. Our consumer diagnostic segment consists primarily of manufacturing operations related to our role as the exclusive manufacturer of products for SPD Swiss Precision Diagnostics, or SPD, our 50/50 joint venture with The Procter & Gamble Company, or P&G. SPD holds a leadership position in the worldwide over-the-counter pregnancy and fertility/ovulation test market. We also manufacture and market a variety of vitamins and nutritional supplements under our brands and those of private label retailers primarily in the U.S. consumer market. We have grown our businesses by leveraging our strong intellectual property portfolio and making selected strategic acquisitions. Our products are sold in approximately 90 countries through our direct sales force and an extensive network of independent global distributors.

ACON ACQUISITION

On April 30, 2009, we completed our acquisition of certain assets from ACON Laboratories, Inc. and certain related entities, whom we refer to collectively as ACON, relating to ACON's lateral flow immunoassay business. ACON is a world-wide provider of diagnostic test kits in the consumer, point-of-care and laboratory markets. In connection with our March 2006 acquisition of the assets of ACON's business of researching, developing, manufacturing, marketing and selling lateral flow immunoassay and directly related products, which we refer to as the ACON business, in the United States, Canada, Europe (excluding Russia, the former Soviet Republics that are not part of the European Union and Turkey), Israel, Australia, Japan and New Zealand, which we refer to collectively as the first territory, we entered into an agreement with ACON that provided that in the event certain financial performance and operating conditions were satisfied, we would agree to acquire, and ACON would agree to sell, the ACON business for the remainder of the world, which we refer to as the ACON second territory business. The terms and conditions of our acquisition of the ACON second territory business, which includes the ACON business in China, Asia Pacific, Latin America, South America, the Middle East, Africa, India, Pakistan, Russia and Eastern Europe, are set forth in an agreement between ACON and us dated March 16, 2009. ACON will retain its other worldwide in-vitro diagnostics businesses including diabetes, clinical chemistry and immunoassay products.

As agreed to in connection with the acquisition of the ACON business in the first territory in March 2006, the aggregate purchase price for the ACON second territory business will be based on a multiple

Table of Contents

of either the ACON second territory business revenue or its pre-tax profits for calendar year 2008, subject to final determination of ACON's financial results for calendar year 2008, as well as working capital and other customary adjustments. We currently expect that the purchase price for the ACON second territory business will be approximately \$200.0 million, subject to the foregoing determination and adjustments.

At closing, we paid \$80.0 million in cash toward the purchase price. Not later than ten business days following the closing of this offering, we expect to pay approximately an additional \$30.5 million in cash, based on the estimated purchase price. On July 1, 2009, we must pay an amount equal to approximately \$59.5 million in shares of our common stock or, at our election, cash, based on the estimated purchase price. Such amount shall bear interest at the rate of 4% per annum from the closing date. The remainder of the purchase price will be due in two installments, each comprising 7.5% of the total purchase price, or approximately \$15.0 million, based on the estimated purchase price, on the dates that are 15 and 30 months after the closing. These installment amounts do not bear interest and may be paid in cash or a combination of cash (not less than approximately 71% of each payment) and shares of our common stock (not more than approximately 29% of each payment).

The actual number of shares of our common stock to be issued pursuant to the ACON acquisition agreement, if any, will be determined by reference to a formula by which the value of the common stock to be issued is divided by a price per share equal to the volume weighted average price of our common stock during the ten trading days immediately preceding the date of issuance.

In connection with the consummation of the acquisition of the ACON second territory business, we also entered into various other agreements with ACON, including an amended and restated investor rights agreement, transitional supply and distribution agreements, an amended and restated license agreement, a transition services agreement, and other ordinary and customary agreements.

We may use a portion of the proceeds of this offering to pay some or all of the purchase price that remains outstanding.

S-2

Table of Contents**RECENT FINANCIAL RESULTS**

We recently reported our preliminary unaudited financial results for the first quarter of 2009. We have not yet filed with the SEC our quarterly report on Form 10-Q for the first quarter of 2009, and our independent registered public accounting firm has not completed the review of our quarterly financial information required by Statement of Auditing Standards No. 100, *Interim Financial Information*.

In that quarter, we recorded net revenue of \$443.9 million compared to net revenue of \$372.2 million in the first quarter of 2008. The revenue increase was primarily due to \$76.9 million of incremental revenue provided by our health management segment principally as a result of incremental revenues from recently acquired businesses, along with \$10.2 million of incremental revenue contributed by our other recently acquired businesses, offset in part by the adverse impact of foreign currency translation, which reduced reported revenues by \$16.6 million. A relatively mild flu season resulted in a reduction in sales of our influenza tests in North America by \$12.4 million from the first quarter of 2008.

The following tables provide certain of our preliminary unaudited condensed consolidated financial data for the three months ended March 31, 2009 and 2008 and as of March 31, 2009.

For additional financial information relevant to our ability to meet our debt service obligations, please see Other Financial Information.

Statement of operations data:	For the three months ended March 31,	
	2009	2008
	(in thousands, except per share data) (unaudited)	
Net product sales and services revenue	\$ 434,800	\$ 361,361
License and royalty revenue	9,060	10,872
Net revenue	443,860	372,233
Cost of net revenue	209,658	191,843
Gross profit	234,202	180,390
Operating expenses:		
Research and development	27,052	30,925
Selling, general and administrative	178,996	134,687
Total operating expenses	206,048	165,612
Operating income	28,154	14,778
Interest and other income (expense), net	(20,671)	(20,753)
Income tax provision (benefit)	3,689	(880)
Equity earnings of unconsolidated entities, net of tax	2,497	921

Net income (loss)	6,291	(4,174)
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Balance sheet data:**March 31, 2009****(in thousands)**

Cash and cash equivalents	\$	205,181
Working capital	\$	514,134
Total assets	\$	5,902,506
Total debt	\$	1,516,032
Total stockholders' equity	\$	3,257,677

PRINCIPAL EXECUTIVE OFFICES

Inverness Medical Innovations, Inc. is a Delaware corporation. Our principal executive offices are located at 51 Sawyer Road, Suite 200, Waltham, Massachusetts 02453 and our telephone number is (781) 647-3900. Our website is www.invernessmedical.com. The information found on our website is not part of this prospectus.

S-3

Table of Contents

The offering

9.00% SENIOR SUBORDINATED NOTES DUE 2016

The following summary describes the principal terms of the notes. Some of the following description is subject to important limitations and exceptions. The Description of Notes section of this prospectus supplement contains a more detailed description of the notes than this summary section.

Issuer	Inverness Medical Innovations, Inc., a Delaware corporation.
Notes Offered	\$400,000,000 aggregate principal amount of our 9.00% Senior Subordinated Notes due 2016.
Maturity Date	May 15, 2016.
Interest	9.00% per annum, payable semi-annually on May 15 and November 15 of each year, commencing November 15, 2009.
Optional Redemption	We may, at our option, redeem the notes, in whole or part, at any time on or after May 15, 2013, at the redemption prices described in Description of Notes Redemption Optional Redemption plus accrued and unpaid interest to (but excluding) the redemption date.
Optional Redemption After Certain Equity Offerings	<p>At any time (which may be more than once) until May 15, 2012, we can choose to redeem up to 35% of the notes (including any applicable notes issued after the issue date) with money that we raise in certain equity offerings, so long as:</p> <ul style="list-style-type: none"> Ø we pay 109.00% of the face amount of the notes, plus accrued and unpaid interest to (but excluding) the redemption date; Ø we redeem the notes within 90 days of completing such equity offering; and <p>at least 65% of the aggregate principal amount of the notes (including any notes issued after the issue date) remains outstanding afterwards. See Description of Notes Redemption Redemption with Proceeds from Equity Offerings.</p>
Make-Whole Redemption	Prior to May 15, 2013, we may redeem some or all of the notes by the payment of a make-whole premium described under Description of Notes Redemption Make-whole Redemption, plus accrued and unpaid interest to (but excluding) the redemption date.
Change of Control	If a change of control occurs, subject to certain conditions, we must give holders of the notes an opportunity to sell the notes to us at a purchase price of 101% of the principal amount of the notes, plus accrued and unpaid interest to (but excluding) the date of the purchase. The credit agreements governing our secured credit facilities prohibit us from

repurchasing any of the notes in connection with a change of control before the repayment in full of all amounts outstanding under the secured credit facilities. Therefore, if a change of control were to occur, we may be unable to repurchase any of the notes due to this or

S-4

Table of Contents

similar prohibitions or because we do not have adequate funds. See Description of Notes Change of Control.

Guarantees

The payment of the principal, premium and interest on the notes is or will be fully and unconditionally guaranteed, jointly and severally, on a senior subordinated basis by, subject to certain exceptions, all of our current and future domestic subsidiaries that guarantee certain other of our indebtedness. A guarantee may be released if we dispose of the guarantor subsidiary or it ceases to guarantee certain other indebtedness of ours or any of our other subsidiaries. See Description of Notes Guarantees of the Notes.

Ranking

The notes will be our general unsecured senior subordinated obligations and will be:

Ø junior in right of payment to all of our existing and future senior indebtedness, including indebtedness arising under our secured credit facilities; see Description of Notes Subordination of the Notes ;

Ø *pari passu* in right of payment with all of our existing and future senior subordinated indebtedness, including indebtedness arising under our outstanding senior subordinated convertible notes;

Ø senior in right of payment to any of our existing or future indebtedness that is, by its terms, subordinated in right of payment to the notes;

Ø unconditionally guaranteed by the guarantor subsidiaries; see Description of Notes Guarantees of the Notes ;

Ø effectively subordinated to all of our existing and future secured indebtedness, including indebtedness arising under our secured credit facilities, to the extent of the assets securing such indebtedness; and

Ø structurally subordinated to all of the existing and future obligations of each of our subsidiaries that does not guarantee the notes; see Description of Notes Ranking of the Notes and the Guarantees.

The guarantees will be general unsecured obligations of the guarantor subsidiaries and will be:

Ø junior in right of payment to all existing and future senior indebtedness of the guarantor subsidiaries, including indebtedness arising under our secured credit facilities; see Description of Notes Subordination of the Guarantees of the Notes ;

Ø *pari passu* in right of payment with any existing or future senior subordinated indebtedness of the guarantor subsidiaries;

Ø senior in right of payment to any existing or future indebtedness of guarantor subsidiaries that is, by its terms, subordinated to the guarantees;

Table of Contents

Ø effectively subordinated to all existing and future secured indebtedness of the guarantor subsidiaries, including the indebtedness arising under our secured credit facilities, to the extent of the assets securing such indebtedness; and

Ø structurally subordinated to all existing and future obligations of each of our subsidiaries that is not also a guarantor subsidiary; see Description of Notes Ranking of the Notes and the Guarantees.

As of December 31, 2008, we had approximately \$1.37 billion in principal amount of senior debt outstanding, including approximately \$1.35 billion in aggregate principal amount of debt outstanding under our secured credit facilities.

Asset Sale Proceeds

If we or our subsidiaries engage in asset sales, we generally must either invest the net cash proceeds from such sales in our business within a period of time, prepay senior debt or make an offer to purchase a principal amount of the notes equal to the excess net cash proceeds, subject to certain exceptions. The purchase price of the notes will be 100% of their principal amount, plus accrued and unpaid interest. See Description of Notes Certain Covenants Limitations on Asset Sales.

Certain Covenants

We will issue the notes under an indenture with U.S. Bank National Association, as trustee. The indenture governing the notes contains covenants that limit our ability and our restricted subsidiaries' ability to, among other things:

Ø incur additional debt;

Ø pay dividends on our capital stock or redeem, repurchase or retire our capital stock or subordinated debt;

Ø make certain investments;

Ø create liens on our assets;

Ø transfer or sell assets;

Ø engage in transactions with our affiliates;

Ø create restrictions on the ability of our subsidiaries to pay dividends or make loans, asset transfers or other payments to us;

Ø issue capital stock of our subsidiaries;

Ø engage in any business, other than our existing businesses and related businesses;

Ø enter into sale and leaseback transactions;

Ø incur layered indebtedness; and

Ø consolidate, merge or transfer all or substantially all of our assets and the assets of our subsidiaries.

These covenants are subject to important exceptions and qualifications, which are described under the caption Description of Notes Certain Covenants.

S-6

Table of Contents

Use of Proceeds	We expect to use the net proceeds from this offering for working capital and other general corporate purposes, including the financing of potential acquisitions or other investments, if and when suitable opportunities arise, and for capital expenditures, in our sole discretion. We may use a portion of the net proceeds from this offering to pay some or all of our remaining obligations relating to our recently completed acquisition of the second territory business from ACON. See Use of Proceeds.
Book-Entry Form	Initially, the notes will be represented by one or more global notes in definitive, fully registered form deposited with a custodian for, and registered in the name of, a nominee of The Depository Trust Company.
No Prior Market	The notes will be new securities for which there is currently no market. Although the underwriters have informed us that they intend to make a market in the notes, they are not obligated to do so and they may discontinue market making activities at any time without notice. Accordingly, we cannot assure you that a liquid market for the notes will develop or be maintained.
Listing	The notes have been authorized for listing on the New York Stock Exchange, subject to notice of issuance.

RISK FACTORS

You should carefully consider all information in this prospectus supplement, the accompanying prospectus and the documents incorporated by reference herein and therein. In particular, you should evaluate the specific risk factors set forth in the section entitled Risk Factors in this prospectus supplement for a discussion of risks relating to our business and an investment in the notes.

S-7

Table of Contents

Summary consolidated financial information

The following tables provide our summary consolidated financial data as of the dates and for the periods shown. Our summary consolidated statement of operations data for the years ended December 31, 2006, 2007 and 2008 and our summary consolidated balance sheet data as of December 31, 2007 and 2008 are derived from our audited consolidated financial statements included elsewhere in this prospectus supplement, which have been audited by BDO Seidman, LLP, our independent registered public accounting firm, as indicated in their report. Our summary consolidated balance sheet data as of December 31, 2006 are derived from our audited consolidated financial statements not included in this prospectus supplement, which have been audited by BDO Seidman, LLP, our independent registered public accounting firm. The summary consolidated financial data should be read in conjunction with, and are qualified in their entirety by reference to, our audited consolidated financial statements, including the notes thereto, included elsewhere in this prospectus supplement, Selected Consolidated Financial Information and Management's Discussion and Analysis of Financial Condition and Results of Operations.

Statement of operations data:	For the year ended December 31,		
	2008	2007	2006
	(in thousands, except per share data and ratios)		
Net product sales and services revenue	\$ 1,645,600	\$ 817,561	\$ 552,130
License and royalty revenue	25,826	21,979	17,324
Net revenue	1,671,426	839,540	569,454
Cost of net revenue	810,867	445,813	340,231
Gross profit	860,559	393,727	229,223
Operating expenses:			
Research and development	111,828	69,547	48,706
Purchase of in-process research and development		173,825	4,960
Selling, general and administrative	684,879	326,208	165,688
Loss on dispositions, net			3,498
Operating income (loss)	63,852	(175,853)	6,371
Interest expense and other expenses, net, including amortization of original issue discounts and write-off of deferred financing costs	(103,356)	(74,251)	(17,822)
Loss before (benefit) provision for income taxes	(39,504)	(250,104)	(11,451)
(Benefit) provision for income taxes	(16,686)	(979)	5,727
Equity earnings of unconsolidated entities, net of tax	1,050	4,372	336
Net loss	(21,768)	(244,753)	(16,842)
Other financial data⁽¹⁾⁽²⁾:			
Ratio of earnings to fixed charges	0.7x		0.6x
Ratio of earnings to combined fixed charges and preference dividends	0.5x		0.6x

(footnotes on following page)

S-8

Table of Contents

Balance sheet data:	2008	December 31,	
		2007	2006
		(in thousands)	
Cash and cash equivalents	\$ 141,324	\$ 414,732	\$ 71,104
Working capital	\$ 457,198	\$ 674,066	\$ 133,313
Total assets	\$ 5,955,360	\$ 4,880,759	\$ 1,085,771
Total debt	\$ 1,520,534	\$ 1,387,849	\$ 202,976
Total stockholders' equity	\$ 3,278,838	\$ 2,586,667	\$ 714,138

- (1) For the purpose of computing our ratio of earnings to fixed charges, earnings consist of pre-tax income before adjustment for income from equity investees plus fixed charges (excluding capitalized interest). Fixed charges consist of interest expensed and capitalized, amortized premiums, discounts and capitalized expenses related to indebtedness and an estimate of the interest within rental expense. This ratio is adjusted to include preference dividends in the ratio of earnings to combined fixed charges and preference dividends. Preference dividends equal the amount of pre-tax earnings that is required to pay the dividends on outstanding preference securities.
- (2) Due to the net losses for the years ended December 31, 2008, 2007 and 2006, there were insufficient earnings of \$38.1 million, \$248.9 million and \$11.8 million, respectively, to cover fixed charges and \$61.4 million, \$248.9 million and \$11.8 million, respectively, to cover fixed charges and preference dividends.

OTHER FINANCIAL INFORMATION

This section presents additional financial information relevant to our ability to meet our debt service obligations, including our ratio of earnings to fixed charges, information from our statement of cash flows, and a presentation of our Adjusted EBITDA. EBITDA represents net income (loss) before interest, income taxes, depreciation and amortization. Our Adjusted EBITDA represents EBITDA plus:

- Ø non-cash stock-based compensation;
- Ø the amortization of inventory write-ups related to acquisitions;
- Ø net realized non-cash foreign exchange losses on the settlement of certain inter-company transactions; and
- Ø charges for purchased in-process research and development.

For an explanation of these items, please see notes 17 (regarding stock-based compensation), 2(b) (regarding foreign exchange losses) and 14 (regarding in-process research and development) of the notes to our audited consolidated financial statements included elsewhere in this prospectus supplement and the discussion of inventory write-ups related to our acquisitions in Management's Discussion and Analysis of Financial Condition and Results of Operations.

Adjusted EBITDA is presented because we believe that it provides useful information to investors relevant to our ability to meet our requirements for debt service, capital expenditures and working capital. We believe that EBITDA, with and without adjustments, is widely used by investors, analysts and ratings agencies in valuation, comparison, rating and investment recommendations and decisions regarding companies in our industry. Our management also evaluates the performance of our businesses using Adjusted EBITDA measures. Adjusted EBITDA is not a

measurement of financial performance under GAAP and should not be considered as an alternative to cash flow from operating activities or net income, as a measure of liquidity or as an indicator of operating performance or any measure of performance derived in accordance with GAAP. Our calculation of Adjusted EBITDA is different from the calculations that may be used by other companies and, accordingly, comparability may be limited. In addition, our calculation of Adjusted EBITDA is different than that used in the covenants concerning our secured credit facilities and the definition of consolidated cash flow used in the indenture governing the notes.

Table of Contents

Information for the twelve months ended March 31, 2009 was prepared by subtracting information for the three months ended March 31, 2008 from the information for the year ended December 31, 2008 and by adding information for the three months ended March 31, 2009, in accordance with GAAP.

This table does not present any information relating to our recently completed acquisition of ACON, which is described in more detail above.

	Year ended December 31,		Twelve months
	2007	2008	ended
			March 31,
			2009
	(in thousands, except ratios)		
Net cash provided by operating activities	\$ 88,755	\$ 147,844	\$ 170,979
Net cash used in investing activities	\$ (1,786,530)	\$ (713,332)	\$ (519,855)
Net cash provided by financing activities	\$ 2,032,384	\$ 297,769	\$ 153,464
Computation of Adjusted EBITDA:			
Net loss (GAAP)	\$ (244,753)	\$ (21,768)	\$ (11,303)
Income tax benefit	(979)	(16,686)	(12,117)
Depreciation and amortization	92,886	266,855	286,553
Interest, net	71,539	94,426	90,173
Non-cash stock-based compensation	57,463	26,405	26,724
Amortization of inventory write-up related to acquisitions	8,227	2,021	313
Net realized non-cash foreign exchange loss	1,999	1,691	
Charge for purchased in-process research and development	173,825		
Adjusted EBITDA ⁽¹⁾⁽²⁾	\$ 160,207	\$ 352,944	\$ 380,343

(1) Net loss (GAAP) includes non-interest related restructuring charges of \$6.7 million, \$43.7 million and \$34.7 million for the years ended December 31, 2007 and 2008 and the twelve months ended March 31, 2009, respectively, which have not been added back for purposes of computing Adjusted EBITDA. Net loss (GAAP) for the twelve months ended March 31, 2009 also includes a charge of \$4.7 million associated with the expensing of certain acquisition-related costs in connection with the adoption of SFAS No. 141-R, effective January 1, 2009, which also has not been added back for purposes of computing Adjusted EBITDA.

(footnotes continued on following page)

Table of Contents

(2) *The information in the foregoing table does not reflect any information for Matria Healthcare, Inc., or Matria, prior to the date of its acquisition on May 9, 2008. Matria is a provider of comprehensive, integrated health management services particularly in the areas of women's and children's health, cardiology and oncology. Adjusted EBITDA for Matria for certain periods ending on or before May 8, 2008 is computed as indicated in the following table. For the three months ended March 31, 2008, Matria's net cash provided by operating activities was \$7.3 million, its net cash used in investing activities was \$3.4 million and its net cash used in financing activities was \$319,000.*

		Period from April 1, 2008 to May 8, 2008	Period from January 1, 2008 to May 8, 2008
Matria financial information:	Three months ended March 31, 2008		
Matria net income from continuing operations (GAAP)	\$ 224	\$ (22,334)	\$ (22,110)
Income tax provision	162	(10,195)	(10,033)
Depreciation and amortization	5,387	2,304	7,691
Interest, net	4,883	15,321	20,204
Non-cash stock-based compensation	1,839	7,749	9,588
Matria Adjusted EBITDA ⁽³⁾	\$ 12,495	\$ (7,155)	\$ 5,340

(3) *Matria net income from continuing operations (GAAP) includes restructuring charges and expenses related to our acquisition of Matria of \$3.5 million and \$12.0 million for the three months ended March 31, 2008 and the period from April 1, 2008 to May 8, 2008, respectively, which have not been added back for purposes of computing Adjusted EBITDA for Matria.*

Table of Contents

Risk factors

*You should carefully consider the following risk factors as well as the other information contained or incorporated by reference in this prospectus supplement and the accompanying prospectus before deciding to invest in the notes. The occurrence of any of the events or actions described in the following risk factors may have a material adverse effect on our business or financial performance. This prospectus supplement and the accompanying prospectus contain or incorporate statements that constitute forward-looking statements regarding, among other matters, our intentions, beliefs or current expectations about our business. These forward-looking statements are subject to risks, uncertainties and assumptions, as further described in the section entitled *Special Note Regarding Forward-Looking Statements*.*

RISKS RELATED TO OUR BUSINESS

Disruptions in the capital and credit markets related to the current national and worldwide financial crisis, which may continue indefinitely or intensify, could adversely affect our results of operations, cash flows and financial condition, or those of our customers and suppliers.

The current disruptions in the capital and credit markets may continue indefinitely or intensify, and adversely impact our results of operations, cash flows and financial condition, or those of our customers and suppliers. These disruptions could adversely affect our ability to draw on our bank revolving credit facility, which is dependent on the ability of the banks that are parties to the facility to meet their funding commitments. Those banks may not be able to meet their funding commitments to us if they experience shortages of capital and liquidity. Disruptions in the capital and credit markets as a result of uncertainty, changing or increased regulation, reduced alternatives or failures of significant financial institutions could adversely affect our access to liquidity needed to conduct or expand our businesses or conduct acquisitions or make other discretionary investments, as well as our ability to effectively hedge our currency or interest rate. Such disruptions may also adversely impact the capital needs of our customers and suppliers, which, in turn, could adversely affect our results of operations, cash flows and financial condition.

Our business has substantial indebtedness, which could, among other things, make it more difficult for us to satisfy our debt obligations, require us to use a large portion of our cash flow from operations to repay and service our debt or otherwise create liquidity problems, limit our flexibility to adjust to market conditions, place us at a competitive disadvantage and expose us to interest rate fluctuations.

We currently have, and will likely continue to have, a substantial amount of indebtedness. The issuance of the notes will add significantly to our indebtedness. As of December 31, 2008, we had total debt outstanding of approximately \$1.5 billion, which included approximately \$1.1 billion in aggregate principal amount of indebtedness outstanding under our senior secured credit facility, \$250.0 million in aggregate principal amount of indebtedness outstanding under our junior secured credit facility, which we refer to, together with the senior secured credit facility, as our secured credit facilities, and \$150.0 million in indebtedness under our outstanding senior subordinated convertible notes.

Our substantial indebtedness could affect our future operations in important ways. For example, it could:

- Ø make it more difficult to satisfy our obligations under the notes, the senior subordinated convertible notes, our secured credit facilities and our other debt-related instruments;
- Ø require us to use a large portion of our cash flow from operations to pay principal and interest on our indebtedness, which would reduce the amount of cash available to finance our operations and service obligations, to delay or

reduce capital expenditures or the introduction of new products and/or forego business opportunities, including acquisitions, research and development projects or product design enhancements;

S-12

Table of Contents

Risk factors

- Ø limit our flexibility to adjust to market conditions, leaving us vulnerable in a downturn in general economic conditions or in our business and less able to plan for, or react to, changes in our business and the industries in which we operate;
- Ø impair our ability to obtain additional financing;
- Ø place us at a competitive disadvantage compared to our competitors that have less debt; and
- Ø expose us to fluctuations in the interest rate environment with respect to our indebtedness that bears interest at variable rates.

We expect to obtain the money to pay our expenses and to pay the principal and interest on the notes, the senior subordinated convertible notes, our secured credit facilities and our other debt from cash flow from our operations and potentially from other debt or equity offerings. Accordingly, our ability to meet our obligations depends on our future performance, which will be affected by financial, business, economic and other factors. We will not be able to control many of these factors, such as economic conditions in the markets in which we operate and pressure from competitors. We cannot be certain that our cash flow will be sufficient to allow us to pay principal and interest on our debt, including the notes, and meet our other obligations. If our cash flow and capital resources prove inadequate, we could face substantial liquidity problems and might be required to dispose of material assets or operations, restructure or refinance our debt, including the notes, seek additional equity capital or borrow more money. We cannot guarantee that we will be able to do so on acceptable terms. In addition, the terms of existing or future debt agreements, including the indenture governing the notes, the credit agreements governing our secured credit facilities and the indenture governing the senior subordinated convertible notes, may restrict us from adopting any of these alternatives.

The agreements governing our indebtedness subject us to various restrictions that may limit our ability to pursue business opportunities.

The agreements governing our indebtedness, including the credit agreements governing our secured credit facilities and the indentures governing the notes and the senior subordinated convertible notes, subject us to various restrictions on our ability to engage in certain activities, including, among other things, our ability to:

- Ø incur additional debt;
- Ø pay dividends or make distributions or repurchase or redeem our stock or subordinated debt;
- Ø acquire other businesses;
- Ø make investments;
- Ø make loans to or extend credit for the benefit of third parties or their subsidiaries;
- Ø prepay indebtedness;
- Ø enter into transactions with affiliates;

- Ø raise additional capital;
- Ø make capital or finance lease expenditures;
- Ø dispose of or encumber assets; and
- Ø consolidate, merge or sell all or substantially all of our assets.

These restrictions may limit or restrict our cash flow and our ability to pursue business opportunities or strategies that we would otherwise consider to be in our best interests.

Table of Contents

Risk factors

Our secured credit facilities contain certain financial covenants that we may not satisfy, which, if not satisfied, could result in the acceleration of the amounts due under our secured credit facilities and the limitation of our ability to borrow additional funds in the future.

The agreements governing our secured credit facilities subject us to various financial and other restrictive covenants with which we must comply on an on-going or periodic basis. These include covenants pertaining to maximum consolidated leverage ratios, minimum consolidated interest coverage ratios and limits on capital expenditures. If we violate any of these covenants, we may suffer a material adverse effect. Most notably, our outstanding debt under our secured credit facilities could become immediately due and payable, our lenders could proceed against any collateral securing such indebtedness and our ability to borrow additional funds in the future may be limited. Alternatively, we could be forced to refinance or renegotiate the terms and conditions of our secured credit facilities, including the interest rates, financial and restrictive covenants and security requirements of the secured credit facilities, on terms that may be significantly less favorable to us.

Our acquisitions may not be profitable, and the integration of these businesses may be costly and difficult and may cause disruption to our business.

Since commencing activities in November 2001, we have acquired and integrated into our operations numerous businesses. Since the beginning of 2006, we have acquired and integrated, or are in the process of integrating, the ACON second territory business; the ACON first territory business; Instant Technologies, Inc., or Instant; Biosite Incorporated, or Biosite; Cholestech Corporation, or Cholestech; HemoSense, Inc., or HemoSense; Alere Medical, Inc., or Alere Medical; Redwood Toxicology Laboratory, Inc., or Redwood; ParadigmHealth, Inc., or ParadigmHealth; Panbio Limited, or Panbio; BBI Holdings Plc, or BBI; and Matria Healthcare, Inc., or Matria. We have also made a number of smaller acquisitions. The ultimate success of all of these acquisitions depends, in part, on our ability to realize the anticipated synergies, cost savings and growth opportunities from integrating these businesses or assets into our existing businesses. However, the successful integration of independent businesses or assets is a complex, costly and time-consuming process. The difficulties of integrating companies and acquired assets include, among others:

- Ø consolidating manufacturing, research and development operations and health management information technology platforms, where appropriate;
- Ø integrating newly-acquired businesses or product lines into a uniform financial reporting system;
- Ø coordinating sales, distribution and marketing functions and strategies, including the integration of our current health management products and services;
- Ø establishing or expanding manufacturing, sales, distribution and marketing functions in order to accommodate newly-acquired businesses or product lines or rationalizing these functions to take advantage of synergies;
- Ø preserving the important licensing, research and development, manufacturing and supply, distribution, marketing, customer and other relationships;
- Ø minimizing the diversion of management's attention from on-going business concerns; and

Ø coordinating geographically separate organizations.

We may not accomplish the integration of our acquisitions smoothly or successfully. The diversion of the attention of our management from current operations to integration efforts and any difficulties encountered in combining operations could prevent us from realizing the full benefits anticipated to result from these acquisitions and adversely affect our other businesses. Additionally, the costs associated with the integration of our acquisitions may be substantial. To the extent that we incur integration costs that are not anticipated when we finance our acquisitions, these unexpected costs could adversely impact our liquidity or force us to borrow additional funds. Ultimately, the value of any business or asset that we have acquired may not be greater than or equal to the purchase price of that business or asset.

S-14

Table of Contents

Risk factors

If we choose to acquire or invest in new and complementary businesses, products or technologies rather than developing them internally, such acquisitions or investments could disrupt our business and, depending on how we finance these acquisitions or investments, could result in the use of significant amounts of cash.

Our success depends in part on our ability to continually enhance and broaden our product offerings in response to changing technologies, customer demands and competitive pressures. Accordingly, from time to time, we may seek to acquire or invest in businesses, products or technologies instead of developing them internally. Acquisitions and investments involve numerous risks, including:

- Ø the inability to complete the acquisition or investment;
- Ø disruption of our on-going businesses and diversion of management attention;
- Ø difficulties in integrating the acquired entities, products or technologies;
- Ø difficulties in operating the acquired business profitably;
- Ø difficulties in transitioning key customer, distributor and supplier relationships;
- Ø risks associated with entering markets in which we have no, or limited, prior experience; and
- Ø unanticipated costs.

In addition, any future acquisitions or investments may result in:

- Ø issuances of dilutive equity securities, which may be sold at a discount to market price;
- Ø use of significant amounts of cash;
- Ø the incurrence of debt;
- Ø the assumption of significant liabilities, including litigation;
- Ø unfavorable financing terms;
- Ø large one-time expenses; and
- Ø the creation of intangible assets, including goodwill, the write-down of which may result in significant charges to earnings.

Our joint venture transaction with P&G may not realize all of its intended benefits.

In connection with SPD, our 50/50 joint venture with P&G, we may experience:

- Ø difficulties in integrating our corporate culture and business objectives with that of P&G into the joint venture;

- Ø difficulties or delays in transitioning clinical studies;
- Ø diversion of our management's time and attention from other business concerns;
- Ø higher than anticipated costs of integration at the joint venture;
- Ø difficulties in retaining key employees who are necessary to manage the joint venture; or
- Ø difficulties in working with an entity based in Switzerland and thus remote or inconvenient to our Waltham, Massachusetts headquarters.

Moreover, because SPD is a 50/50 joint venture, we do not have complete control over its operations, including business decisions which may impact SPD's profitability.

Table of Contents

Risk factors

For any of these reasons, or as a result of other factors, we may not realize the anticipated benefits of the joint venture and cash flow or profits derived from our ownership interest in SPD may be less than the cash flow or profits that could have been derived had we retained the transferred assets and continued to operate the consumer diagnostics business ourselves. P&G retains an option to require us to purchase P&G's interest in SPD at fair market value during the 60-day period beginning on May 17, 2011. Moreover, certain subsidiaries of P&G have the right, at any time upon certain material breaches by us or our subsidiaries of our obligations under the joint venture documents, to acquire all of our interest in the joint venture at fair market value less damages.

We may not be successful in conducting future joint venture transactions.

In addition to SPD, our 50/50 joint venture with P&G, we may enter into additional joint venture transactions in the future. We may experience unanticipated difficulties in connection with those joint venture transactions. We cannot assure you that any such joint venture transaction will be profitable or that we will receive any of the intended benefits of such a transaction.

If goodwill and/or other intangible assets that we have recorded in connection with our acquisitions of other businesses become impaired, we could have to take significant charges against earnings.

In connection with the accounting for our acquisitions we have recorded, or will record, a significant amount of goodwill and other intangible assets. Under current accounting guidelines, we must assess, at least annually and potentially more frequently, whether the value of goodwill and other intangible assets has been impaired. Any reduction or impairment of the value of goodwill or other intangible assets will result in a charge against earnings which could materially adversely affect our reported results of operations in future periods.

We may experience manufacturing problems or delays due to, among other reasons, our volume, specialized processes or our Chinese operations, which could result in decreased revenue or increased costs.

Many of our manufacturing processes are complex and require specialized and expensive equipment. Replacement parts for our specialized equipment can be expensive and, in some cases, can require lead times of up to a year to acquire. In addition, our private label consumer diagnostics business, and our private label and bulk nutritional supplements business in particular, rely on operational efficiency to mass produce products at low margins per unit. We also rely on numerous third parties to supply production materials and, in some cases, there may not be alternative sources immediately available.

In addition, during 2008, we began the process of closing the manufacturing operations that we acquired with Cholestech, and shifting the production of products from these facilities to our San Diego campus. We also began the process of closing our manufacturing facility in Bedford, England, and shifting the production of units manufactured there to China and to other lower-cost facilities. We have previously shifted the production of other products to our manufacturing facilities in China. Moving the production of products is difficult and involves significant risk. Problems establishing relationships with local materials suppliers; acquiring or adapting the new facility and its equipment to the production of new products; hiring, training and retaining personnel; and establishing and maintaining compliance with governmental regulations and industry standards can cause delays and inefficiencies which could have a material negative impact on our financial performance. We also currently rely on a number of significant third-party manufacturers to produce certain of our professional diagnostics. Any event which negatively impacts our manufacturing facilities, our manufacturing systems or equipment, or our contract manufacturers or

suppliers, including, among others, wars, terrorist activities, natural disasters and outbreaks of infectious disease, could delay or suspend shipments of products or the release of new products or could result in the delivery of inferior products. Our revenues from the affected products would decline or we could incur losses until such time as it is able to restore its production processes or put in place alternative contract manufacturers or suppliers.

S-16

Table of Contents

Risk factors

Even though we carry business interruption insurance policies, we may suffer losses as a result of business interruptions that exceed the coverage available under our insurance policies.

We may experience difficulties that may delay or prevent our development, introduction or marketing of new or enhanced products or services.

We intend to continue to invest in product and technology development. The development of new or enhanced products or services is a complex and uncertain process. We may experience research and development, manufacturing, marketing and other difficulties that could delay or prevent our development, introduction or marketing of new products, services or enhancements. We cannot be certain that:

- Ø any of the products or services under development will prove to be effective in clinical trials;
- Ø any products or services under development will not infringe on intellectual property rights of others;
- Ø we will be able to obtain, in a timely manner or at all, regulatory approval to market any of our products or services that are in development or contemplated;
- Ø the products and services we develop can be manufactured or provided at acceptable cost and with appropriate quality; or
- Ø these products and services, if and when approved, can be successfully marketed.

The factors listed above, as well as manufacturing or distribution problems, or other factors beyond our control, could delay new product or service launches. In addition, we cannot assure you that the market will accept these products and services. Accordingly, there is no assurance that our overall revenue will increase if and when new products or services are launched.

If the results of clinical studies required to gain regulatory approval to sell our products are not available when expected or do not demonstrate the anticipated safety and effectiveness of those potential products, we may not be able to sell future products and our sales could be adversely affected.

Before we can sell certain of our products, we must conduct clinical studies intended to demonstrate that our potential products are safe, effective, and perform as expected. The results of these clinical studies are used as the basis to obtain regulatory approval from government authorities such as the Food and Drug Administration, or FDA. Clinical studies are experiments conducted using potential products and human patients having the diseases or medical conditions that the product is trying to evaluate or diagnose. Conducting clinical studies is a complex, time-consuming and expensive process. In some cases, we may spend several years completing certain studies.

If we fail to adequately manage our clinical studies, those clinical studies and corresponding regulatory approvals may be delayed or we may fail to gain approval for our potential product candidates altogether. Even if we successfully manage our clinical studies, we may not obtain favorable results and may not be able to obtain regulatory approval. If we are unable to market and sell our new products or are unable to obtain approvals in the timeframe needed to execute our product strategies, our business and results of operations would be materially and adversely affected.

If we are unable to obtain required clearances or approvals for the commercialization of our products in the United States, we may not be able to sell future products and our sales could be adversely affected.

Our future performance depends on, among other matters, our estimates as to when and at what cost we will receive regulatory approval for new products. Regulatory approval can be a lengthy, expensive and uncertain process, making the timing, cost and ability to obtain approvals difficult to predict. In addition, regulatory processes are subject to change, and new or changed regulations can result in increased costs and unanticipated delays.

S-17

Table of Contents**Risk factors**

In the United States, clearance or approval to commercially distribute new medical devices is received from the FDA through clearance of a Premarket Notification, or 510(k), or through approval of a Premarket Approval, or PMA. To receive 510(k) clearance, a new product must be substantially equivalent to a medical device first marketed in interstate commerce prior to May 1976. The FDA may determine that a new product is not substantially equivalent to a device first marketed in interstate commerce prior to May 1976 or that additional information is needed before a substantial equivalence determination can be made. A not substantially equivalent determination, or a request for additional information, could prevent or delay the market introduction of new products that fall into this category. The 510(k) clearance and PMA review processes can be expensive, uncertain and lengthy. It generally takes from three to five months from submission to obtain 510(k) clearance, and from six to eighteen months from submission to obtain a PMA approval; however, it may take longer, and 510(k) clearance or PMA approval may never be obtained.

Modifications or enhancements that could significantly affect safety or effectiveness, or constitute a major change in the intended use of the device, require new 510(k) or PMA submissions. We have made modifications to some of our products since receipt of initial 510(k) clearance or PMA. With respect to several of these modifications, we filed new 510(k)s describing the modifications and received FDA 510(k) clearance. We have made other modifications to some of our products that we believe do not require the submission of new 510(k)s or PMAs. The FDA may not agree with any of our determinations not to submit a new 510(k) or PMA for any of these modifications made to our products. If the FDA requires us to submit a new 510(k) or PMA for any device modification, we may be prohibited from marketing the modified products until the new submission is cleared by the FDA.

We are also subject to applicable regulatory approval requirements of the foreign countries in which we sell products, which are costly and may prevent or delay us from marketing our products in those countries.

In addition to regulatory requirements in the United States, we are subject to the regulatory approval requirements for each foreign country to which we export our products. In the European Union, regulatory compliance requires affixing the CE mark to product labeling. Although our products are currently eligible for CE marking through self-certification, this process can be lengthy and expensive. In Canada, as another example, our products require approval by Health Canada prior to commercialization, along with International Standards Organization, or ISO, 13485/CMDCAS certification. It generally takes from three to six months from submission to obtain a Canadian Device License. Any changes in foreign approval requirements and processes may cause us to incur additional costs or lengthen review times of our products. We may not be able to obtain foreign regulatory approvals on a timely basis, if at all, and any failure to do so may cause us to incur additional costs or prevent us from marketing our products in foreign countries, which may have a material adverse effect on our business, financial condition and results of operations.

Failure to comply with on-going regulations applicable to our businesses may result in significant costs or, in certain circumstances, the suspension or withdrawal of previously obtained clearances or approvals.

Our businesses are extensively regulated by the FDA and other federal, state and foreign regulatory agencies. These regulations impact many aspects of our operations, including manufacturing, labeling, packaging, adverse event reporting, storage, advertising, promotion and record keeping. For example, our manufacturing facilities and those of our suppliers and distributors are, or can be, subject to periodic regulatory inspections. The FDA and foreign regulatory agencies may require post-marketing testing and surveillance to monitor the effects of approved products or place conditions on any product approvals that could restrict the commercial applications of those products. In addition, the subsequent discovery of previously unknown problems with a product may result in restrictions on the

product, including withdrawal of the product from the market. We are also subject to routine inspection by the FDA and certain state agencies for compliance with the Quality System Regulation and Medical Device Reporting requirements in the United States and other applicable

S-18

Table of Contents

Risk factors

regulations worldwide, including but not limited to ISO requirements. Certain portions of our health management business are subject to unique licensing or permit requirements. For example, we may be required to obtain certification to participate in governmental payment programs, such as state Medicaid programs, we may need an operating license in some states, and some states have established Certificate of Need programs regulating the expansion of healthcare operations. In addition, we believe certain of our health management services are educational in nature, do not constitute the practice of medicine or provision of healthcare, and thus do not require that we maintain federal or state licenses to provide such services. However, it is possible that federal or state laws regarding the provision of virtual or telephonic medicine could be revised or interpreted to include our services, or that other laws may be enacted which require licensure or otherwise relate to our health management services. In such event, we may incur significant costs to comply with such laws and regulations. In addition, we are subject to numerous federal, state and local laws relating to such matters as privacy, healthcare kickbacks and false claims, safe working conditions, manufacturing practices, environmental protection, fire hazard control and disposal of hazardous or potentially hazardous substances. We may incur significant costs to comply with these laws and regulations. If we fail to comply with applicable regulatory requirements, we may be subject to fines, suspension or withdrawal of regulatory approvals, product recalls, seizure of products or injunctions against our distribution, termination of our service agreements by our customers, disgorgement of money, operating restrictions and criminal prosecution.

New federal or state laws may be enacted, or regulatory agencies may also impose new or enhanced standards that would increase our costs as well as the risks associated with non-compliance. For example, our manufacturing facilities for nutritional supplements will be subject to new Good Manufacturing Practices, or GMP, standards starting mid-2009. While our manufacturing facilities for nutritional supplements have been subjected to, and passed, third-party inspections assessing GMP compliance, the on-going compliance required in order to meet GMP standards could involve additional costs and could present new risks associated with any failure to comply with the regulations in the future. In addition, the federal government recently enacted the Genetic Information Non-discrimination Act of 2008 (GINA), and we may incur additional costs in assisting our customers with their efforts to comply with GINA while continuing to offer certain of our services.

Healthcare reform legislation could adversely affect our revenue and financial condition.

In recent years, there have been numerous initiatives on the federal and state levels for comprehensive reforms affecting the payment for, the availability of and reimbursement for healthcare services in the United States. These initiatives have ranged from proposals to fundamentally change federal and state healthcare reimbursement programs, including providing comprehensive healthcare coverage to the public under governmental funded programs, to minor modifications to existing programs. In particular, federal legislation has reduced or significantly altered Medicare and Medicaid reimbursements. Legislative and regulatory bodies are likely to continue to pursue healthcare reform initiatives and may continue to reduce the funding of the Medicare and Medicaid programs, including Medicare Advantage, in an effort to reduce overall federal healthcare spending. The ultimate content or timing of any future healthcare reform legislation, and its impact on us, is impossible to predict. If significant reforms are made to the healthcare system in the United States, or in other jurisdictions, those reforms may have an adverse effect on our financial condition and results of operations.

If we deliver products with defects, our credibility may be harmed, market acceptance of our products may decrease and we may be exposed to liability in excess of our product liability insurance coverage.

The manufacturing and marketing of professional and consumer diagnostics involve an inherent risk of product liability claims. For example, a defect in one of our diagnostic products may cause the product to report inaccurate information, such as a false positive result, a false negative result or an error message. In addition, our product development and production are extremely complex and could expose

Table of Contents**Risk factors**

our products to defects. Any defects could harm our credibility and decrease market acceptance of our products. In addition, our marketing of monitoring services and vitamins and nutritional supplements may cause us to be subjected to various product liability claims, including, among others, claims that inaccurate monitoring results lead to injury or death or that the vitamins and nutritional supplements have inadequate warnings concerning side effects and interactions with other substances. Potential product liability claims may exceed the amount of our insurance coverage or may be excluded from coverage under the terms of the policy. In the event that we are held liable for a claim for which we are not indemnified, or for damages exceeding the limits of our insurance coverage, that claim could materially damage our business and financial condition.

The effect of market saturation may negatively affect the sales of our products, including our Triage BNP tests.

Our meter-based Triage BNP test, launched domestically in January 2001, was the first blood test available to aid in the detection of heart failure and benefited from a first-to-market position until the entry of direct competition in June 2003. As the acute care and initial diagnosis market segment for BNP testing in the U.S. hospital setting becomes saturated, unless we are able to successfully introduce new products into the market and achieve market acceptance of those products in a timely manner, we expect the growth rates of sales unit volume for our Triage BNP tests in 2009 and future periods to be lower than the growth rates experienced over the past several years. In addition, as the market for BNP testing matures and more competitive products become available, the average sales price for the Triage BNP tests is likely to decline, which will adversely impact our product sales, gross margins and our overall financial results.

The health management business is a relatively new component of the overall healthcare industry.

The health management services provided by our Alere health management business and our subsidiary Quality Assured Services, Inc., or QAS, are relatively new components of the overall healthcare industry. Accordingly, our health management customers have not had significant experience in purchasing, evaluating or monitoring such services, which can result in a lengthy sales cycle. The success of our health management business depends on a number of factors. These factors include:

- Ø our ability to differentiate our health management services from those of our competitors;
- Ø the extent and timing of the acceptance of our services as a replacement for, or supplement to, traditional managed care offerings;
- Ø the effectiveness of our sales and marketing and engagement efforts with customers and their health plan participants;
- Ø our ability to sell and implement new and additional services beneficial to health plans and employers and their respective participants or employees;
- Ø our ability to achieve, measure and effectively communicate cost savings for health plans and employers through the use of our services; and
- Ø our ability to retain health plan and employee accounts as competition increases.

Since the health management business is continually evolving, we may not be able to anticipate and adapt to the developing market. Moreover, we cannot predict with certainty the future growth rate or the ultimate size of the market.

Increasing health insurance premiums and co-pays may cause individuals to forgo health insurance and avoid medical attention, either of which may reduce demand for our products and services.

Health insurance premiums and co-pays have generally increased in recent years. Increased premiums may cause individuals to forgo health insurance, as well as medical attention. This may reduce demand for our point-of-care diagnostic products and also reduce the number of lives managed by our health management

S-20

Table of Contents

Risk factors

programs. Increased co-pays may cause insured individuals to forgo medical attention thereby reducing demand for our professional diagnostic tests, as well as revenues under certain health management programs.

Our health management business may be adversely affected by cost reduction pressures among our customers.

Our customers continue to face cost reduction pressures that may cause them to curtail their use of, or reimbursement for, health management services, to negotiate reduced fees or other concessions or to delay payment. In addition, the loss of jobs due to the recent economic crisis may cause the number of lives we manage to decrease. These financial pressures could have an adverse impact on our business.

Rising unemployment may negatively impact the collectibility of uninsured accounts and patient due accounts and/or reduce total health plan populations.

One of the primary collection risks of our health management business' accounts receivable relates to uninsured patient accounts and patient accounts for which the primary insurance carrier has paid the amounts covered by the applicable agreement, but patient responsibility amounts (deductibles and copayments) remain outstanding. As unemployment rates rise nationally, these uninsured and patient due accounts could make up a greater percentage of the health management business' accounts receivable. Deterioration in the collectibility of these accounts could adversely affect the health management business' collection of accounts receivable, cash flows and results of operations.

Additionally, certain of our health management contracts provide reimbursement to us based on total relevant populations managed by health plans. As unemployment rates rise, certain of our revenues may be reduced under these contracts as managed lives may decrease.

If we are unable to retain and negotiate favorable contracts with managed care plans, our revenues may be reduced.

The ability of our health management business to obtain favorable contracts with health maintenance organizations, preferred provider organizations and other managed care plans significantly affects the revenues and operating results of our health management business. The business' future success will depend, in part, on its ability to retain and renew its managed care contracts and to enter into new managed care contracts on terms favorable to us. If the health management business is unable to retain and negotiate favorable contracts with managed care plans, our revenues may be reduced.

A portion of our health management fees are contingent upon performance.

Some of our existing health management agreements contain savings or other guarantees, which provide that our revenues, or a portion of them, are contingent upon projected cost savings or other quality performance measures related to our health management programs. There is no guarantee that we will accurately forecast cost savings and clinical outcome improvements under our health management agreements or meet the performance criteria necessary to recognize potential revenues under the agreements. Additionally, untimely, incomplete or inaccurate data from our customers, or flawed analysis of such data, could have a material adverse impact on our ability to recognize revenues.

If our costs of providing health management services increase, we may not be able to pass these cost increases on to our customers.

Many of our health management services are provided pursuant to long-term contracts that we may not be able to re-negotiate. If our costs increase, we may not be able to increase our prices, which would adversely affect results of operations. Accordingly, any increase in our costs could reduce our overall profit margin.

Table of Contents

Risk factors

Demands of non-governmental payers may adversely affect our growth in revenues.

Our ability to negotiate favorable contracts with non-governmental payers, including managed care plans, significantly affects the revenues and operating results of our health management business. These non-governmental payers increasingly are demanding discounted fee structures, and the trend toward consolidation among non-governmental payers tends to increase their bargaining power over fee structures. Reductions in price increases or the amounts received from managed care, commercial insurance or other payers could have a material, adverse effect on the financial position and results of operations of our health management business.

Our data management and information technology systems are critical to maintaining and growing our business.

Our businesses, and in particular our health management business, are dependent on the effective use of information technology and, consequently, technology failure or obsolescence may negatively impact our businesses. In addition, data acquisition, data quality control, data security, and data analysis, which are a cornerstone of our health management programs, are intense and complex processes subject to error. Untimely, incomplete or inaccurate data, flawed analysis of such data or our inability to properly integrate, implement and update systems could have a material adverse impact on our business and results of operations.

Our sales of branded nutritional supplements have been trending downward since 1998 due to the maturity of the market segments they serve and the age of that product line, and we may experience further declines in sales and/or profitability of those products.

Our aggregate sales of all of our brand name nutritional products, including, among others, Ferro-Sequels, Stresstabs, Protegra, Posture, SoyCare, ALLBEE and Z-BEC, have declined each year since 1998 through the year 2008, except in 2002 when they increased slightly as compared to 2001. We believe that these products have under-performed because they are, for the most part, aging brands with limited brand recognition that face increasing private label competition. The overall age of this product line means that we are subject to future distribution loss for under-performing brands, while its opportunities for new distribution on the existing product lines are limited. As a result, we do not expect significant sales growth of our existing brand name nutritional products, and we may experience further declines in overall sales of our brand name nutritional products in the future.

Our sales of specific vitamins and nutritional supplements could be negatively affected by media attention or other news developments that challenge the safety and effectiveness of those specific vitamins and nutritional supplements.

Most growth in the vitamin and nutritional supplement industry is attributed to new products that tend to generate greater attention in the marketplace than do older products. Positive media attention resulting from new scientific studies or announcements can spur rapid growth in individual segments of the market, and also affect individual brands. Conversely, news that challenges individual segments or products can have a negative impact on the industry overall, as well as on sales of the challenged segments or products. Most of our vitamin and nutritional supplement products serve well-established market segments and, absent unforeseen new developments or trends, are not expected to benefit from rapid growth. A few of our vitamin and nutritional supplement products are newer products that are more likely to be the subject of new scientific studies or announcements, which could be either positive or negative. News or other developments that challenge the safety or effectiveness of these products could negatively affect the

profitability of our vitamin and nutritional supplements business.

S-22

Table of Contents

Risk factors

Because sales of our private label nutritional supplements are generally made at low margins, the profitability of these products may suffer significantly as a result of relatively small increases in raw material or other manufacturing costs.

Sales of our private label nutritional supplements, which for the years ended December 31, 2008 and 2007 provided approximately 6% and 7%, respectively, of our net product sales, generate low profit margins. We rely on our ability to efficiently mass produce nutritional supplements in order to make meaningful profits from these products. Changes in raw material or other manufacturing costs can drastically cut into or eliminate the profits generated from the sale of a particular product. For the most part, we do not have long-term supply contracts for our required raw materials and, as a result, our costs can increase with little notice. The private label nutritional supplements business is also highly competitive, such that our ability to raise prices as a result of increased costs is limited. Customers generally purchase private label products via purchase order, not through long-term contracts, and they often purchase these products from the lowest bidder on a product by product basis. The internet has enhanced price competition among private label manufacturers through the advent of on-line auctions, where customers will auction off the right to manufacture a particular product to the lowest bidder.

Our financial condition or results of operations may be adversely affected by international business risks.

We generate a significant percentage of our net revenue from outside the United States and a significant number of our employees, including manufacturing, sales, support and research and development personnel, are located in foreign countries, including England, Scotland, Japan, China, Australia, Germany and Israel. Conducting business outside the United States subjects us to numerous risks, including:

- Ø increased costs or reduced revenue as a result of movements in foreign currency exchange rates;
- Ø decreased liquidity resulting from longer accounts receivable collection cycles typical of foreign countries;
- Ø lower productivity resulting from difficulties managing sales, support and research and development operations across many countries;
- Ø lost revenues resulting from difficulties associated with enforcing agreements and collecting receivables through foreign legal systems;
- Ø lost revenues resulting from the imposition by foreign governments of trade protection measures;
- Ø higher cost of sales resulting from import or export licensing requirements;
- Ø lost revenues or other adverse effects as a result of economic or political instability in or affecting foreign countries in which we sell our products or operate; and
- Ø adverse effects resulting from changes in foreign regulatory or other laws affecting the sales of our products or our foreign operations.

Because our business relies heavily on foreign operations and revenues, changes in foreign currency exchange rates and our need to convert currencies may negatively affect our financial condition and results of operations.

Our business relies heavily on our foreign operations. Three of our four largest manufacturing operations are conducted outside the United States in Hangzhou and Shanghai, China; and Matsudo, Japan, and we also have manufacturing operations in the United Kingdom, Australia, South Africa and Israel. We also have significant research and development operations in Jena, Germany and Stirling, Scotland, as well as in the United Kingdom, Australia and Israel. In addition, approximately 28% of our net revenue was derived from sales outside the United States. Because of our foreign operations and foreign sales, we face exposure to movements in foreign currency exchange rates. Our primary exposures are related to the operations of our European and Asia Pacific subsidiaries and our manufacturing facilities in China and Japan. These exposures

S-23

Table of Contents

Risk factors

may change over time as business practices evolve and could result in increased costs or reduced revenue and could affect our actual cash flow.

Intense competition could reduce our market share or limit our ability to increase market share, which could impair the sales of our products and harm our financial performance.

The medical products industry is rapidly evolving, and developments are expected to continue at a rapid pace. Competition in this industry, which includes both our professional diagnostics and consumer diagnostics businesses, is intense and expected to increase as new products and technologies become available and new competitors enter the market. Our competitors in the United States and abroad are numerous and include, among others, diagnostic testing and medical products companies, universities and other research institutions.

Our future success depends upon maintaining a competitive position in the development of products and technologies in our areas of focus. Our competitors may:

- Ø develop technologies and products that are more effective than our products or that render our technologies or products obsolete or noncompetitive;
- Ø obtain patent protection or other intellectual property rights that would prevent us from developing potential products; or
- Ø obtain regulatory approval for the commercialization of our products more rapidly or effectively than we do.

Also, the possibility of patent disputes with competitors holding patent rights may limit or delay expansion possibilities for our diagnostic businesses and new product launches. In addition, many of our existing or potential competitors have or may have substantially greater research and development capabilities, clinical, manufacturing, regulatory and marketing experience and financial and managerial resources.

The market for the sale of vitamins and nutritional supplements is also highly competitive. This competition is based principally upon price, quality of products, customer service and marketing support. There are numerous companies in the vitamins and nutritional supplements industry selling products to retailers, such as mass merchandisers, drug store chains, independent drug stores, supermarkets, groceries and health food stores. As most of these companies are privately-held, we are unable to obtain the information necessary to assess precisely the size and success of these competitors. However, we believe that a number of our competitors, particularly manufacturers of nationally-advertised brand name products, are substantially larger than we are and have greater financial resources.

We could suffer monetary damages, incur substantial costs or be prevented from using technologies important to our products as a result of a number of pending legal proceedings.

We are involved in various legal proceedings arising out of our businesses, including those matters discussed in the section entitled Business Legal Proceedings. Because of the nature of our business, we may be subject at any particular time to commercial disputes, product liability claims, negligence claims or various other lawsuits arising in the ordinary course of our business, including infringement, employment or investor matters, and we expect that this will continue to be the case in the future. Such lawsuits generally seek damages, sometimes in substantial amounts, for commercial or personal injuries allegedly suffered and can include claims for punitive or other special damages. An

adverse ruling or rulings in one or more such lawsuits could, individually or in the aggregate, have a material adverse effect on our sales, operations or financial performance. In addition, we aggressively defend our patent and other intellectual property rights. This often involves bringing infringement or other commercial claims against third parties. These suits can be expensive and result in counterclaims challenging the validity of our patents and other rights. We cannot assure you that these lawsuits or any future lawsuits relating to our business will not have a material adverse effect on us.

S-24

Table of Contents

Risk factors

The rights we rely upon to protect the intellectual property underlying our products may not be adequate, which could enable third parties to use our technology and would reduce our ability to compete in the market.

Our success will depend in part on our ability to develop or acquire commercially valuable patent rights and to protect our intellectual property. Our patent position is generally uncertain and involves complex legal and factual questions. The degree of present and future protection for our proprietary rights is uncertain.

The risks and uncertainties that we face with respect to our patents and other proprietary rights include the following:

- Ø the pending patent applications we have filed, or to which we have exclusive rights, may not result in issued patents or may take longer than we expect to result in issued patents;
- Ø the claims of any patents which are issued may not provide meaningful protection;
- Ø we may not be able to develop additional proprietary technologies that are patentable;
- Ø the patents licensed or issued to us or our customers may not provide a competitive advantage;
- Ø other parties may challenge patents or patent applications licensed or issued to us or our customers;
- Ø patents issued to other companies may harm our ability to do business; and
- Ø other companies may design around technologies we have patented, licensed or developed.

In addition to patents, we rely on a combination of trade secrets, non-disclosure agreements and other contractual provisions and technical measures to protect our intellectual property rights. Nevertheless, these measures may not be adequate to safeguard the technology underlying our products. If these measures do not protect our rights, third parties could use our technology and our ability to compete in the market would be reduced. In addition, employees, consultants and others who participate in the development of our products may breach their agreements with us regarding our intellectual property, and we may not have adequate remedies for the breach. We also may not be able to effectively protect our intellectual property rights in some foreign countries. For a variety of reasons, we may decide not to file for patent, copyright or trademark protection or prosecute potential infringements of our patents. Our trade secrets may also become known through other means not currently foreseen by us. Despite our efforts to protect our intellectual property, our competitors or customers may independently develop similar or alternative technologies or products that are equal or superior to our technology and products without infringing on any of our intellectual property rights, or design around our proprietary technologies.

Claims by others that our products infringe on their proprietary rights could adversely affect our ability to sell our products and services and could increase our costs.

Substantial litigation over intellectual property rights exists in both the professional and consumer diagnostics industries. We expect that our products and services could be increasingly subject to third-party infringement claims, as the number of competitors grows and the functionality of products and technology in different industry segments overlaps. Third parties may currently have, or may eventually be issued, patents which our products and services or technology may infringe. Any of these third parties might make a claim of infringement against us. Any litigation

could result in the expenditure of significant financial resources and the diversion of management's time and resources. In addition, litigation in which we are accused of infringement may cause negative publicity, have an impact on prospective customers, cause product delays, require us to develop non-infringing technology, make substantial payments to third parties or enter into royalty or license agreements, which may not be available on acceptable terms, or at all. If a successful claim of infringement were made against us and we could not develop non-infringing technology or license the infringed or similar technology on a timely and cost-effective basis, we may be forced to stop selling current products or abandon new products under development and we could be exposed to legal actions by our customers.

Table of Contents

Risk factors

We have initiated, and may need to further initiate, lawsuits to protect or enforce our patents and other intellectual property rights, which could be expensive and, if we lose, could cause us to lose some of our intellectual property rights, which would reduce our ability to compete in the market.

We rely on patents to protect a portion of our intellectual property and our competitive position. In order to protect or enforce our patent rights, we may initiate patent litigation against third parties, such as infringement suits or interference proceedings. Litigation may be necessary to:

- Ø assert claims of infringement;
- Ø enforce our patents;
- Ø protect our trade secrets or know-how; or
- Ø determine the enforceability, scope and validity of the proprietary rights of others.

Currently, we have initiated a number of lawsuits against competitors whom we believe to be selling products that infringe our proprietary rights. These current lawsuits and any other lawsuits that we initiate could be expensive, take significant time and divert management's attention from other business concerns. Litigation also puts our patents at risk of being invalidated or interpreted narrowly and our patent applications at risk of not issuing. Additionally, we may provoke third parties to assert claims against us.

Patent law relating to the scope of claims in the technology fields in which we operate is still evolving and, consequently, patent positions in our industry are generally uncertain. We may not prevail in any of these suits and the damages or other remedies awarded, if any, may not be commercially valuable. During the course of these suits, there may be public announcements of the results of hearings, motions and other interim proceedings or developments in the litigation. If securities analysts or investors perceive any of these results to be negative, the trading price of the notes may decline.

Non-competition obligations and other restrictions will limit our ability to take full advantage of our management team, the technology we own or license and our research and development capabilities.

Members of our management team have had significant experience in the diabetes field. In addition, technology we own or license may have potential applications to this field and our research and development capabilities could be applied to this field. However, in conjunction with our split-off from Inverness Medical Technology, Inc., or IMT, we agreed not to compete with IMT and Johnson & Johnson in the field of diabetes through 2011. In addition, our license agreement with IMT prevents us from using any of the licensed technology in the field of diabetes. As a result of these restrictions, we are limited in our ability to pursue opportunities in the field of diabetes at this time.

Our operating results may fluctuate due to various factors and as a result period-to-period comparisons of our results of operations will not necessarily be meaningful.

Factors relating to our business make our future operating results uncertain and may cause them to fluctuate from period to period. Such factors include:

- Ø the timing of new product announcements and introductions by us and our competitors;
- Ø market acceptance of new or enhanced versions of our products;
- Ø the extent to which our current and future products rely on rights belonging to third parties;
- Ø changes in manufacturing costs or other expenses;
- Ø competitive pricing pressures;
- Ø changes in healthcare reimbursement policies and amounts;
- Ø regulatory changes;

S-26

Table of Contents

Risk factors

- Ø the gain or loss of significant distribution outlets or customers;
- Ø increased research and development expenses;
- Ø liabilities and costs associated with litigation;
- Ø length of sales cycle and implementation process for new health management customers;
- Ø the costs and timing of any future acquisitions;
- Ø general economic conditions; or
- Ø general stock market conditions or other economic or external factors.

Because our operating results may fluctuate from quarter to quarter, it may be difficult for us or our investors to predict future performance by viewing historical operating results.

Period-to-period comparisons of our operating results may not be meaningful due to our acquisitions.

We have engaged in a number of acquisitions in recent years, which makes it difficult to analyze our results and to compare them from period to period. Significant acquisitions since 2006 include our acquisitions of the ACON business in the first territory in March 2006, Instant in March 2007, Biosite in June 2007, Cholestech in September 2007 and Matria in May 2008. Period-to-period comparisons of our results of operations may not be meaningful due to these acquisitions and are not indications of our future performance. Any future acquisitions will also make our results difficult to compare from period to period in the future.

The terms of the Series B Preferred Stock may limit our ability to raise additional capital through subsequent issuances of preferred stock.

For so long as any shares of Series B Preferred Stock remain outstanding, we are not permitted, without the affirmative vote or written consent of the holders of at least two-thirds of the Series B Preferred Stock then outstanding, to authorize or designate any class or series of capital stock having rights on liquidation or as to distributions (including dividends) senior to the Series B Preferred Stock. This restriction could limit our ability to plan for or react to market conditions or meet extraordinary capital needs, which could have a material adverse impact on our business.

RISKS RELATED TO THIS OFFERING

A default under any of the agreements governing our indebtedness could result in a default and acceleration of indebtedness under other agreements.

The agreements governing our indebtedness, including the credit agreements governing our secured credit facilities and the indentures governing the notes and the senior subordinated convertible notes, contain cross-default provisions whereby a default under one agreement could result in a default and acceleration of our repayment obligations under

other agreements. If a cross-default were to occur, we may not be able to pay our debts or borrow sufficient funds to refinance them. Even if new financing were available, it may not be on commercially reasonable terms or acceptable terms. If some or all of our indebtedness is in default for any reason, our business, financial condition and results of operations could be materially and adversely affected.

If we default on our obligations to pay our indebtedness, we may not be able to make payments on the notes.

Any default under the agreements governing our indebtedness, including a default under our secured credit facilities, that is not waived by the required lenders, and the remedies sought by the holders of such indebtedness, could prevent us from paying principal, premium, if any, and interest on the notes and substantially decrease the market value of the notes. If we are unable to generate sufficient cash flow and are

Table of Contents

Risk factors

otherwise unable to obtain funds necessary to meet required payments of principal, premium, if any, and interest on our indebtedness, or if we otherwise fail to comply with the various covenants, including financial and operating covenants, in the instruments governing our indebtedness (including covenants in our secured credit facilities and the indenture governing the notes offered hereby), we could be in default under the terms of the agreements governing such indebtedness. In the event of such default, the holders of such indebtedness could elect to declare all the funds borrowed thereunder to be due and payable, together with accrued and unpaid interest, the lenders under our secured credit facilities could elect to terminate their commitments thereunder, cease making further loans and institute foreclosure proceedings against our assets, and we could be forced into bankruptcy or liquidation. If our operating performance declines, we may in the future need to obtain waivers from the required lenders under our secured credit facilities to avoid being in default. If we breach our covenants under our secured credit facilities and seek a waiver, we may not be able to obtain a waiver from the required lenders. If this occurs, we would be in default under our secured credit facilities, the lenders could exercise their rights, as described above, and we could be forced into bankruptcy or liquidation.

Your right to receive payments on the notes and the related guarantees is subordinated to our and our guarantor subsidiaries' senior debt.

The indebtedness evidenced by the notes and the related guarantees are our senior subordinated obligations and those of our guarantor subsidiaries. The payment of the principal of, premium on, if any, and interest on the notes and the payment of the related subsidiary guarantees are each subordinate in right of payment, as set forth in the indenture governing the notes, to the prior payment in full of all of our senior indebtedness and obligations or the senior indebtedness and obligations of our subsidiary guarantors, as the case may be, including our obligations under, and the guarantee obligations of our guarantor subsidiaries with respect to, our secured credit facilities. Any future subsidiary guarantee of the notes will be similarly subordinated to the senior indebtedness and obligations of such guarantor subsidiary.

As of December 31, 2008, we had approximately \$1.37 billion of senior debt outstanding, including approximately \$1.35 billion of debt in aggregate principal amount of indebtedness outstanding under our secured credit facilities. Any additional borrowings pursuant to our existing or future credit facilities would also be senior indebtedness if incurred. Although the indenture governing the notes contains limitations on the amount of additional indebtedness that we may incur, under certain circumstances the amount of such indebtedness could be substantial and, in any case, such indebtedness may be senior indebtedness. See Description of Notes Certain Covenants Limitations on Additional Indebtedness.

Because the notes are unsecured and because of the subordination provisions of the notes, in the event of our bankruptcy, liquidation or dissolution, or that of any subsidiary guarantor, our assets and the assets of the subsidiary guarantors would be available to pay obligations under the notes only after all payments had been made on our and the subsidiary guarantors' senior indebtedness, including under our secured credit facilities. We cannot assure you that, after all these payments have been made, sufficient assets will remain to make any payments on the notes, including payments of interest when due. These subordination provisions may cause you to recover less ratably than our other creditors in a bankruptcy, liquidation or dissolution. In addition, all payments on the notes and the related guarantees will be prohibited in the event of a payment default on certain senior indebtedness as designated under the indenture governing the notes, including our secured credit facilities, and may be prohibited for up to 180 days in the event of non-payment defaults on certain of our senior indebtedness, including the secured credit facilities. See Description of Notes Ranking of the Notes and the Guarantees.

The notes are not secured by our assets or those of our guarantor subsidiaries.

The notes and the related guarantees are our and our guarantor subsidiaries' general unsecured obligations and are effectively subordinated in right of payment to all of our and our guarantor subsidiaries' secured indebtedness and obligations, including secured obligations that are otherwise subordinated. Accordingly, our

S-28

Table of Contents

Risk factors

secured indebtedness and obligations, including secured obligations that are otherwise subordinated, would effectively be senior to the notes to the extent of the value of the collateral securing that indebtedness.

Your right to receive payment on the notes will be structurally subordinated to the obligations of our non-guarantor subsidiaries.

Some of our existing and future domestic subsidiaries will guarantee our obligations under the notes. However, our foreign subsidiaries and our other domestic subsidiaries will not be required by the indenture to guarantee the notes. Our non-guarantor subsidiaries are separate and distinct legal entities with no obligation to pay any amounts due pursuant to the notes or the guarantees of the notes or to provide us or the guarantors with funds for our payment obligations. Our cash flow and our ability to service our debt, including the notes, depend in part on the earnings of our non-guarantor subsidiaries and on the distribution of earnings, loans or other payments to us by these subsidiaries. For the fiscal year ended December 31, 2008, our subsidiaries that will not guarantee the notes (which includes all of our foreign subsidiaries and certain of our domestic subsidiaries) had net revenues of approximately \$499 million, or approximately 29.9% of our consolidated 2008 revenues, and operating income of approximately \$13.2 million, or approximately 20.7% of our consolidated 2008 operating income. As of December 31, 2008, our subsidiaries that will not guarantee the notes had assets of approximately \$1,157 million, or approximately 19.4% of our consolidated assets. Payments to us or a guarantor subsidiary by these non-guarantor subsidiaries will be contingent upon their earnings and their business considerations.

The notes will be structurally subordinated to all current and future liabilities, including trade payables, of our subsidiaries that do not guarantee the notes, and the claims of creditors of those subsidiaries, including trade creditors, will have priority as to the assets and cash flows of those subsidiaries. In the event of a bankruptcy, liquidation, dissolution or similar proceeding of any of the non-guarantor subsidiaries, holders of their liabilities, including their trade creditors, will generally be entitled to payment on their claims from assets of those subsidiaries before any assets are made available for distribution to us or our guarantor subsidiaries. As of December 31, 2008, the non-guarantor subsidiaries had approximately \$467.8 million of total indebtedness and other liabilities, including trade payables but excluding intercompany liabilities.

The lenders under our secured credit facilities will have the discretion to release the guarantors under the secured credit facilities in a variety of circumstances, which will cause those guarantors to be released from their guarantees of the notes.

While any obligations under our secured credit facilities remain outstanding, any guarantee of the notes may be released without action by, or consent of, any holder of the notes or the trustee under the indenture governing the notes offered hereby if the related guarantor is no longer a guarantor of obligations under the secured credit facilities or certain other indebtedness. See Description of Notes Guarantees of the Notes. The lenders under the secured credit facilities or such other indebtedness will have the discretion to release the guarantees under the secured credit facilities in a variety of circumstances. You will not have a claim as a creditor against any subsidiary that is no longer a guarantor of the notes.

If we undergo a change of control, we may not have the ability to raise the funds necessary to finance the change of control offer required by the indenture governing the notes, which would violate the terms of the notes.

Upon the occurrence of a change of control, as defined in the indenture governing the notes, holders of the notes will have the right to require us to purchase all or any part of such holders' notes at a price equal to

Table of Contents

Risk factors

101% of the principal amount thereof, plus accrued and unpaid interest, if any, to (but excluding) the date of purchase. The events that constitute a change of control under the indenture may also constitute:

- Ø a default under our secured credit facilities, which prohibit the purchase of the notes by us in the event of certain changes of control, unless and until our indebtedness under the secured credit facilities is repaid in full; and
- Ø a fundamental change under the indenture governing our senior subordinated convertible notes, which would give the holders of the senior subordinated convertible notes the right to require us to purchase all or any part of such notes at a price equal to 100% of the principal amount thereof, plus accrued and unpaid interest, if any, to the date of purchase.

There can be no assurance that either we or our guarantor subsidiaries would have sufficient financial resources available to satisfy all of our or their obligations under the notes or the related guarantees, our secured credit facilities or our senior subordinated convertible notes in the event of a change of control. Our failure to purchase the notes as required under the indenture governing the notes would result in a default under that indenture, the indenture governing the senior subordinated convertible notes and under our secured credit facilities, each of which could have material adverse consequences for us and the holders of the notes. See Description of Notes Change of Control.

The trading prices of the notes will be directly affected by our ratings with major credit rating agencies, the prevailing interest rates being paid by companies similar to us, and the overall condition of the financial and credit markets.

The trading prices of the notes in the secondary market will be directly affected by our ratings with major credit rating agencies, the prevailing interest rates being paid by companies similar to us, and the overall condition of the financial and credit markets. It is impossible to predict the prevailing interest rates or the condition of the financial and credit markets. Credit rating agencies continually revise their ratings for companies that they follow, including us. Any ratings downgrade could adversely affect the trading price of the notes or the trading market for the notes, to the extent a trading market for the notes develops. The condition of the financial and credit markets and prevailing interest rates have fluctuated in the past and are likely to fluctuate in the future.

A subsidiary guarantee could be voided if it constitutes a fraudulent transfer under U.S. bankruptcy or similar state law, which would prevent the holders of the notes from relying on that subsidiary to satisfy claims.

The notes will be guaranteed by some of our domestic subsidiaries that are guarantors or borrowers under our secured credit facilities. The guarantees may be subject to review under U.S. federal bankruptcy law and comparable provisions of state fraudulent conveyance laws if a bankruptcy or another similar case or lawsuit is commenced by or on behalf of our or a guarantor subsidiary's unpaid creditors or another authorized party. Under these laws, if a court were to find that, at the time any guarantor subsidiary issued a guarantee of the notes, either it issued the guarantee to delay, hinder or defraud present or future creditors, or it received less than reasonably equivalent value or fair consideration for issuing the guarantee and at the time:

- Ø it was insolvent or rendered insolvent by reason of issuing the guarantee;
- Ø it was engaged, or about to engage, in a business or transaction for which its remaining unencumbered assets constituted unreasonably small capital to carry on its business;

- Ø it intended to incur, or believed that it would incur, debts beyond its ability to pay as they mature; or
- Ø it was a defendant in an action for money damages, or had a judgment for money damages docketed against it if, in either case, after final judgment, the judgment is unsatisfied,

then the court could void the obligations under the guarantee, subordinate the guarantee of the notes to other debt or take other action detrimental to holders of the notes.

S-30

Table of Contents**Risk factors**

We cannot be sure as to the standard that a court would use to determine whether a guarantor subsidiary was solvent at the relevant time, or, regardless of the standard that the court uses, that the issuance of the guarantees would not be voided or that the guarantees would not be subordinated to other debt. If such a case were to occur, the guarantee could also be subject to the claim that, since the guarantee was incurred for our benefit, and only indirectly for the benefit of the guarantor subsidiary, the obligations of the applicable guarantor subsidiary were incurred for less than fair consideration. A court could thus void the obligations under the guarantee, subordinate the guarantee to the applicable guarantor subsidiary's other debt or take other action detrimental to holders of the notes. If a court were to void a guarantee, you would no longer have a claim against the guarantor subsidiary. Sufficient funds to repay the notes may not be available from other sources, including the remaining guarantor subsidiaries, if any. In addition, the court might direct you to repay any amounts that you already received from or are attributable to the guarantor subsidiary.

Each subsidiary guarantee contains a provision intended to limit the guarantor subsidiary's liability to the maximum amount that it could incur without causing the incurrence of obligations under its subsidiary guarantee to be a fraudulent transfer. This provision may not be effective to protect the subsidiary guarantees from being voided under fraudulent transfer law.

If a bankruptcy petition were filed by or against us, holders of notes may receive a lesser amount for their claim than they would have been entitled to receive under the indenture governing the notes.

If a bankruptcy petition were filed by or against us under the U.S. Bankruptcy Code after the issuance of the notes, the claim by any holder of the notes for the principal amount of the notes may be limited to an amount equal to the sum of:

- Ø the original issue price for the notes; and
- Ø that portion of the original issue discount that does not constitute unmaturing interest for purposes of the U.S. Bankruptcy Code.

Any original issue discount that was not accreted as of the date of the bankruptcy filing would constitute unmaturing interest. Accordingly, holders of the notes under these circumstances may receive a lesser amount than they would be entitled to receive under the terms of the indenture governing the notes, even if sufficient funds are available.

Because the notes will be issued with original issue discount, holders will be required to pay tax on amounts included in gross income before cash payments with respect to the original issue discount are received.

The notes will be issued with original issue discount for U.S. federal income tax purposes. Consequently, U.S. holders will be required to include such original issue discount in their gross income for U.S. federal income tax purposes as it accrues, regardless of their method of tax accounting. U.S. holders should be aware that the amount of interest (including original issue discount) that a U.S. holder is required to include in gross income for each year for U.S. federal income tax purposes will exceed the amount of cash interest that is received by the holder during each such year. Special rules will apply to a holder that is not a U.S. person for U.S. federal income tax purposes. All holders should read the section entitled "Material U.S. Federal Income Tax Consequences" regarding the tax consequences of the purchase, ownership and disposition of the notes.

Interest on the notes may not be deductible by us for United States federal income tax purposes.

The deductibility of interest is subject to many limitations under the Internal Revenue Code. We may not be able to deduct, in whole or in part, the interest on the notes. The availability of an interest deduction on the notes was not determinative in our issuance of the notes.

Table of Contents

Risk factors

Since we have broad discretion in how we use the proceeds from this offering, we may use the proceeds in ways with which you disagree.

We intend to use a portion of the net proceeds from this offering for general corporate purposes. Except as otherwise described in Use of Proceeds, we have not allocated specific amounts of the net proceeds from this offering for any specific purpose. Accordingly, our management will have significant flexibility in applying the net proceeds from this offering. You will be relying on the judgment of our management with regard to the use of these net proceeds, and you will not have the opportunity as part of your investment decision to assess whether the proceeds are being used appropriately. It is possible that the net proceeds from this offering will be invested in a way that does not yield a favorable, or any, return for us. The failure of our management to use such funds effectively could have a material adverse effect on our business, financial condition, operating results and cash flow.

There may be no active trading market for the notes.

The notes have been authorized for listing on the New York Stock Exchange, subject to notice of issuance. The underwriters have advised us that they intend to make a market for the notes, but they are not obligated to do so and may cease their market-making activities at any time. The liquidity of the trading market in the notes, if any, and any market price quoted for the notes, may be adversely affected by changes in the overall market for high-yield securities and by changes in our financial performance or prospects or in the financial performance or prospects of companies in our industry generally. As a result, no active trading market for the notes may develop or be maintained. If an active market does not develop or is not maintained, the market price and liquidity of the notes may be adversely affected. Moreover, notes frequently trade in blocks of large principal amounts, and retail and other small investors may have limited liquidity for positions consisting of only a small principal amount of notes.

Certain covenants contained in the indenture will not be applicable during any period in which the notes are rated investment grade.

The indenture governing the notes will provide that certain covenants will not apply to us during any period in which the notes are rated investment grade by both Standard & Poor's and Moody's and no default has otherwise occurred and is continuing under the indenture. The covenants that would be suspended include, among others, limitations on our and our restricted subsidiaries' ability to pay dividends, incur additional indebtedness, sell certain assets and enter into certain other transactions. Any actions that we take while these covenants are not in force will be permitted even if the notes are subsequently downgraded below investment grade and such covenants are subsequently reinstated. There can be no assurance that the notes will ever be rated investment grade, or that if they are rated investment grade, the notes will maintain such ratings. See Description of Notes Certain Covenants Suspension of Covenants.

S-32

Table of Contents

Special note regarding forward-looking statements

This prospectus supplement and the accompanying prospectus contain 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. You can identify these statements by forward-looking words such as may, could, should, would, intend, will, expect, anticipate, believe, estimate, continue or similar words. You should read statements that contain words carefully because they discuss our future expectations, contain projections of our future results of operations or of our financial condition or state other forward-looking information. There may be events in the future that we are unable to predict accurately or control and that may cause our actual results to differ materially from the expectations we describe in our forward-looking statements. We caution investors that all forward-looking statements involve risks and uncertainties, and actual results may differ materially from those we discuss in this prospectus supplement and the accompanying prospectus. These differences may be the result of various factors, including the factors identified in the section entitled Risk Factors in this prospectus supplement, the factors identified in the section entitled Risk Factors in our Annual Report on Form 10-K/A for the year ended December 31, 2008 and other factors identified from time to time in our periodic filings with the SEC. Some important factors that could cause our actual results to differ materially from those projected in any such forward-looking statements are as follows:

- Ø our inability to predict the effects of the current national and worldwide financial and economic crisis, including disruptions in the capital and credit markets;
- Ø our inability to predict the effects of anticipated United States national healthcare reform legislation and similar initiatives in other countries;
- Ø economic factors, including inflation and fluctuations in interest rates and foreign currency exchange rates, and the potential effect of such fluctuations on revenues, expenses and resulting margins;
- Ø competitive factors, including technological advances achieved and patents attained by competitors and general competition;
- Ø domestic and foreign healthcare changes resulting in pricing pressures, including the continued consolidation among healthcare providers, trends toward managed care and healthcare cost containment and government laws and regulations relating to sales and promotion, reimbursement and pricing generally;
- Ø government laws and regulations affecting domestic and foreign operations, including those relating to trade, monetary and fiscal policies, taxes, price controls, regulatory approval of new products, licensing and environmental protection;
- Ø manufacturing interruptions, delays or capacity constraints or lack of availability of alternative sources for components for our products, including our ability to successfully maintain relationships with suppliers, or to put in place alternative suppliers on terms that are acceptable to us;
- Ø difficulties inherent in product development, including the potential inability to successfully continue technological innovation, complete clinical trials, obtain regulatory approvals or clearances in the United States and abroad and the possibility of encountering infringement claims by competitors with respect to patent or other intellectual property rights which can preclude or delay commercialization of a product;
- Ø significant litigation adverse to us including product liability claims, patent infringement claims and antitrust claims;

- Ø product efficacy or safety concerns resulting in product recalls or declining sales;
- Ø the impact of business combinations and organizational restructurings consistent with evolving business strategies;

Table of Contents

- Ø our ability to satisfy the financial covenants and other conditions contained in the agreements governing our indebtedness;
- Ø our ability to effectively manage the integration of our acquisitions into our operations;
- Ø our ability to obtain required financing on terms that are acceptable to us; and
- Ø the issuance of new or revised accounting standards by the American Institute of Certified Public Accountants, the Financial Accounting Standards Board, the Public Company Accounting Oversight Board or the SEC.

The foregoing list provides many, but not all, of the factors that could impact our ability to achieve the results described in any forward-looking statement. Readers should not place undue reliance on our forward-looking statements. Before you invest in the notes, you should be aware that the occurrence of the events described above and elsewhere in this prospectus supplement or the accompanying prospectus could seriously harm our business, prospects, operating results and financial condition. We do not undertake any obligation to update any forward-looking statement as a result of future events or developments.

Market and industry data

Some of the market data and other statistical information used throughout this prospectus supplement is based on independent industry publications or other independent sources. Although we believe these sources are reliable, we have not independently verified the information and cannot guarantee its accuracy and completeness. Some market and industry information is also based on our good faith estimates, which are derived from our review of internal data, as well as the independent sources.

Table of Contents

Use of proceeds

We estimate that our net proceeds from the sale of the notes in this offering will be approximately \$378,460,000, after deducting the underwriting discount and our estimated offering expenses.

We intend to use our net proceeds from the sale of the notes for working capital and other general corporate purposes, including the financing of potential acquisitions or other investments, if and when suitable opportunities arise, and for capital expenditures, in our sole discretion. We currently have no agreements or commitments to complete any material acquisition that we intend to fund using the net proceeds from this offering. We may use a portion of the net proceeds of this offering to pay some or all of our remaining obligations relating to our recently completed acquisition of the second territory business from ACON.

Due to the rapidly changing nature of the markets in which we operate, the amounts we actually spend on general corporate purposes will depend on a number of factors, including revenue growth, if any, and the amount of cash we generate from operations. Until allocated for specific use, we intend to invest our net proceeds from the sale of the notes in government securities and other short-term, investment-grade securities.

S-35

Table of Contents

Capitalization

The following table provides our cash and cash equivalents and our capitalization as of December 31, 2008:

Ø on an actual basis; and

Ø on an as-adjusted basis to give effect to the receipt of the estimated net proceeds of this offering, after deducting the underwriting discount and our estimated offering expenses.

The following table does not give any effect to the closing of our acquisition of the ACON second territory business on April 30, 2009. The final purchase price for the acquisition of the ACON second territory business will be based on the audited financial statements of ACON, which are not yet available. We currently expect that the purchase price for the ACON second territory business will be approximately \$200.0 million, subject to adjustments, of which we paid \$80.0 million on April 30, 2009. Depending on the results of the audit of ACON's financial statements, the final purchase price could be materially larger or smaller than our estimate. Not later than ten business days following the closing of this offering, we expect to pay approximately an additional \$30.5 million in cash, based on the estimated purchase price. On July 1, 2009, we must pay an amount equal to approximately \$59.5 million in shares of our common stock or, at our election, cash, based on the estimated purchase price. Such amount shall bear interest at the rate of 4% per annum from the closing date. The remainder of the purchase price will be due in two installments, each comprising 7.5% of the total purchase price, or approximately \$15.0 million, based on the estimated purchase price, on the dates that are 15 and 30 months after the closing. These installment amounts do not bear interest, and we may pay up to approximately 29% of each of these payments in shares of our common stock.

The information in the table should be read in conjunction with, and is qualified in its entirety by reference to, our audited consolidated financial statements, including the notes thereto, included elsewhere in this prospectus supplement and Management's Discussion and Analysis of Financial Condition and Results of Operations.

S-36

Table of Contents**Capitalization**

	December 31, 2008	
	Actual	As adjusted
	(In thousands)	
Cash and cash equivalents	\$ 141,324	\$ 519,784
Debt:		
Revolving credit facility ⁽¹⁾	\$ 142,000	\$ 142,000
First lien term loan	960,750	960,750
Second lien term loan	250,000	250,000
Capital lease obligations	919	919
Other secured indebtedness	16,865	16,865
Total secured debt	1,370,534	1,370,534
3% convertible senior subordinated notes	150,000	150,000
Notes offered hereby		387,460
Total debt	1,520,534	1,907,994
Stockholders equity:		
Series B preferred stock, \$0.001 par value (liquidation preference, \$751,479), 2,300 shares authorized, 1,879 shares issued and outstanding	671,501	671,501
Common stock, \$0.001 par value, 150,000 shares authorized, 78,431 shares issued and outstanding	78	78
Additional paid-in capital	3,029,694	3,029,694
Accumulated deficit	(393,590)	(393,590)
Accumulated other comprehensive (loss) income	(28,845)	(28,845)
Total stockholders equity	3,278,838	3,278,838
Total capitalization	\$ 4,799,372	\$ 5,186,832

(1) Our revolving credit facility provides for commitments of up to \$150.0 million. As of December 31, 2008, we had outstanding borrowings under the revolving credit facility in the aggregate principal amount of \$142.0 million.

Table of Contents

Selected consolidated financial information

The following tables provide our selected consolidated financial data as of the dates and for the periods shown. Our selected consolidated statement of operations data for the years ended December 31, 2006, 2007 and 2008 and our selected consolidated balance sheet data as of December 31, 2007 and 2008 are derived from our consolidated financial statements included elsewhere in this prospectus supplement, which have been audited by BDO Seidman, LLP, our independent registered public accounting firm, as indicated in their report. Our selected consolidated statement of operations data for the years ended December 31, 2004 and 2005 and our selected consolidated balance sheet data as of December 31, 2004, 2005 and 2006 are derived from our consolidated financial statements not included in this prospectus supplement, which have been audited by BDO Seidman, LLP, our independent registered public accounting firm. The selected consolidated financial data should be read in conjunction with, and are qualified in their entirety by reference to, our audited consolidated financial statements, including the notes thereto, included elsewhere in this prospectus supplement and Management's Discussion and Analysis of Financial Condition and Results of Operations.

Statement of Operations Data:	2008	For the year ended December 31,			
		2007	2006	2005	2004
		(in thousands, except per share data)			
Net product sales	\$ 1,240,138	\$ 800,915	\$ 552,130	\$ 406,457	\$ 365,432
Services revenue	405,462	16,646			
Net product sales and services revenue	1,645,600	817,561	552,130	406,457	365,432
License and royalty revenue	25,826	21,979	17,324	15,393	8,559
Net revenue	1,671,426	839,540	569,454	421,850	373,991
Cost of net product sales	624,654	431,403	334,799	264,999	223,669
Cost of services revenue	177,098	5,261			
Cost of license and royalty revenue	9,115	9,149	5,432	4,539	3,318
Cost of net revenue	810,867	445,813	340,231	269,538	226,987
Gross profit	860,559	393,727	229,223	152,312	147,004
Operating expenses:					
Research and development	111,828	69,547	48,706	30,992	31,954
Purchase of in-process research and development		173,825	4,960		
Sales and marketing	386,284	167,770	94,445	72,103	57,957
General and administrative	298,595	158,438	71,243	59,990	52,707
Loss on dispositions, net			3,498		
Operating income (loss)	63,852	(175,853)	6,371	(10,773)	4,386
Interest expense and other expenses, net, including amortization of original issue discounts and write-off of deferred	(103,356)	(74,251)	(17,822)	(1,617)	(18,707)

financing costs

Loss before (benefit) provision for income taxes	(39,504)	(250,104)	(11,451)	(12,390)	(14,321)
(Benefit) provision for income taxes	(16,686)	(979)	5,727	6,819	2,275
Equity earnings of unconsolidated entities, net of tax	1,050	4,372	336		

(footnotes on following page)

S-38

Table of Contents**Selected consolidated financial information**

	2008	For the year ended December 31,			2004
		2007	2006	2005	
	(in thousands, except per share data and ratios)				
Net loss	(21,768)	(244,753)	(16,842)	(19,209)	(16,596)
Preferred stock dividends	(13,989)				(749)
Net loss available to common stockholders ⁽¹⁾	\$ (35,757)	\$ (244,753)	\$ (16,842)	\$ (19,209)	\$ (17,345)
Net loss per common share basic and diluted ⁽¹⁾	\$ (0.46)	\$ (4.75)	\$ (0.49)	\$ (0.79)	\$ (0.87)
Other financial data:					
Ratio of earnings to fixed charges ⁽²⁾⁽³⁾	0.7x		0.6x	0.5x	0.4x
Ratio of earnings to combined fixed charges and preference dividends ⁽²⁾⁽³⁾	0.5x		0.6x	0.5x	0.4x

Balance Sheet Data:	2008	2007	December 31,		2005	2004
			2006			
	(in thousands)					
Cash and cash equivalents	\$ 141,324	\$ 414,732	\$ 71,104	\$ 34,270	\$ 16,756	
Working capital	\$ 457,198	\$ 674,066	\$ 133,313	\$ 84,523	\$ 62,615	
Total assets	\$ 5,955,360	\$ 4,880,759	\$ 1,085,771	\$ 791,166	\$ 568,269	
Total debt	\$ 1,520,534	\$ 1,387,849	\$ 202,976	\$ 262,504	\$ 191,224	
Total stockholders equity	\$ 3,278,838	\$ 2,586,667	\$ 714,138	\$ 397,308	\$ 271,416	

(1) Net loss available to common stockholders and basic and diluted net loss per common share are computed as described in Notes 2(n) and 15 of our consolidated financial statements included elsewhere in this prospectus supplement.

(2) For the purpose of computing our ratio of earnings to fixed charges, earnings consist of pre-tax income before adjustment for income from equity investees plus fixed charges (excluding capitalized interest). Fixed charges consist of interest expensed and capitalized, amortized premiums, discounts and capitalized expenses related to indebtedness and an estimate of the interest within rental expense. This ratio is adjusted to include preference dividends in the ratio of earnings to combined fixed charges and preference dividends. Preference dividends equal the amount of pre-tax earnings that is required to pay the dividends on outstanding preference securities.

(3)

Due to the net losses for the years ended December 31, 2008, 2007, 2006, 2005 and 2004, there were insufficient earnings of \$38.1 million, \$248.9 million, \$11.8 million, \$12.4 million and \$14.3 million, respectively, to cover fixed charges, and \$61.4 million, \$248.9 million, \$11.8 million, \$12.4 million and \$15.6 million, respectively, to cover fixed charges and preference dividends.

Table of Contents

Management's discussion and analysis of financial condition and results of operations

You should read the following discussion in conjunction with our consolidated financial statements and notes thereto appearing elsewhere in this prospectus supplement. In addition to historical consolidated financial information, the following discussion and analysis contains forward-looking statements that involve risks, uncertainties and assumptions. Our actual results could differ materially from those anticipated by these forward-looking statements as a result of many factors, including those discussed under "Risk Factors" and elsewhere in this prospectus supplement.

OVERVIEW

We enable individuals to take charge of improving their health and quality of life at home by developing new capabilities in near patient diagnosis, monitoring and health management. Our global leading products and services, as well as our new product development efforts, focus on cardiology, women's health, infectious disease, oncology, and drugs of abuse. With our 2007 acquisitions of Biosite, Cholestech, and HemoSense, we established our company as a leading supplier of cardiology diagnostic products. Our acquisitions of Biosite, Instant and Redwood during 2007 and Ameditech, Inc., or Ameditech, in 2008 enhanced our position in drugs of abuse testing. Additionally, with our December 2007 acquisition of Matritech, Inc., or Matritech, we also established a presence in oncology, by acquiring the unique NMP-22 ELISA and rapid point-of-care tests for the screening and monitoring of bladder cancer in conjunction with standard diagnostic procedures. We expect to continue to expand in all of these product categories through focused research and development projects and further development of our distribution capabilities.

During 2007 and 2008, we entered the growing health management market with our acquisitions of Alere Medical, ParadigmHealth and more recently, Matria. With the acquisition of Matria, we are now a leader in this field offering a broad range of services aimed at lowering costs for health plans, hospitals, employers and patients. Our health management services are focused in the areas of women's and children's health, cardiology and oncology. We are confident that our ability to offer near patient monitoring tools combined with value-added healthcare services will improve care and lower healthcare costs for both providers and patients. During the third quarter of 2008, we began efforts to consolidate the health management businesses under a single brand. Today, Matria, ParadigmHealth and Alere Medical, each a leader in their respective areas, are united as one business under the name Alere. Also, during the third quarter of 2008, we acquired an overseas health management business enabling us to establish a presence in the newly-developing international health management market.

Our research and development programs have two general focuses. We are developing new technology platforms that will facilitate our primary objective of enabling individuals to take charge of improving their health and quality of life by moving testing out of the hospital and central laboratory, and into the physician's office and ultimately the home. Additionally, through our strong pipeline of novel proteins or combinations of proteins that function as disease biomarkers, we are developing new tests targeted towards all of our areas of focus.

We continue to advance toward our goal of establishing a worldwide distribution network that will allow us to bring both our current and future diagnostic products to the global professional market. In addition, we continue to focus on improving our margins through consolidation of certain of our higher cost manufacturing operations into lower cost facilities, including our 300,000 square foot manufacturing facility located in Hangzhou, China, as well as our jointly-owned facility in Shanghai, China, and we are already seeing improved margins on some of our existing products that we have moved to these facilities. Our business integration activities remain on track and we have seen positive results from the integrations completed to date and as we continue to aggressively integrate acquired operations in order to achieve further synergies within expected timelines. During the second half of 2007, we began

implementation of a plan to

S-40

Table of Contents

Management's discussion and analysis of financial condition and results of operations

consolidate sales processing and certain other back-office services from seven of our U.S. operations into a shared services center, located in Orlando, Florida. This shared services center commenced operations at the beginning of the second quarter of 2008.

2008 FINANCIAL HIGHLIGHTS

Net revenue in 2008 of \$1.7 billion increased by \$831.9 million, or 99%, from \$839.5 million in 2007. Net revenue increased primarily as a result of our professional diagnostics-related acquisitions which contributed \$397.8 million of the increase. Additionally, net revenue increased as a result of our newly-formed health management segment which provided \$357.6 million of incremental revenue and primarily included the activities of our recent acquisitions of QAS, Alere Medical, ParadigmHealth and Matria. Partially offsetting the increased revenue as a result of acquisitions was the decrease in revenue associated with the completion of our 50/50 joint venture (SPD) with P&G in May 2007 in which we transferred substantially all of the assets of our consumer diagnostics business, other than our manufacturing and core intellectual property assets. Upon completion of the arrangement to form the joint venture, we ceased to consolidate the operating results of our consumer diagnostics business related to the joint venture and instead account for our 50% interest in the results of the joint venture under the equity method of accounting in accordance with Accounting Principles Board, or APB, Opinion No. 18, The Equity Method of Accounting for Investments in Common Stock. Organic growth, particularly from our professional cardiology, infectious disease and drugs of abuse products, also contributed to the revenue growth, as well as higher license and royalty revenue.

Gross profit increased by \$466.8 million, or 119%, to \$860.6 million in 2008 from \$393.7 million in 2007, principally as a result of gross profit earned on incremental revenue from acquired businesses, primarily in our professional diagnostics and health management businesses, as well as increased license and royalty revenue. Offsetting these increases was a decrease in our consumer diagnostics business gross margin, principally as a result of the formation of our 50/50 joint venture with P&G in May 2007. During 2008, gross profit was adversely impacted by a \$17.9 million restructuring charge related to the closure of various manufacturing and operating facilities and a charge of \$2.0 million associated with the write-up of inventory acquired to fair value in connection with two of our 2008 acquisitions. Gross profit in 2007 was adversely impacted by a \$2.0 million charge associated with our various restructuring plans and a charge of \$8.2 million associated with the write-up of inventory acquired to fair value in connection with three of our 2007 acquisitions.

We continue to invest aggressively in research and development of new products and technologies as evidenced by our increased research and development expense of \$111.8 million in 2008, from \$69.5 million in 2007. Expenditures in 2007 are reported net of \$18.5 million arising from the co-development funding arrangement that we entered into with ITI Scotland Limited, or ITI, in February 2005. Research and development expense before considering the co-development funding was \$88.0 million in 2007. The increase in spending resulted principally from expenditures related to our cardiology research programs. Offsetting these increases was the favorable impact of the 50/50 joint venture with P&G. Our co-development funding arrangement with ITI expired in the first quarter of 2008. The final payment under this agreement was received and earned in the fourth quarter of 2007, and as such, no funding was earned in 2008.

RESULTS OF OPERATIONS

Year ended December 31, 2008 compared to year ended December 31, 2007

Net Product Sales. Net product sales increased by \$439.2 million, or 55%, to \$1.2 billion in 2008 from \$800.9 million in 2007. Excluding the unfavorable impact of currency translation, net product sales in 2008 grew by approximately \$439.5 million, or 55%, over 2007. Of the currency adjusted increase, revenue increased primarily as a result of our professional diagnostic-related acquisitions which contributed \$363.8 million of the increase. Organic growth, particularly from our professional infectious disease, drugs of abuse products and vitamin and nutritional supplements, also contributed to the growth.

Table of Contents**Management's discussion and analysis of financial condition and results of operations**

Net Product Sales by Business Segment. Net product sales by business segment for 2008 and 2007 are as follows (in thousands):

	2008	2007	% increase (decrease)
Professional diagnostics	\$ 1,000,190	\$ 565,265	77%
Health management	18,632	9,210	102%
Consumer diagnostics	132,443	153,616	(14)%
Vitamins and nutritional supplements	88,873	72,824	22%
Net product sales	\$ 1,240,138	\$ 800,915	55%

Professional diagnostics

The increase in net product sales from our professional diagnostics business segment was \$434.9 million, or 77%, resulting in \$1.0 billion of net product sales in 2008. Of the increase, revenue increased primarily as a result of our acquisitions of: (i) Biosite, in June 2007, which contributed additional product revenue of \$161.7 million in excess of those earned in the prior year's comparative period, (ii) Cholestech, in September 2007, which contributed additional product revenue of \$49.4 million in excess of those earned in the prior year's comparative period, (iii) Bio-Stat Healthcare Group, or Bio-Stat, in October 2007, which contributed additional product revenue of \$21.6 million in excess of those earned in the prior year's comparative period, (iv) HemoSense, in November 2007, which contributed additional product revenue of \$27.2 million in excess of those earned in the prior year's comparative period, (v) Redwood, in December 2007, which contributed additional product revenue of \$23.9 million in excess of those earned in the prior year's comparative period, (vi) BBI, in February 2008, which contributed product revenue of \$32.4 million and (vii) various less significant acquisitions, which contributed an aggregate of \$47.6 million of such increase. Organic growth, particularly from our professional infectious disease products, also contributed to the growth. The currency adjusted organic growth for our professional diagnostics net product sales, excluding the impact of acquisitions, was 13%.

Health management

Our health management net product sales increased \$9.4 million, or 102%, to \$18.6 million in 2008. The increase in net product sales represents additional sales related to our acquisition of QAS in June 2007.

Consumer diagnostics

The decrease in net product sales from our consumer diagnostics business segment was \$21.2 million, or 14%, resulting in \$132.4 million of net product sales for 2008. The decrease was primarily driven by the completion of our 50/50 joint venture with P&G in May 2007 in which we transferred substantially all of the assets of our consumer diagnostics business, other than our manufacturing and core intellectual property assets. Upon completion of the

arrangement to form the joint venture, we ceased to consolidate the operating results of our consumer diagnostics business related to the joint venture and instead account for our 50% interest in the results of the joint venture under the equity method of accounting. Net product sales from our consumer diagnostics business segment for 2008 and 2007 included \$103.0 million and \$65.0 million, respectively, of manufacturing revenue associated with our manufacturing agreement with SPD, whereby we manufacture and sell consumer diagnostics to the joint venture. Partially offsetting the impact of the joint venture was an increase \$13.5 million of net product sales attributed to our acquisitions of: (i) First Check Diagnostics LLC, or First Check, in January 2007, which contributed additional product revenue of \$1.1 million in excess of those earned in the prior year's comparative period, (ii) Bio-Stat, in October 2007, which contributed additional product revenue of \$4.6 million in excess of those earned in the prior year's comparative period and (iii) BBI, in February 2008, which contributed product revenue of \$7.8 million.

S-42

Table of Contents**Management's discussion and analysis of financial condition and results of operations****Vitamins and nutritional supplements**

Our vitamins and nutritional supplements net product sales increased by \$16.0 million, or 22%, to \$88.9 million in 2008. The increase is primarily a result of increased private label nutritional sales to our existing and new customers.

Services Revenue. Services revenue was \$405.5 million in 2008, as compared to \$16.6 million in 2007. Services revenue is principally related to our newly-formed health management business segment which primarily includes our recent acquisitions of QAS, Alere Medical, ParadigmHealth and Matria. In addition to the services revenue generated by our health management businesses, services revenue also includes revenue generated by our professional drugs of abuse testing and screening business, along with revenue associated with our long-term services agreement related to our consumer diagnostics joint venture formed with P&G in May 2007, pursuant to which we provide certain operational support services to the joint venture.

Services Revenue by Business Segment. Services revenue by business segment for 2008 and 2007 are as follows (in thousands):

	2008	2007
Professional diagnostics	\$ 29,338	\$
Health management	373,767	14,164
Consumer diagnostics	2,357	2,482
Total services revenue	\$ 405,462	\$ 16,646

Professional diagnostics

Services revenue provided by our professional diagnostics business segment of \$29.3 million in 2008 represents revenue related to the laboratory-based professional drugs of abuse testing and screening business at Redwood, which was acquired in December 2007.

Health management

Services revenue provided by our newly-formed health management business segment was \$373.8 million in 2008, with Matria contributing services revenue of \$197.7 million, Alere Medical contributing services revenue of \$91.2 million, ParadigmHealth contributing services revenue of \$71.3 million and QAS contributing services revenue of \$12.1 million.

Consumer diagnostics

Services revenue provided by our consumer diagnostics business segment decreased by \$0.1 million, or 5%, to \$2.4 million in 2008. Services revenue provided by our consumer diagnostics business segment represents revenue related to our long-term services agreements with our 50/50 joint venture with P&G formed in May 2007, pursuant to

which we provide certain operational support services to the joint venture.

Net Product Sales and Services Revenue by Geographic Location. Net product sales and services revenue by geographic location for 2008 and 2007 are as follows (in thousands):

	2008	2007	% increase (decrease)
United States	\$ 1,186,583	\$ 511,941	132%
Europe	283,552	196,379	44%
Other	175,465	109,241	61%
Net product sales and services revenue	\$ 1,645,600	\$ 817,561	101%

S-43

Table of Contents**Management's discussion and analysis of financial condition and results of operations**

Net product sales and services revenue of \$1.2 billion and \$511.9 million generated in the United States were approximately 72% and 63%, respectively, of total net product sales and services revenue for the year ended December 31, 2008 and 2007, respectively. The growth in net product sales and services revenue in all geographic regions resulted from the various acquisitions discussed above and organic growth, partially offset by the decrease in revenue associated with the formation of our 50/50 joint venture with P&G in May 2007.

License and Royalty Revenue. License and royalty revenue represents license and royalty fees from intellectual property license agreements with third parties. License and royalty revenue increased by \$3.8 million, or 18%, to \$25.8 million in 2008, from \$22.0 million in 2007. License and royalty revenue for 2008 increased primarily as a result of our acquisition of Biosite in June 2007, which contributed an additional \$1.9 million of royalty revenue in excess of those earned in 2007. Additionally, incremental royalty revenue was derived from new royalty agreements entered into during 2008, along with increases associated with certain existing royalty agreements, partially offset by decreases in other royalty agreements.

Gross Profit and Margin. Gross profit increased by \$466.8 million, or 119%, to \$860.6 million in 2008, from \$393.7 million in 2007. Gross profit during 2008 benefited from higher than average margins earned on revenue from our recently acquired businesses and from the favorable impact of our low cost manufacturing facilities in China. Included in gross profit in 2008 were restructuring charges totaling \$17.9 million associated with the closure of various manufacturing and operating facilities, a \$2.0 million charge related to the write-up to fair market value of inventory acquired in connection with our first quarter acquisitions of BBI and Panbio, and \$1.5 million of stock-based compensation expense. Included in gross profit in 2007 were restructuring charges totaling \$2.0 million associated with the closure of various manufacturing and operating facilities, an \$8.2 million charge related to the write-up to fair market value of inventory acquired in connection with our acquisitions of Biosite, Cholestech and HemoSense and \$0.6 million of stock-based compensation expense. Cost of net revenue included amortization expense of \$43.4 million and \$24.0 million in 2008 and 2007, respectively. Overall gross margin was 52% in 2008, compared to 47% in 2007.

Gross Profit from Net Product Sales by Business Segment. Gross profit from net product sales represents total gross profit less gross profit associated with services revenue and license and royalty revenue. Gross profit from net product sales increased by \$246.0 million to \$615.5 million in 2008, from \$369.5 million in 2007. Gross profit from net product sales by business segment for 2008 and 2007 is as follows (in thousands):

	2008	2007	% increase (decrease)
Professional diagnostics	\$ 581,806	\$ 306,710	90%
Health management	2,729	3,076	(11)%
Consumer diagnostics	23,413	52,760	(56)%
Vitamins and nutritional supplements	7,536	6,966	8%
Gross profit from net product sales	\$ 615,484	\$ 369,512	67%

Professional diagnostics

Gross profit from our professional diagnostics net product sales increased by \$275.1 million, or 90%, comparing 2008 to 2007, principally as a result of gross profit earned on revenue from acquired businesses, as discussed above, which contributed higher than average gross profits. The higher than average profits were partially offset by a \$2.0 million charge related to the write-up to fair market value of inventory acquired in connection with our acquisitions of BBI and Panbio and \$17.9 million in restructuring charges. Reducing gross profit for 2007 was an \$8.2 million charge related to the write-up to fair market value of inventory acquired in connection with our acquisitions of Biosite, Cholestech and HemoSense and \$0.5 million in restructuring charges.

S-44

Table of Contents

Management's discussion and analysis of financial condition and results of operations

As a percentage of our professional diagnostics net product sales, gross profit from our professional diagnostics business was 58% in 2008, compared to 54% in 2007.

Health management

Gross profit from our health management net product sales decreased by \$0.3 million, or 11%, to \$2.7 million during 2008, compared to \$3.1 million during 2007.

As a percentage of our health management net product sales, gross profit from our health management business was 15% in 2008, compared to 33% in 2007.

Consumer diagnostics

Gross profit from our consumer diagnostics net product sales decreased \$29.3 million, or 56%, comparing 2008 to 2007. The decrease is primarily a result of the formation of our 50/50 joint venture with P&G for our consumer diagnostics business in May 2007, partially offset by the gross profit earned on revenue from acquired businesses, primarily our BBI acquisition and the manufacturing profit associated with products sold under our manufacturing agreement with the joint venture. Gross profit for 2007 was adversely impacted by restructuring charges totaling \$1.5 million related to the formation of the joint venture.

As a percentage of our consumer diagnostics net product sales, gross profit from our consumer diagnostics business was 18% for 2008, compared to 34% in 2007. The decrease in gross margin percentage for 2008, as compared to 2007, is driven by the formation of our 50/50 joint venture with P&G in May 2007. As a result of the joint venture, our consumer diagnostics net product sales consist of the manufacturing revenue associated with our manufacturing agreement with the joint venture, whereby we manufacture and sell consumer diagnostics to the joint venture.

Vitamins and nutritional supplements

Gross profit from our vitamins and nutritional supplements net product sales increased \$0.6 million, or 8%, comparing 2008 to 2007. The increase is primarily the result of higher private label sales.

As a percentage of our vitamin and nutritional supplements net product sales, gross profit from our vitamins and nutritional supplements business was 9% in 2008, compared to 10% in 2007.

Gross Profit from Services Revenue. Gross profit from services revenue primarily represents gross profit related to our newly-formed health management business segment which includes our recent acquisitions of QAS, Alere Medical, ParadigmHealth and Matria. In addition to the gross profit from services revenue generated by our health management businesses, gross profit from services revenue also includes gross profit generated by our professional drugs of abuse testing and screening business, along with gross profit associated with our long-term services agreement related to our consumer diagnostics joint venture formed with P&G in May 2007, pursuant to which we provide certain operational support services to the joint venture. Our gross profit from services revenue was \$228.4 million in 2008 as compared to \$11.4 million in 2007.

Gross Profit from Services Revenue by Business Segment. Gross profit from services revenue was \$228.4 million and \$11.4 million in 2008 and 2007, respectively, and represents gross profit related to services revenue associated

with our newly-formed health management business segment, which includes our recent acquisitions of QAS, Alere Medical, ParadigmHealth and Matria, our professional drugs of abuse testing and screening businesses, and our long-term services agreement related to our consumer diagnostics

Table of Contents**Management s discussion and analysis of financial condition and results of operations**

joint venture formed with P&G in May 2007. Gross profit from services revenue by segment for 2008 and 2007 is as follows (in thousands):

	2008	2007
Professional diagnostics	\$ 14,380	\$
Health management	211,627	8,903
Consumer diagnostics	2,357	2,482
Gross profit from services revenue	\$ 228,364	\$ 11,385

Professional diagnostics

Gross profit from services revenue for our professional diagnostics business segment was \$14.4 million in 2008 and represents gross profit related to the services provided by our professional drugs of abuse testing and screening business, Redwood, which was acquired in December 2007.

As a percentage of our professional diagnostics services revenue, gross margin for 2008 was 49%.

Health management

Gross profit from services revenue for our newly-formed health management business segment was \$211.6 million and \$8.9 million in 2008 and 2007, respectively, and represents gross profit related to the services provided by our health management businesses, primarily Alere Medical, ParadigmHealth, QAS and Matria.

As a percentage of our health management services revenue, gross margin for 2008 and 2007 was 57% and 63%, respectively.

Consumer diagnostics

Gross profit from services revenue for our consumer diagnostics business segment was \$2.4 million and \$2.5 million in 2008 and 2007, respectively, and represents gross profit from services revenue related to our long-term services agreements with the joint venture, pursuant to which we provide certain operational support services to the joint venture. We presently do not allocate any cost of goods sold to the services revenue related to this long-term service agreement. All costs for this segment are recorded in the gross profit from net product sales.

Research and Development Expense. Research and development expense increased by \$42.3 million, or 61%, to \$111.8 million in 2008 from \$69.5 million in 2007. The year over year increase in research and development expense is primarily the result of increased spending related to our cardiology research programs, partially offset by the transition of our consumer-related research and development efforts into our 50/50 joint venture with P&G. Additionally, our funding relationship with ITI was complete as of December 31, 2007 and, as such, no funding was earned during 2008. This funding relationship was reflected as an offset to research and development expense totaling

\$18.5 million during 2007. Also included in research and development expense is \$4.6 million of stock-based compensation expense, representing an increase of approximately \$2.4 million from 2007. Restructuring charges associated with our various restructuring plans to integrate our newly-acquired businesses totaling \$7.2 million were included in research and development expense during 2008, representing an increase of approximately \$4.7 million from 2007. Amortization expense of \$3.7 million and \$2.9 million was included in research and development expense for 2008 and 2007, respectively.

Research and development expense as a percentage of net revenue decreased to 7% for 2008, from 8% for 2007.

S-46

Table of Contents**Management's discussion and analysis of financial condition and results of operations**

Purchase of In-Process Research and Development, or IPR&D. In connection with two of our acquisitions since 2007, we have acquired various IPR&D projects. Substantial additional research and development will be required prior to any of our acquired IPR&D programs and technology platforms reaching technological feasibility. In addition, once research is completed, each product candidate acquired will need to complete a series of clinical trials and receive FDA or other regulatory approvals prior to commercialization. Our current estimates of the time and investment required to develop these products and technologies may change depending on the different applications that we may choose to pursue. We cannot give assurances that these programs will ever reach technological feasibility or develop into products that can be marketed profitably. For example, we have discontinued funding certain of the programs listed below. In addition, we cannot guarantee that we will be able to develop and commercialize products before our competitors develop and commercialize products for the same indications. The following table sets forth IPR&D projects for companies and certain assets we have acquired since 2007 (in thousands):

Company/ year assets acquired	Purchase price	IPR&D ⁽¹⁾	Programs acquired	Discount rate used in estimating cash flows ⁽¹⁾	Year of expected launch	Estimated cost to complete
Diamics/2007	\$ 4,000	\$ 682	PapMap (Pap Screening Methods)	63%	2009-2010	
		1,049	C-Map (Automated Pap Screening)	63%	2009-2010	
		3,094	POC (Point of Care Systems)	63%	2009-2010	
		\$ 4,825				\$ 7,476
Biosite/2007	\$ 1,800,000	\$ 13,000	Triage Sepsis Panel	15%	2008-2010	
		156,000	Triage NGAL	15%	2008-2010	
		\$ 169,000				\$ 6,000

(1) Management assumes responsibility for determining the valuation of the acquired IPR&D projects. The fair value assigned to IPR&D for each acquisition is estimated by discounting, to present value, the cash flows expected once the acquired projects have reached technological feasibility. The cash flows are probability adjusted to reflect the risks of advancement through the product approval process. In estimating the future cash flows, we also considered the tangible and intangible assets required for successful exploitation of the technology resulting from the purchased IPR&D projects and adjusted future cash flows for a charge reflecting the contribution to value of these assets.

Sales and Marketing Expense. Sales and marketing expense increased by \$218.5 million, or 130%, to \$386.3 million in 2008, from \$167.8 million in 2007. The increase in sales and marketing expense primarily relates to additional spending related to newly-acquired businesses. Also included in sales and marketing expense is \$4.3 million of stock-based compensation expense, representing an increase of approximately \$2.6 million from 2007. Partially offsetting the increases was the favorable impact of the formation of our 50/50 joint venture with P&G. Restructuring charges associated with our various restructuring plans to integrate our newly-acquired businesses totaling \$4.2 million were included in sales and marketing expense during 2008, representing an increase of approximately \$3.4 million from 2007. Amortization expense of \$148.6 million and \$34.5 million was included in sales and marketing expense for 2008 and 2007, respectively.

Sales and marketing expense as a percentage of net revenue increased to 23% for 2008, from 20% for 2007.

General and Administrative Expense. General and administrative expense increased by \$140.2 million, or 89%, to \$298.6 million in 2008, from \$158.4 million in 2007. The increase in general and administrative expense relates primarily to additional spending related to newly-acquired businesses. Legal spending increased by approximately \$9.4 million in 2008, as compared to 2007. Also included in general and administrative expense is \$16.0 million of stock-based compensation expense, representing a decrease of

Table of Contents**Management's discussion and analysis of financial condition and results of operations**

approximately \$36.9 million from 2007 which included a charge of \$45.2 million related to our acquisition of Biosite. Partially offsetting the increases was the favorable impact from the formation of our 50/50 joint venture with P&G. Amortization expense of \$18.4 million and \$0.3 million was included in general and administrative expense for 2008 and 2007, respectively.

General and administrative expense as a percentage of net revenue decreased to 18% for 2008, from 19% for 2007.

Interest Expense. Interest expense includes interest charges and the amortization of deferred financing costs associated with our debt issuances. Interest expense in 2007 also includes the write-off of deferred financing costs and early termination fees associated with the repayment of outstanding debt. Interest expense increased by \$18.1 million, or 22%, to \$101.1 million in 2008, from \$83.0 million in 2007. The increase in interest expense in 2008 was due to higher average outstanding borrowing balances in 2008 and \$6.6 million in interest expense related to the accelerated present value accretion of our lease restoration costs due to the early termination of our facility lease in Bedford, England recorded in connection with our 2008 restructuring plans. Also contributing to the increase in 2008 was \$0.8 million of interest expense recorded in connection with a legal settlement with one of our distributors in June 2008. Interest expense for 2007 included the write-off of \$15.6 million of deferred financing costs and prepayment premium related to the repayment of outstanding debt, in conjunction with our financing arrangements related to our Biosite acquisition.

Other Income (Expense), Net. Other income (expense), net, includes interest income, realized and unrealized foreign exchange gains and losses, and other income and expense. The components and the respective amounts of other income (expense), net, are summarized as follows (in thousands):

	2008	2007	Change
Interest income	\$ 6,718	\$ 11,486	\$ (4,768)
Foreign exchange gains (losses), net	(897)	(1,609)	712
Other	(8,033)	(1,103)	(6,930)
Other income (expense), net	\$ (2,212)	\$ 8,774	\$ (10,986)

Other income (expense), net, for 2008 includes a \$12.5 million charge associated with an arbitration decision, partially offset by \$5.5 million of income associated with settlements of prior year's royalties during 2008.

Other income (expense), net, for 2007 includes a foreign exchange gain of \$1.9 million realized on the settlement of intercompany notes and \$3.9 million in unrealized foreign currency loss associated with a cash escrow established in connection with the acquisition of BBI.

(Benefit) Provision for Income Taxes. (Benefit) provision for income taxes increased by \$15.7 million, to a \$16.7 million benefit in 2008, from a \$1.0 million benefit in 2007. The effective tax rate in 2008 was 43%, compared to 0.4% in 2007. The increase in the benefit for income taxes from 2007 to 2008 is primarily related to the recognition of the benefit of losses in Germany, Japan and the United Kingdom.

The primary components of the 2008 provision for income taxes relates to U.S. federal and state income taxes, taxes on foreign income and the recognition of benefit on German and U.K. losses. The primary components of the 2007 provision for income taxes relates to the recognition of benefit on U.S. and U.K. losses, state income taxes and taxes on foreign income. We recognized the benefit of U.S. net operating loss, or NOL, carryforwards and other U.S. deferred tax assets due to the U.S. non-current deferred tax liabilities recorded in purchase accounting for 2007 acquisitions. During 2007, we released approximately \$83.0 million of valuation allowance for these pre- acquisition U.S. deferred tax assets, which was released to goodwill. Thereafter, we recognized a benefit or recorded a provision, as appropriate, for the current year U.S. losses.

S-48

Table of Contents**Management's discussion and analysis of financial condition and results of operations**

Net Loss. We incurred a net loss of \$21.8 million in 2008, while we incurred a net loss of \$244.8 million in 2007. Net loss per common share available to common stockholders was \$0.46 per basic and diluted common share in 2008, as compared to net loss of \$4.75 per basic and diluted common share in 2007. The net loss in 2008 and 2007 resulted from the various factors as discussed above. See Note 15 of our consolidated financial statements included elsewhere in this prospectus supplement for the calculation of net loss per common share.

Year ended December 31, 2007 compared to year ended December 31, 2006

During 2007 and 2008, we entered the growing health management market with our acquisitions of QAS, Alere Medical, ParadigmHealth and more recently Matria. As a result of these acquisitions, we formed our health management reporting unit in 2008. For presentation and comparative purposes certain amounts for prior periods have been reclassified to conform to the current period classification.

Net Product Sales. Net product sales increased by \$248.8 million, or 45%, to \$800.9 million in 2007, from \$552.1 million in 2006. Excluding the favorable impact of currency translation, net product sales in 2007 grew by approximately \$237.8 million, or 43%, over 2006. Of the currency adjusted increase, revenue increased primarily as a result of our acquisitions of: (i) First Check, in January 2007, which contributed revenue of \$12.9 million, (ii) Instant, in March 2007, which contributed revenue of \$22.8 million, (iii) Biosite, in June 2007, which contributed revenue of \$167.8 million, (iv) Cholestech, in September 2007, which contributed revenue of \$24.1 million, (v) Bio-Stat, in October 2007, which contributed revenue of \$8.1 million, (vi) HemoSense, in November 2007, which contributed revenue of \$3.5 million and (vii) various less significant acquisitions, which contributed an aggregate of \$19.4 million of such increase. Partially offsetting the increased revenue as a result of acquisitions was the decrease in revenue associated with the formation of our 50/50 joint venture with P&G on May 17, 2007 in which we transferred substantially all of the assets of our consumer diagnostics business, other than our manufacturing and core intellectual property assets. Upon completion of the transaction to form the joint venture, we ceased to consolidate the operating results of our consumer diagnostics business related to the joint venture and instead account for our 50% interest in the results of the joint venture under the equity method of accounting. We recorded \$76.1 million of net product sales in 2007 (through the date the joint venture was formed), as compared to \$171.6 million of net product sales in 2006. During 2007, we recorded \$65.0 million of manufacturing revenue associated with our manufacturing agreement with the joint venture, whereby we manufacture and sell consumer diagnostics to the joint venture. Organic growth, particularly from our professional infectious disease and drugs of abuse products, also contributed to the growth, as well as higher license and royalty revenue.

Net Product Sales by Business Segment. Net product sales by business segment for 2007 and 2006 are as follows (in thousands):

	2007	2006	% increase (decrease)
Professional diagnostics	\$ 565,265	\$ 298,472	89%
Health management	9,210		%
Consumer diagnostics	153,616	171,607	(11)%

Vitamins and nutritional supplements	72,824	82,051	(11)%
Net product sales	\$ 800,915	\$ 552,130	45%

Professional diagnostics

The increase in net product sales from our professional diagnostics business segment was \$266.8 million, or 88%, comparing 2007 to 2006. Revenue increased primarily as a result of our acquisitions of: (i) Instant, in March 2007, which contributed revenue of \$22.8 million, (ii) Biosite, in June 2007, which contributed revenue of \$167.8 million, (iii) Cholestech, in September 2007, which contributed revenue of \$24.1 million,

Table of Contents**Management's discussion and analysis of financial condition and results of operations**

(iv) Bio-Stat, in October 2007, which contributed revenue of \$8.1 million, (v) HemoSense, in November 2007, which contributed revenue of \$3.5 million and (vi) various less significant acquisitions, which contributed an aggregate of \$17.2 million of such increase. Organic growth, particularly from our professional infectious disease and drugs of abuse products, also contributed to the growth.

Health management

Effective January 1, 2008, we formed our health management business segment which includes the activities of our recent acquisitions of QAS, which was acquired in June 2007; Alere Medical, which was acquired in November 2007; and ParadigmHealth, which was acquired in December 2007. Net product sales associated with our recently acquired health management businesses was \$9.2 million during 2007.

Consumer diagnostics

The decrease in net product sales from our consumer diagnostics business segment was \$18.0 million, or 11%, comparing 2007 to 2006. The decrease was primarily driven by the formation of our 50/50 joint venture with P&G on May 17, 2007 in which we transferred substantially all of the assets of our consumer diagnostics business, other than our manufacturing and core intellectual property assets. Upon completion of the transaction to form the joint venture, we ceased to consolidate the operating results of our consumer diagnostics business related to the joint venture and instead account for our 50% interest in the results of the joint venture under the equity method of accounting. Net product sales of our consumer diagnostics for 2007 included \$65.0 million of manufacturing revenue associated with our manufacturing agreement with SPD, whereby we manufacture and sell consumer diagnostics to the joint venture. Partially offsetting the impact of the joint venture was \$12.9 million of net product sales from our First Check consumer drugs of abuse product line which was acquired in January 2007.

Vitamins and nutritional supplements

Our vitamins and nutritional supplements net product sales decreased by \$9.2 million, or 11%, comparing 2007 to 2006. The decrease was driven primarily by our private label business.

Services Revenue. Services revenue of \$16.6 million in 2007 represents revenue related to our health management businesses, Alere Medical, ParadigmHealth and QAS, all of which were acquired during 2007.

Net Product Sales and Services Revenue by Geographic Location. Net product sales and services revenue by geographic location for 2007 and 2006 are as follows (in thousands):

	2007	2006	% Increase (decrease)
United States	\$ 511,941	\$ 323,046	58%
Europe	196,379	134,528	46%
Other	109,241	94,556	16%

Net product sales and services revenue	\$ 817,561	\$ 552,130	48%
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Net product sales and services revenue of \$511.9 million and \$323.0 million generated in the United States were approximately 63% and 59%, respectively, of total net product sales and services revenue for the year ended December 31, 2007 and 2006, respectively. The growth in net product sales and services revenue in all geographic regions resulted from the various acquisitions discussed above and organic growth, partially offset by the decrease in revenue associated with the formation of our 50/50 joint venture with P&G in May 2007.

License and Royalty Revenue. License and royalty revenue represents license and royalty fees from intellectual property license agreements with third parties. License and royalty revenue increased by \$4.7 million, or 27%, to \$22.0 million in 2007, from \$17.3 million in 2006. The increase primarily relates to \$3.9 million of royalty revenue contributed by Biosite, which was acquired in June 2007. Additionally,

S-50

Table of Contents**Management's discussion and analysis of financial condition and results of operations**

incremental royalty revenue was derived from new royalty agreements entered into during 2007, along with increases associated with certain existing royalty agreements, partially offset by decreases in other royalty agreements.

Gross Profit and Margin. Gross profit increased by \$164.5 million, or 72%, to \$393.7 million in 2007, from \$229.2 million in 2006. Gross profit during 2007 benefited from higher than average margins earned on revenue from our recently acquired businesses and from the favorable impact of our low cost manufacturing facilities in China. Included in cost of net revenue in 2007 were restructuring charges totaling \$2.0 million associated with our joint venture related restructuring plans, a charge of \$8.2 million associated with the write-up of inventory acquired to fair value in connection with our acquisitions of Biosite, Cholestech and HemoSense, and \$0.6 million of stock-based compensation expense. Additionally, gross profit in 2007 was unfavorably impacted by the formation of our 50/50 joint venture with P&G. Included in cost of net revenue during 2006 was a restructuring charge of \$9.5 million related to the closure of our ABI operation in San Diego, California, along with the write-off of fixed assets at other facilities impacted by our 2006 restructuring plans and the closure of CDIL, our manufacturing facility in Galway, Ireland. Cost of net revenue during 2006 also included a \$0.4 million charge for stock-based compensation expense. Cost of net revenue included amortization expense of \$24.0 million and \$11.2 million in 2007 and 2006, respectively.

Overall gross margin was 47% in 2007, compared to 40% in 2006.

Gross Profit from Net Product Sales by Business Segment. Gross profit from net product sales represents total gross profit less gross profit associated with services revenue and license and royalty revenue. Gross profit from net product sales increased by \$152.2 million to \$369.5 million in 2007, from \$217.3 million in 2006. Gross profit from net product sales by business segment for 2007 and 2006 is as follows (in thousands):

	2007	2006	% Increase (decrease)
Professional diagnostics	\$ 306,710	\$ 129,636	137%
Health management	3,076		%
Consumer diagnostics	52,760	82,658	(36)%
Vitamins and nutritional supplements	6,966	5,037	38%
Gross profit from net product sales	\$ 369,512	\$ 217,331	70%

Professional diagnostics

Gross profit from our professional diagnostics net product sales increased by \$177.1 million, or 137%, comparing 2007 to 2006, principally as a result of gross profit earned on revenue from acquired businesses, as discussed above, which contributed higher than average gross profits. The higher than average profits were partially offset by an \$8.2 million charge associated with the write-up of inventory acquired to fair value in connection with our acquisitions of Biosite, Cholestech and HemoSense, \$0.5 million in restructuring charges and \$0.3 million of stock-based compensation expense. Reducing gross profit for 2006 was a \$7.2 million restructuring charge associated

with management's decision to close our ABI operations in San Diego, California.

As a percentage of our professional diagnostics net product sales, gross profit from our professional diagnostics business was 54% in 2007, compared to 43% in 2006.

Health management

Effective January 1, 2008, we formed our health management business segment which includes the activities of our recent acquisitions of QAS, which was acquired in June 2007; Alere Medical, which was acquired in

Table of Contents

Management's discussion and analysis of financial condition and results of operations

November 2007; and ParadigmHealth, which was acquired in December 2007. Net product sales associated with our recently-acquired health management businesses was \$3.1 million during 2007.

As a percentage of our health management net product sales, gross margin for 2007 was 33%.

Consumer diagnostics

Gross profit from our consumer diagnostics net product sales decreased \$29.9 million, or 36%, comparing 2007 to 2006. The decrease is primarily a result of the formation of our 50/50 joint venture with P&G for our consumer diagnostics business in May 2007, partially offset by the gross profit earned on revenue from acquired businesses, primarily our First Check acquisition, as discussed above; the 5% mark-up on products sold under our manufacturing agreement with the joint venture, a restructuring charge of \$1.5 million associated with the decision to close facilities and the formation of our joint venture with P&G and \$0.3 million of stock-based compensation expense. Gross profit for 2006 was adversely impacted by restructuring charges totaling \$2.2 million related to the closure of our CDIL manufacturing facility and \$0.4 million of stock-based compensation expense.

As a percentage of our consumer diagnostics net product sales, gross profit from our consumer diagnostics business was 34% for 2007, compared to 48% in 2006.

Vitamins and nutritional supplements

Gross profit from our vitamins and nutritional supplements net product sales increased \$1.9 million, or 38%, comparing 2007 to 2006. The increase is primarily the result of improved customer mix, improved factory utilization and our cost reduction initiatives in our private label manufacturing business.

As a percentage of our vitamins and nutritional supplements net product sales, gross profit from our vitamins and nutritional supplements business was 10% in 2007, compared to 6% in 2006.

Gross Profit from Services Revenue. Gross profit from services revenue was \$11.4 million in 2007, and represents gross profit related to services revenue associated with our newly-formed health management business segment, which includes our recent acquisitions of QAS, Alere Medical, ParadigmHealth and Matria, our professional drugs of abuse testing and screening businesses, and our long-term services agreement related to our consumer diagnostics joint venture formed with P&G in May 2007.

Research and Development Expense. Research and development expense increased by \$20.8 million, or 43%, to \$69.5 million in 2007, from \$48.7 million in 2006. Research and development expense in 2007 and 2006 is reported net of co-development funding of \$18.5 million and \$16.6 million, respectively, arising from the co-development funding arrangement that we entered into with ITI in February 2005. The year over year increase in research and development expense is primarily the result of increased spending related to our cardiology research programs and \$21.5 million of spending related to our 2007 acquisitions, partially offset by the transition of our consumer-related research and development efforts into our 50/50 joint venture with P&G in the second quarter of 2007. Also included in research and development expense is \$2.2 million of stock-based compensation expense, representing an increase of approximately \$0.8 million from 2006. Restructuring charges associated with the formation of our 50/50 joint venture and our 2007 restructuring plan to integrate our newly-acquired businesses totaling \$2.5 million were included in research and development expense during 2007. Amortization expense of \$2.9 million and \$3.3 million was

included in research and development expense for 2007 and 2006, respectively.

Research and development expense as a percentage of net product revenue decreased to 9% for 2007, from 10% for 2006.

Purchase of In-Process Research and Development. In connection with three of our acquisitions since 2006, we have acquired various IPR&D projects. Substantial additional research and development will be required prior to any of our acquired IPR&D programs and technology platforms reaching technological feasibility. In

S-52

Table of Contents**Management's discussion and analysis of financial condition and results of operations**

In addition, once research is completed, each product candidate acquired will need to complete a series of clinical trials and receive FDA or other regulatory approvals prior to commercialization. Our current estimates of the time and investment required to develop these products and technologies may change depending on the different applications that we may choose to pursue. We cannot give assurances that these programs will ever reach technological feasibility or develop into products that can be marketed profitably. For example, we have discontinued funding certain of the programs listed below. In addition, we cannot guarantee that we will be able to develop and commercialize products before our competitors develop and commercialize products for the same indications. If products based on our acquired IPR&D programs and technology platforms do not become commercially viable, our results of operations could be materially adversely affected. The following table sets forth IPR&D projects for companies and certain assets we have acquired since 2006 (in thousands):

Company/ year assets acquired	Purchase price	IPR&D⁽¹⁾	Programs acquired	Discount rate used in estimating cash flows⁽¹⁾	Year of expected launch	Estimated cost to complete	
Diamics/2007	\$ 4,000	\$ 682	PapMap (Pap Screening Methods)	63%	2009-2010		
			1,049	C-Map (Automated Pap Screening)	63%	2009-2010	
			3,094	POC (Point of Care Systems)	63%	2009-2010	
			\$ 4,825				\$ 7,476
Biosite/2007	\$ 1,800,000	\$ 13,000	Triage Sepsis Panel	15%	2008-2010		
			156,000	Triage NGAL	15%	2008-2010	
			\$ 169,000				\$ 6,000
Clondiag/2006	\$ 24,000	\$ 1,800	CHF (Congestive Heart Failure)	37%	2008-2009		
			2,500	ACS (Acute Coronary Syndrome)	37%	2009-2010	
			660	HIV (Human Immuno-deficiency Virus)	37%	2008-2009	
			\$ 4,960				\$ 9,500

(1) *Management assumes responsibility for determining the valuation of the acquired IPR&D projects. The fair value assigned to IPR&D for each acquisition is estimated by discounting, to present value, the cash flows expected once the acquired projects have reached technological feasibility. The cash flows are probability adjusted to reflect the risks of advancement through the product approval process. In estimating the future cash flows, we also considered the tangible and intangible assets required for successful exploitation of the technology resulting from the purchased IPR&D projects and adjusted future cash flows for a charge reflecting the contribution to value of these assets.*

Sales and Marketing Expense. Sales and marketing expense increased by \$73.3 million, or 78%, to \$167.8 million in 2007, from \$94.4 million in 2006. The increase in sales and marketing expense is primarily the result of approximately \$56.1 million of additional spending related to newly-acquired businesses, primarily Biosite, Instant, Cholestech and the various less significant acquisitions. Also included in sales and marketing expense is \$1.7 million of stock-based compensation expense, representing an increase of approximately \$1.0 million from 2006. Partially offsetting the increases was the favorable impact of the formation of our 50/50 joint venture with P&G. Amortization expense of \$36.9 million and \$6.8 million was included in sales and marketing expense for 2007 and 2006, respectively.

Sales and marketing expense as a percentage of net product sales and services revenue increased to 21% for 2007, from 17% for 2006.

General and Administrative Expense. General and administrative expense increased by \$87.2 million, or 122%, to \$158.4 million in 2007, from \$71.2 million in 2006. The increase in general and administrative

Table of Contents**Management's discussion and analysis of financial condition and results of operations**

expense is primarily the result of approximately \$26.9 million of additional spending related to newly-acquired businesses, primarily Biosite, Instant, Cholestech and the various less significant acquisitions. Also included in general and administrative expense is \$53.0 million of stock-based compensation expense, representing an increase of approximately \$50.0 million from 2006. The \$53.0 million stock-based compensation expense includes a one-time charge of \$45.2 million associated with the stock option acceleration and conversion in connection with the acquisition of Biosite. Partially offsetting the increases was the favorable impact of the formation of our 50/50 joint venture with P&G. Amortization expense of \$0.3 million and \$0.4 million was included in general and administrative expense for 2007 and 2006, respectively.

General and administrative expense as a percentage of net product sales and services revenue increased to 19% for 2007, from 13% for 2006.

Interest Expense. Interest expense in 2007 includes interest charges, amortization of deferred financing costs, prepayment premiums and the amortization of non-cash discounts associated with our debt issuances. Interest expense for 2006 includes interest charges, the write-off and amortization of deferred financing costs and the amortization of non-cash discounts associated with our debt issuances in 2004. Interest expense increased by \$56.4 million, or 212%, to \$83.0 million in 2007, from \$26.6 million in 2006. Interest expense increased in 2007 as a result of higher debt balances than in the prior period. Additionally, in 2007 we recorded a write-off of \$15.6 million of deferred financing costs and prepayment premium related to the repayment of outstanding debt, in conjunction with our financing arrangements related to our Biosite acquisition. In 2006, we recorded a charge of \$1.3 million related to prepayment penalties and the write-off of debt origination costs resulting from the early repayment of our \$20.0 million, 10% subordinated promissory notes on September 8, 2006.

Other Income (Expense), Net. Other income (expense), net, includes interest income, realized and unrealized foreign exchange gains and losses, and other income and expense. The components and the respective amounts of other income (expense), net, are summarized as follows (in thousands):

	2007	2006	Change
Interest income	\$ 11,486	\$ 1,693	\$ 9,793
Foreign exchange gains (losses), net	(1,609)	2,643	(4,252)
Other	(1,103)	4,412	(5,515)
Other income (expense), net	\$ 8,774	\$ 8,748	\$ 26

Other income (expense), net, for 2007 includes a foreign exchange gain of \$1.9 million realized on the settlement of intercompany notes and \$3.9 million in unrealized foreign currency loss associated with a cash escrow established in connection with the acquisition of BBI.

Other income (expense), net, for 2006 includes a foreign exchange gain of \$4.3 million associated with the closure of our Galway, Ireland manufacturing operation and \$4.7 million in other income, related to the portion of our settlement with Vedalab S.A., relating to periods prior to 2006.

(Benefit) Provision for Income Taxes. (Benefit) provision for income taxes decreased by \$6.7 million, to a \$1.0 million benefit in 2007, from a \$5.7 million provision in 2006. The effective tax rate in 2007 was 0.4%, compared to (52)% in 2006. The decrease in the provision for income taxes from 2006 to 2007 is primarily related to the recognition of the benefit of current year losses in the U.S. and the United Kingdom.

The primary components of the 2007 provision for income taxes relates to the recognition of benefit on U.S. and U.K. losses, state income taxes, and taxes on foreign income. We recognized the benefit of U.S. NOL carryforwards and other U.S. deferred tax assets due to the U.S. non-current deferred tax liabilities recorded in purchase accounting for 2007 acquisitions. We released approximately \$83.0 million of valuation allowance for these U.S. deferred tax assets, which was released to goodwill. Thereafter, we recognized a benefit for the current year U.S. losses. The primary components of the 2006 provision for income taxes are

S-54

Table of Contents

Management's discussion and analysis of financial condition and results of operations

related to the recognition of U.S. deferred tax liabilities for temporary differences between the book and tax bases of goodwill and certain intangible assets with indefinite lives and to taxes on foreign income.

Net Loss. We incurred a net loss of \$244.8 million in 2007, while we incurred a net loss of \$16.8 million in 2006. Net loss per common share available to common stockholders was \$4.75 per basic and diluted common share in 2007, as compared to net loss of \$0.49 per basic and diluted common share in 2006. The net loss in 2007 and 2006 resulted from the various factors as discussed above. See Note 15 of our consolidated financial statements included elsewhere in this prospectus supplement for the calculation of net loss per common share.

LIQUIDITY AND CAPITAL RESOURCES

Based upon our current working capital position, current operating plans and expected business conditions, we currently expect to fund our short and long-term working capital needs and other commitments primarily through our operating cash flow, and we expect our working capital position to improve as we improve our operating margins and grow our business through new product introductions and by continuing to leverage our strong intellectual property position. At this point in time, our liquidity has not been materially impacted by the recent and unprecedented disruption in the current capital and credit markets and we do not expect that it will be materially impacted in the near future. However, because of the unprecedented nature and severity of the ongoing financial crisis in the capital and credit markets, we cannot predict with certainty the ultimate impact of these events on us. We will therefore continue to closely monitor our liquidity and capital resources.

In addition, we may also utilize our revolving credit facility, or other sources of financing, to fund a portion of our capital needs and other future commitments, including future acquisitions. If the capital and credit markets continue to experience volatility and the availability of funds remains limited, we may incur increased costs associated with issuing commercial paper and/or other debt instruments. In addition, it is possible that our ability to access the capital and credit markets may be limited by these or other factors at a time when we would like, or need, to do so, which could have an impact on our ability to refinance maturing debt and/or react to changing economic and business conditions.

Our funding plans for our working capital needs and other commitments may be adversely impacted by unexpected costs associated with prosecuting and defending our existing lawsuits and/or unforeseen lawsuits against us, integrating the operations of newly-acquired companies and executing our cost savings strategies. We also cannot be certain that our underlying assumed levels of revenues and expenses will be realized. In addition, we intend to continue to make significant investments in our research and development efforts related to the substantial intellectual property portfolio we own. We may also choose to further expand our research and development efforts and may pursue the acquisition of new products and technologies through licensing arrangements, business acquisitions, or otherwise. We may also choose to make significant investment to pursue legal remedies against potential infringers of our intellectual property. If we decide to engage in such activities, or if our operating results fail to meet our expectations, we could be required to seek additional funding through public or private financings or other arrangements. In such event, adequate funds may not be available when needed, or, may be available only on terms which could have a negative impact on our business and results of operations. In addition, if we raise additional funds by issuing equity or convertible securities, dilution to then existing stockholders may result.

As of December 31, 2008, in addition to other indebtedness, we had approximately \$1.1 billion in aggregate principal amount of indebtedness outstanding under our senior secured credit facility, \$250.0 million in aggregate principal

amount of indebtedness outstanding under our junior secured credit facility, and \$150.0 million in indebtedness under our outstanding senior subordinated convertible notes. Included in the secured credit facilities is a revolving line-of-credit of \$150.0 million, of which \$142.0 million was outstanding as of December 31, 2008.

Table of Contents**Management's discussion and analysis of financial condition and results of operations**

Interest accrues on indebtedness arising under the senior secured credit facility as follows: (i) in the case of Base Rate Loans, at a rate per annum equal to the sum of the Base Rate and the Applicable Margin, each as in effect from time to time, (ii) in the case of Eurodollar Rate Loans, at a rate per annum equal to the sum of the Eurodollar Rate and the Applicable Margin, each as in effect for the applicable Interest Period, and (iii) in the case of other Obligations, at a rate per annum equal to the sum of the Base Rate and the Applicable Margin for Revolving Loans that are Base Rate Loans, each as in effect from time to time. The Base Rate is a floating rate which approximates the U.S. Prime rate and changes on a periodic basis. The Eurodollar Rate is equal to the LIBOR rate and is set for a period of one to three months at our election. Applicable margin with respect to Base Rate Loans is 1.00% and with respect to Eurodollar Rate Loans is 2.00%. Applicable margin ranges for our revolving line-of-credit with respect to Base Rate Loans is 0.75% to 1.25% and with respect to Eurodollar Rate Loans is 1.75% to 2.25%.

The outstanding indebtedness under the junior secured credit facility is a term loan in the amount of \$250.0 million. Interest on this term loan, as defined in the credit agreement, is as follows: (i) in the case of Base Rate Loans, at a rate per annum equal to the sum of the Base Rate and the Applicable Margin, each as in effect from time to time, (ii) in the case of Eurodollar Rate Loans, at a rate per annum equal to the sum of the Eurodollar Rate and the Applicable Margin, each as in effect for the applicable Interest Period, and (iii) in the case of other Obligations, at a rate per annum equal to the sum of the Base Rate and the Applicable Margin for Base Rate Loans, as in effect from time to time. Applicable margin with respect to Base Rate Loans is 3.25% and with respect to Eurodollar Rate Loans is 4.25%.

For the year ended December 31, 2008, interest expense, including amortization of deferred financing costs, under the secured credit facilities was \$85.2 million. As of December 31, 2008, accrued interest related to the secured credit facilities amounted to \$3.4 million. As of December 31, 2008, we were in compliance with all debt covenants related to the above debt, which consisted principally of maximum consolidated leverage and minimum interest coverage requirements.

Interest expense related to our senior subordinated convertible notes for the year ended December 31, 2008, including amortization of deferred financing costs, was \$5.0 million. As of December 31, 2008, accrued interest related to the senior subordinated convertible notes amounted to \$0.6 million.

In August 2007, we entered into interest rate swap contracts, with an effective date of September 28, 2007, that have a total notional value of \$350.0 million and have a maturity date of September 28, 2010. These interest rate swap contracts pay us variable interest at the three-month LIBOR rate, and we pay the counterparties a fixed rate of 4.85%. These interest rate swap contracts were entered into to convert \$350.0 million of the \$1.2 billion variable rate term loan under the secured credit facility into fixed rate debt.

In January 2009, we entered into interest rate swap contracts, with an effective date of January 14, 2009, that have a total notional value of \$500.0 million and have a maturity date of January 5, 2011. These interest rate swap contracts pay us variable interest at the one-month LIBOR rate, and we pay the counterparties a fixed rate of 1.195%. These interest rate swap contracts were entered into to convert \$500.0 million of the \$1.2 billion variable rate term loan under the secured credit facility into fixed rate debt.

As of December 31, 2008, we had 1.9 million shares of our Series B preferred stock issued and outstanding. Upon a conversion of these shares of Series B preferred stock, we may, at our option and in our sole discretion, satisfy the entire conversion obligation in cash, or through a combination of cash and common stock, to the extent permitted under our secured credit facilities and under Delaware law.

Summary of changes in cash position

As of December 31, 2008, we had cash and cash equivalents of \$141.3 million, a \$273.4 million decrease from December 31, 2007. Our primary sources of cash during the year ended December 31, 2008 included \$147.8 million generated by our operating activities, \$20.7 million from common stock issues under employee stock option and stock purchase plans, \$137.2 million from borrowing under our existing credit facilities, and a decrease of \$139.2 million in restricted cash. Investing activities during the year ended

S-56

Table of Contents

Management's discussion and analysis of financial condition and results of operations

December 31, 2008 used a total of \$713.3 million of cash, net of cash acquired, primarily related to our acquisition activities and capital expenditures. Our financing activities, aside from the decrease in restricted cash, proceeds from borrowings under our secured credit facilities and cash received from common stock issues under employee stock option and stock purchase plans, used \$15.1 million of cash related to repayments under our secured credit facilities and capital lease obligations. Fluctuations in foreign currencies negatively impacted our cash balance by \$5.7 million during the year ended December 31, 2008.

Operating cash flows

Net cash provided by operating activities during the year ended December 31, 2008 was \$147.8 million, which resulted from \$287.0 million of non-cash items, offset by our net loss of \$21.8 million and \$117.4 million of cash used to meet net working capital requirements during the period. The \$287.0 million of non-cash items included \$267.9 million related to depreciation and amortization, \$24.2 million related to the impairment of assets, \$26.4 million related to non-cash stock-based compensation expense and \$5.9 million related to the amortization of deferred financing costs, partially offset by a \$41.8 million decrease related to the recognition of a tax benefit for current year losses and a \$1.1 million decrease related to equity investments in unconsolidated entities.

Investing cash flows

Our investing activities during the year ended December 31, 2008 utilized \$713.3 million of cash, including \$649.9 million used for acquisitions and transaction-related costs, net of cash acquired, \$65.0 million of capital expenditures, net of proceeds from sale of equipment, partially offset by a \$1.6 million decrease in investments and other assets, which included an \$11.2 million return of cash from our 50/50 joint venture with P&G.

The acquisitions of Matria, BBI and Panbio during 2008 accounted for approximately \$576.5 million of the \$649.9 million of cash used for acquisitions.

Financing cash flows

Net cash provided by financing activities during the year ended December 31, 2008 was \$297.8 million. During 2007, in connection with our acquisition of BBI, a restricted cash balance was created in the amount of approximately \$140.5 million. Subsequent to the acquisition of BBI in February 2008, this cash balance became unrestricted and available for future financing-related activities. Additionally, financing activities provided \$20.7 million from issuance of common stock under employee stock option and stock purchase plans, as well as \$137.2 million from borrowings under existing credit facilities.

As of December 31, 2008, we had an aggregate of \$1.0 million in outstanding capital lease obligations which are payable through 2013.

Income taxes

As of December 31, 2008, we had approximately \$256.6 million of domestic NOL carryforwards and \$15.9 million of foreign NOL carryforwards, respectively, which either expire on various dates through 2027 or may be carried forward indefinitely. These losses are available to reduce federal, state and foreign taxable income, if any, in future years. These losses are also subject to review and possible adjustments by the applicable taxing authorities. In

addition, the domestic NOL carryforward amount at December 31, 2008 included approximately \$199.2 million of pre-acquisition losses at Matria, Alere Medical, Paradigm Health, Biosite, Cholestech, Diamics, Inc., or Diamics, HemoSense, IMN, Ischemia and Ostex. Prior to adoption of Statement of Financial Accounting Standards, or SFAS, No. 141-R, *Business Combinations*, these losses were applied first to reduce to zero any goodwill and other non-current intangible assets related to the acquisitions, prior to reducing our income tax expense. Upon adoption of SFAS No. 141-R the reduction of a valuation allowance is generally recorded to reduce our income tax expense. Also included in our domestic

Table of Contents**Management's discussion and analysis of financial condition and results of operations**

NOL carryforwards at December 31, 2008 is approximately \$17.5 million resulting from the exercise of employee stock options, the tax benefit of which, when recognized, will be accounted for as a credit to additional paid-in capital rather than a reduction of income tax.

Furthermore, all domestic losses are subject to the Internal Revenue Service Code Section 382 limitation and may be limited in the event of certain cumulative changes in ownership interests of significant shareholders over a three-year period in excess of 50%. Section 382 imposes an annual limitation on the use of these losses to an amount equal to the value of the company at the time of the ownership change multiplied by the long term tax exempt rate. We have recorded a valuation allowance against a portion of the deferred tax assets related to our NOL's and certain of our other deferred tax assets to reflect uncertainties that might affect the realization of such deferred tax assets, as these assets can only be realized via profitable operations.

OFF-BALANCE SHEET ARRANGEMENTS

We had no material off-balance sheet arrangements as of December 31, 2008.

CONTRACTUAL OBLIGATIONS

The following table summarizes our principal contractual obligations as of December 31, 2008 and the effects such obligations are expected to have on our liquidity and cash flow in future periods (in thousands):

Contractual obligations	Total	Payments due by period			Thereafter
		2009	2010-2011	2012-2013	
Long-term debt obligations ⁽¹⁾	\$ 1,519,615	\$ 19,058	\$ 26,530	\$ 20,027	\$ 1,454,000
Capital lease obligations ⁽²⁾	973	495	446	32	
Operating lease obligations ⁽³⁾	94,382	25,377	34,539	20,996	13,470
Long-term and other liabilities ⁽⁴⁾	3,403	469	938	938	1,058
Minimum royalty obligations	220	220			
Acquisition-related obligations ⁽⁵⁾	6,473	5,428	1,045		
Purchase obligations - capital expenditure	17,492	17,492			
Purchase obligations - other ⁽⁶⁾	69,763	68,996	767		
Interest on debt ⁽⁷⁾	33,177	4,500	9,000	9,000	10,677
Total	\$ 1,745,498	\$ 142,035	\$ 73,265	\$ 50,993	\$ 1,479,205

(1) See description of various financing arrangements in this section and Note 6 of our consolidated financial statements included elsewhere in this prospectus supplement.

(2) See Note 8 of our consolidated financial statements included elsewhere in this prospectus supplement.

- (3) *See Note 11(a) of our consolidated financial statements included elsewhere in this prospectus supplement.*
- (4) *Included in long-term and other liabilities are \$0.2 million in technology license payment obligations and \$3.4 million in pension obligations. Our liability associated with Financial Accounting Standards Board, or FASB, Interpretation No. 48, or FIN 48, Accounting for Uncertainty in Income Taxes an interpretation of FASB Statement 109, has not been included in the table above, as we estimate payments annually.*
- (5) *Amounts represent obligations associated with our acquisitions which are discussed in more detail below.*
- (6) *Other purchase obligations relate to inventory purchases and other operating expense commitments.*
- (7) *Amounts are based on \$150.0 million senior subordinated notes. Amounts exclude interest on all other debt due to variable interest rates. See Note 6 of our consolidated financial statements included elsewhere in this prospectus supplement.*

S-58

Table of Contents

Management's discussion and analysis of financial condition and results of operations

We have contingent consideration contractual terms related to our acquisitions of Alere Medical, Ameditech, Binax, Inc., or Binax, Bio-Stat, CLONDIAG chip technologies GmbH, or Clondiag, Diamics, First Check, Gabmed GmbH, or Gabmed, Global Diagnostics CC, or Global, Matritech, Promesan S.r.l., or Promesan, Spectral Diagnostics Private Limited and its affiliate Source Diagnostics (India) Private Limited, or Spectral/Source, Vision Biotech Pty Ltd, or Vision, and our most recently acquired healthcare business. With the exception of Alere Medical, the contingent considerations will be accounted for as increases in the aggregate purchase prices if and when the contingencies occur.

With respect to Alere Medical, the terms of the acquisition agreement provided for contingent consideration payable to each Alere Medical stockholder who owned shares of our common stock or retained the option to purchase shares of our common stock on the six-month anniversary of the closing of the acquisition. The contingent consideration, payable in cash or stock at our election, was equal to the number of such shares of our common stock or options to purchase our common stock held on the six-month anniversary multiplied by the amount that \$58.31 exceeded the greater of the average price of our common stock for the ten business days preceding the six-month anniversary date, or 75% of \$58.31. Accordingly, based on the price of our common stock for the ten business days preceding the six-month anniversary of the closing of the acquisition, we issued approximately 0.1 million shares of our common stock on May 30, 2008 to the Alere Medical stockholders based on the remaining outstanding shares at that time. Payment of this contingent consideration did not impact the purchase price for this acquisition.

With respect to Ameditech, the terms of the acquisition agreement require us to pay an earn-out upon successfully meeting certain revenue targets for the one-year period ending on the first anniversary of the acquisition date and the one-year period ending on the second anniversary of the acquisition date. The maximum amount of incremental consideration payable is \$4.0 million.

With respect to Binax, the terms of the acquisition agreement provide for \$11.0 million of contingent cash consideration payable to the Binax shareholders upon the successful completion of certain new product developments during the five years following the acquisition. As of December 31, 2008, the remaining contingent consideration to be earned is approximately \$7.3 million.

With respect to Bio-Stat, the terms of the acquisition provided for contingent consideration payable in the form of loan notes to the Bio-Stat shareholders, if certain EBITDA (earnings before interest, taxes, depreciation and amortization) milestones were met for 2007. The EBITDA milestones were met in 2007 and loan notes totaling £3.4 million (\$6.2 million) were issued during the third quarter of 2008. As of December 31, 2008, the loan notes remain outstanding with an approximate value of \$4.9 million.

With respect to Clondiag, the terms of the acquisition agreement provided for \$8.9 million of contingent consideration, consisting of approximately 0.2 million shares of our common stock and approximately \$3.0 million of cash or stock in the event that four specified products were developed on Clondiag's platform technology during the three years following the acquisition date. Successful completion of the second milestone occurred during the first quarter of 2008 for which we made a payment for \$0.9 million and issued 56,080 shares of our common stock during the first quarter of 2008. Successful completion of the third and fourth milestones occurred during the third quarter of 2008 for which we made payment for \$1.6 million and issued 0.1 million shares of our common stock during the fourth quarter of 2008. No further milestones exist.

With respect to Diamics, the terms of the acquisition agreement provide for contingent consideration payable upon the successful completion of certain milestones, including development of business plans and marketable products. As of December 31, 2008, the remaining contingent consideration to be earned is approximately \$2.3 million.

With respect to First Check, the terms of the acquisition agreement required us to pay an earn-out to First Check equal to the incremental revenue growth of the acquired products for 2007 and for the first nine months of 2008, as compared to the immediately preceding comparable periods. The 2007 milestone, totaling

Table of Contents**Management's discussion and analysis of financial condition and results of operations**

\$2.2 million, was met and accrued as of December 31, 2007 and was paid during the first quarter of 2008. The 2008 milestone, totaling \$0.3 million, was met and accrued during the third quarter of 2008 and was paid in the fourth quarter of 2008. No further milestones exist.

With respect to Gabmed, the terms of the acquisition agreement provide for contingent consideration totaling up to 750,000 payable in up to five annual amounts beginning in 2007, upon successfully meeting certain revenue and EBIT (earnings before interest and taxes) milestones in each of the respective annual periods. The 2007 milestone, totaling 0.1 million (\$0.2 million), was met and accrued as of June 30, 2008 and was paid during the third quarter of 2008.

With respect to Global, the terms of the acquisition agreement provided for contingent consideration payable upon successfully meeting certain revenue targets in 2008. As of December 31, 2008, the 2008 revenue targets were met resulting in accrued contingent consideration totaling \$0.2 million. No further milestones exist.

With respect to Matritech, the terms of the acquisition agreement required us to pay an earn-out to the former Matritech shareholders upon successfully meeting certain revenue targets in 2008. As of December 31, 2008, the milestones were not achieved. No further milestones exist.

With respect to Promesan, the terms of the acquisition agreement provide for contingent consideration payable upon successfully meeting certain annual revenue targets. Total contingent consideration of up to 0.6 million is payable in three equal annual amounts of 0.2 million beginning in 2007 and ending in 2009. The 2007 milestone, totaling 0.2 million (\$0.3 million), was met and accrued as of December 31, 2007 and was paid during the first quarter of 2008. The 2008 milestone, totaling 0.2 million (\$0.3 million), was met and accrued as of December 31, 2008.

With respect to Spectral/Source, the terms of the acquisition agreement required us to pay an earn-out equal to two times the consolidated revenue of Spectral/Source less \$4.0 million, if the consolidated profits before tax of Spectral/Source was at least \$0.9 million on the one year anniversary (milestone period) following the acquisition date. If consolidated profits before tax of Spectral/Source for the milestone period were less than \$0.9 million, then the amount of the payment would be equal to seven times Spectral/Source's consolidated profits before tax less \$4.0 million. The contingent consideration was payable 60% in cash and 40% in stock. The revenue and profit milestones were met and accrued during the fourth quarter of 2008 for which we made payment for \$1.6 million and issued 53,372 shares of our common stock during the fourth quarter of 2008. No further milestones exist.

With respect to Vision, the terms of the acquisition agreement provide for incremental consideration payable to the former Vision shareholders. The maximum amount of incremental consideration payable is approximately \$3.2 million, of which \$1.0 million is guaranteed and accrued as of December 31, 2008. The remaining contingent consideration is payable upon the completion of certain milestones and successfully maintaining certain production levels and product costs during each of the two years following the acquisition date. As of December 31, 2008, no milestones have been met.

With respect to our most recently acquired healthcare business, the terms of the acquisition agreement provide for contingent consideration payable upon successfully meeting certain revenue and EBITDA targets for the twelve months ending June 30, 2009 and December 31, 2010, respectively. We accrued a liability in the amount of \$3.8 million to avoid recognition of negative goodwill, as a result of not recognizing additional purchase price consideration that is contingent on future events. As of December 31, 2008, the \$3.8 million liability remains accrued.

CRITICAL ACCOUNTING POLICIES

The consolidated financial statements included elsewhere in this prospectus supplement are prepared in accordance with accounting principles generally accepted in the United States of America, or GAAP. The accounting policies discussed below are considered by our management and our audit committee to be critical

S-60

Table of Contents

Management's discussion and analysis of financial condition and results of operations

to an understanding of our financial statements because their application depends on management's judgment, with financial reporting results relying on estimates and assumptions about the effect of matters that are inherently uncertain. Specific risks for these critical accounting policies are described in the following paragraphs. For all of these policies, management cautions that future events rarely develop exactly as forecast and the best estimates routinely require adjustment. In addition, the notes to our audited consolidated financial statements for the year ended December 31, 2008 included elsewhere in this prospectus supplement include a comprehensive summary of the significant accounting policies and methods used in the preparation of our consolidated financial statements.

Revenue recognition

We primarily recognize revenue when the following four basic criteria have been met: (1) persuasive evidence of an arrangement exists, (2) delivery has occurred or services rendered, (3) the fee is fixed and determinable and (4) collection is reasonably assured.

The majority of our revenue is derived from product revenue. We recognize revenue upon title transfer of the products to third-party customers, less a reserve for estimated product returns and allowances. Determination of the reserve for estimated product returns and allowances is based on our management's analyses and judgments regarding certain conditions. Should future changes in conditions prove management's conclusions and judgments on previous analyses to be incorrect, revenue recognized for any reporting period could be adversely affected.

Additionally, we generate services revenue in connection with contracts with leading healthcare organizations whereby we distribute clinical expertise through fee-based arrangements. Revenue for fee-based arrangements is recognized over the period in which the services are provided. Some contracts provide that a portion of our fees are at risk if our customers do not achieve certain financial cost savings over a period of time, typically one year. Revenue subject to refund is not recognized if (i) sufficient information is not available to calculate performance measurements, or (ii) interim performance measurements indicate that we are not meeting performance targets. If either of these two conditions exists, we record the amounts as other current liabilities in the consolidated balance sheet, deferring recognition of the revenue until we establish that we have met the performance criteria. If we do not meet the performance targets at the end of the contractual period we are obligated under the contract to refund some or all of the at risk fees.

In connection with the acquisition of the Determine business in June 2005 from Abbott Laboratories, we entered into a transition services agreement with Abbott, whereby Abbott would continue to distribute the acquired products until both parties agreed the transition was completed. During the transition period, we recognized revenue on sales of the products when title transferred from Abbott to third party customers.

We also receive license and royalty revenue from agreements with third-party licensees. Revenue from fixed fee license and royalty agreements are recognized on a straight-line basis over the obligation period of the related license agreements. License and royalty fees that the licensees calculate based on their sales, which we have the right to audit under most of our agreements, are generally recognized upon receipt of the license or royalty payments unless we are able to reasonably estimate the fees as they are earned. License and royalty fees that are determinable prior to the receipt thereof are recognized in the period they are earned.

Use of estimates for sales returns and other allowances and allowance for doubtful accounts

Certain sales arrangements require us to accept product returns. From time to time, we also enter into sales incentive arrangements with our retail customers, which generally reduce the sale prices of our products. As a result, we must establish allowances for potential future product returns and claims resulting from our sales incentive arrangements against product revenue recognized in any reporting period. Calculation of these allowances requires significant judgments and estimates. When evaluating the adequacy of the sales returns and other allowances, our management analyzes historical returns, current economic trends, and changes in customer and consumer demand and acceptance of our products. When such analysis is not available and a

Table of Contents

Management's discussion and analysis of financial condition and results of operations

right of return exists, we record revenue when the right of return is no longer applicable. Material differences in the amount and timing of our product revenue for any reporting period may result if changes in conditions arise that would require management to make different judgments or utilize different estimates.

Our total provision for sales returns and other allowances related to sales incentive arrangements amounted to \$48.0 million, \$48.9 million and \$52.8 million, or 4%, 6% and 10%, respectively, of net product sales in 2008, 2007 and 2006, respectively, which have been recorded against product sales to derive our net product sales.

Similarly, our management must make estimates regarding uncollectible accounts receivable balances. When evaluating the adequacy of the allowance for doubtful accounts, management analyzes specific accounts receivable balances, historical bad debts, customer concentrations, customer credit-worthiness, current economic trends and changes in our customer payment terms and patterns. Our accounts receivable balance was \$280.6 million and \$163.4 million, net of allowances for doubtful accounts of \$12.8 million and \$12.2 million, as of December 31, 2008 and December 31, 2007, respectively.

Additionally, we generate services revenue in connection with contracts with leading healthcare organizations whereby we distribute clinical expertise through fee-based arrangements. Revenue for fee-based arrangements is recognized over the period in which the services are provided. Some contracts provide that a portion of our fees are at risk if our customers do not achieve certain financial cost savings over a period of time, typically one year. Revenue subject to refund is not recognized if (i) sufficient information is not available to calculate performance measurements, or (ii) interim performance measurements indicate that we are not meeting performance targets. If either of these two conditions exists, we record the amounts as other current liabilities in the consolidated balance sheet, deferring recognition of the revenue until we establish that we have met the performance criteria. If we do not meet the performance targets at the end of the contractual period we are obligated under the contract to refund some or all of the at risk fees. Our deferred revenue balance was \$22.0 million and \$5.3 million, as of December 31, 2008 and December 31, 2007, respectively.

Valuation of inventories

We state our inventories at the lower of the actual cost to purchase or manufacture the inventory or the estimated current market value of the inventory. In addition, we periodically review the inventory quantities on hand and record a provision for excess and obsolete inventory. This provision reduces the carrying value of our inventory and is calculated based primarily upon factors such as forecasts of our customers' demands, shelf lives of our products in inventory, loss of customers and manufacturing lead times. Evaluating these factors, particularly forecasting our customers' demands, requires management to make assumptions and estimates. Actual product and services revenue may prove our forecasts to be inaccurate, in which case we may have underestimated or overestimated the provision required for excess and obsolete inventory. If, in future periods, our inventory is determined to be overvalued, we would be required to recognize the excess value as a charge to our cost of sales at the time of such determination. Likewise, if, in future periods, our inventory is determined to be undervalued, we would have over-reported our cost of sales, or understated our earnings, at the time we recorded the excess and obsolete provision. Our inventory balance was \$199.1 million and \$148.2 million, net of a provision for excess and obsolete inventory of \$10.8 million and \$8.1 million, as of December 31, 2008 and 2007, respectively.

Valuation of goodwill and other long-lived and intangible assets

Our long-lived assets include (1) property, plant and equipment, (2) goodwill and (3) other intangible assets. As of December 31, 2008, the balances of property, plant and equipment, goodwill and other intangible assets, net of accumulated depreciation and amortization, were \$284.5 million, \$3.0 billion and \$1.7 billion, respectively.

Goodwill and other intangible assets are initially created as a result of business combinations or acquisitions of intellectual property. The values we record for goodwill and other intangible assets represent fair values

S-62

Table of Contents**Management's discussion and analysis of financial condition and results of operations**

calculated by accepted valuation methods. Such valuations require us to provide significant estimates and assumptions which are derived from information obtained from the management of the acquired businesses and our business plans for the acquired businesses or intellectual property. Critical estimates and assumptions used in the initial valuation of goodwill and other intangible assets include, but are not limited to: (1) future expected cash flows from product sales, customer contracts and acquired developed technologies and patents, (2) expected costs to complete any in-process research and development projects and commercialize viable products and estimated cash flows from sales of such products, (3) the acquired companies' brand awareness and market position, (4) assumptions about the period of time over which we will continue to use the acquired brand and (5) discount rates. These estimates and assumptions may be incomplete or inaccurate because unanticipated events and circumstances may occur. If estimates and assumptions used to initially value goodwill and intangible assets prove to be inaccurate, ongoing reviews of the carrying values of such goodwill and intangible assets, as discussed below, may indicate impairment which will require us to record an impairment charge in the period in which we identify the impairment.

Where we believe that property, plant and equipment and intangible assets have finite lives, we depreciate and amortize those assets over their estimated useful lives. For purposes of determining whether there are any impairment losses, as further discussed below, our management has historically examined the carrying value of our identifiable long-lived tangible and intangible assets and goodwill, including their useful lives where we believe such assets have finite lives, when indicators of impairment are present. In addition, SFAS No. 142, *Goodwill and Other Intangible Assets*, requires that impairment reviews be performed on the carrying values of all goodwill on at least an annual basis. For all long-lived tangible and intangible assets and goodwill, if an impairment loss is identified based on the fair value of the asset, as compared to the carrying value of the asset, such loss would be charged to expense in the period we identify the impairment. Furthermore, if our review of the carrying values of the long-lived tangible and intangible assets with finite lives indicates impairment of such assets, we may determine that shorter estimated useful lives are more appropriate. In that event, we will be required to record higher depreciation and amortization in future periods, which will reduce our earnings.

Valuation of goodwill

We perform an impairment review on the carrying value of goodwill at least annually, or more frequently if events occur or circumstances exist that indicate that a reporting unit's carrying value exceeds its fair value. We performed our annual impairment review as of September 30, 2008, using the discounted cash flows approach and, based upon this review, we do not believe that the goodwill related to our professional diagnostics, health management and consumer diagnostics reporting units was impaired. Because future cash flows and operating results used in the impairment review are based on management's projections and assumptions, future events can cause such projections to differ from those used at September 30, 2008, which could lead to significant impairment charges of goodwill in the future. As of December 31, 2008, we have goodwill balances related to our professional diagnostics, health management and consumer diagnostics reporting units, which amounted to \$1.7 billion, \$1.3 billion and \$52.7 million, respectively.

Despite current economic conditions and the fluctuation in our common stock price during the fourth quarter of 2008, we determined that, based on our 2008 financial performance, our unchanged expectations of future financial performance and the improvement in our common stock price subsequent to year end, a triggering event that would warrant further impairment testing had not occurred and therefore no updated testing was performed and no goodwill impairment was recorded during 2008. Should economic conditions deteriorate further or remain depressed for a prolonged period of time, estimates of future cash flows for each reporting unit may be insufficient to support carrying

value and the goodwill assigned to it, requiring us to test for impairment. Impairment charges, if any, may be material to our results of operations and financial position.

Table of Contents

Management's discussion and analysis of financial condition and results of operations

Valuation of other long-lived tangible and intangible assets

Factors we generally consider important which could trigger an impairment review on the carrying value of other long-lived tangible and intangible assets include the following: (1) significant underperformance relative to expected historical or projected future operating results; (2) significant changes in the manner of our use of acquired assets or the strategy for our overall business; (3) underutilization of our tangible assets; (4) discontinuance of product lines by ourselves or our customers; (5) significant negative industry or economic trends; (6) significant decline in our stock price for a sustained period; (7) significant decline in our market capitalization relative to net book value; and (8) goodwill impairment identified during an impairment review under SFAS No. 142. Although we believe that the carrying value of our long-lived tangible and intangible assets was realizable as of December 31, 2008, future events could cause us to conclude otherwise.

Stock-based compensation

We account for stock-based compensation in accordance with SFAS No. 123-R, *Share-Based Payment*. Under the fair value recognition provisions of this statement, share-based compensation cost is measured at the grant date based on the value of the award and is recognized as expense over the vesting period. Determining the fair value of share-based awards at the grant date requires judgment, including estimating our stock price volatility and employee stock option exercise behaviors. If actual results differ significantly from these estimates, stock-based compensation expense and our results of operations could be materially impacted.

Our expected volatility is based upon the historical volatility of our stock. The expected term is based on the assumption that all outstanding options will exercise at the midpoint of the vesting date and the full contractual term, including data on experience to date. As stock-based compensation expense is recognized in our consolidated statement of operations is based on awards ultimately expected to vest, the amount of expense has been reduced for estimated forfeitures. SFAS No. 123-R requires forfeitures to be estimated at the time of grant and revised, if necessary, in subsequent periods if actual forfeitures differ from those estimates. Forfeitures were estimated based on historical experience. If factors change and we employ different assumptions in the application of SFAS No. 123-R, the compensation expense that we record in future periods may differ significantly from what we have recorded in the current period.

Accounting for income taxes

As part of the process of preparing our consolidated financial statements, we are required to estimate our income taxes in each of the jurisdictions in which we operate. This process involves us estimating our actual current tax exposure and assessing temporary differences resulting from differing treatment of items, such as reserves and accruals and lives assigned to long-lived and intangible assets, for tax and accounting purposes. These differences result in deferred tax assets and liabilities. We must then assess the likelihood that our deferred tax assets will be recovered through future taxable income and, to the extent we believe that recovery is not more likely than not, we must establish a valuation allowance. To the extent we establish a valuation allowance or increase this allowance in a period, we must include an expense within our tax provision.

Significant management judgment is required in determining our provision for income taxes, our deferred tax assets and liabilities and any valuation allowance recorded against our net deferred tax assets. We have recorded a valuation allowance of \$12.7 million as of December 31, 2008 due to uncertainties related to the future benefits, if any, from our

deferred tax assets related primarily to our foreign businesses and certain U.S. net operating losses and tax credits. Included in this valuation allowance is \$3.7 million for deferred tax assets of acquired companies, the future benefits of which will be generally applied to reduce our income tax expense as required SFAS No. 141-R, *Business Combinations*. This is a reduction of \$6.2 million from the valuation allowance of \$18.9 million as of December 31, 2007, and resulted in additional goodwill. The decrease is primarily related to the recognition of foreign NOL s. The valuation allowance is based on our

S-64

Table of Contents

Management's discussion and analysis of financial condition and results of operations

estimates of taxable income by jurisdiction in which we operate and the period over which our deferred tax assets will be recoverable. In the event that actual results differ from these estimates or we adjust these estimates in future periods, we may need to establish an additional valuation allowance or reduce our current valuation allowance which could materially impact our tax provision.

On January 1, 2007 we adopted FIN 48, *Accounting for Uncertainty in Income Taxes - an Interpretation of FASB Statement 109*. In accordance with FIN 48, we established reserves for tax uncertainties that reflect the use of the comprehensive model for the recognition and measurement of uncertain tax positions. We are currently undergoing routine tax examinations by various state and foreign jurisdictions. Tax authorities periodically challenge certain transactions and deductions we reported on our income tax returns. We do not expect the outcome of these examinations, either individually or in the aggregate, to have a material adverse effect on our financial position, results of operations, or cash flows.

Loss contingencies

In the section of this prospectus supplement entitled "Business - Legal Proceedings" we have reported on material legal proceedings. In addition, because of the nature of our business, we may from time to time be subject to commercial disputes, consumer product claims or various other lawsuits arising in the ordinary course of our business, including employment matters, and we expect this will continue to be the case in the future. These lawsuits generally seek damages, sometimes in substantial amounts, for commercial or personal injuries allegedly suffered and can include claims for punitive or other special damages. In addition, we aggressively defend our patent and other intellectual property rights. This often involves bringing infringement or other commercial claims against third parties, which can be expensive and can result in counterclaims against us.

We do not accrue for potential losses on legal proceedings where our company is the defendant when we are not able to reasonably estimate our potential liability, if any, due to uncertainty as to the nature, extent and validity of the claims against us, uncertainty as to the nature and extent of the damages or other relief sought by the plaintiff and the complexity of the issues involved. Our potential liability, if any, in a particular case may become reasonably estimable and probable as the case progresses, in which case we will begin accruing for the expected loss.

RECENT ACCOUNTING PRONOUNCEMENTS

Recently issued standards

In June 2008, the FASB ratified Emerging Issue Task Force, or EITF, Issue No. 07-05, *Determining Whether an Instrument (or Embedded Feature) is Indexed to an Entity's Own Stock*, which addresses the accounting for certain instruments as derivatives under SFAS No. 133, *Accounting for Derivative Instruments and Hedging Activities*. Under this new pronouncement, specific guidance is provided regarding requirements for an entity to consider embedded features as indexed to the entity's own stock. This Issue is effective for fiscal years beginning after December 15, 2008. We are currently in the process of evaluating the impact of adopting this pronouncement.

In May 2008, the FASB issued FASB Staff Position, or FSP, APB 14-1, *Accounting for Convertible Debt Instruments That May Be Settled In Cash upon Conversion (Including Partial Cash Settlement)*. FSP APB 14-1 specifies that issuers of such instruments should separately account for the liability and equity components in a manner that will reflect the entity's nonconvertible debt borrowing rate when interest cost is recognized in subsequent periods. FSP

APB 14-1 is effective for financial statements issued for fiscal years beginning after December 15, 2008 and interim periods within those fiscal years. This FSP should be applied retrospectively for all periods presented. We are currently in the process of evaluating the impact of adopting this pronouncement.

Table of Contents**Management's discussion and analysis of financial condition and results of operations**

In April 2008, the FASB issued FSP 142-3, *Determination of the Useful Life of Intangible Assets*. FSP 142-3 amends the factors that should be considered in developing renewal or extension assumptions used to determine the useful life of a recognized intangible asset under SFAS No. 142, *Goodwill and Other Intangible Assets*. FSP 142-3 is effective for financial statements issued for fiscal years beginning after December 15, 2008, as well as interim periods within those fiscal years. We are currently in the process of evaluating the impact of adopting this pronouncement.

In March 2008, the FASB issued SFAS No. 161, *Disclosures about Derivative Instruments and Hedging Activities - an Amendment of FASB Statement No. 133*. This statement requires entities that utilize derivative instruments to provide qualitative disclosures about their objectives and strategies for using such instruments, as well as any details of credit-risk-related contingent features contained within derivatives. It also requires entities to disclose additional information about the amounts and location of derivatives located within the financial statements, how the provisions of SFAS No. 133 have been applied and the impact that hedges have on an entity's financial position, financial performance and cash flows. This statement is effective for fiscal years and interim periods beginning after November 15, 2008, with early application encouraged. We are currently in the process of evaluating the impact of adopting this pronouncement.

In December 2007, the FASB ratified the consensus reached by the EITF in EITF Issue No. 07-01, *Accounting for Collaborative Arrangements Related to the Development and Commercialization of Intellectual Property*. The EITF concluded that a collaborative arrangement is one in which the participants are actively involved and are exposed to significant risks and rewards that depend on the ultimate commercial success of the endeavor. Revenues and costs incurred with third parties in connection with collaborative arrangements would be presented gross or net based on the criteria in EITF Issue No. 99-19, *Reporting Revenue Gross as a Principal versus Net as an Agent*, and other accounting literature. Payments to or from collaborators would be evaluated and presented based on the nature of the arrangement and its terms, the nature of the entity's business, and whether those payments are within the scope of other accounting literature. The nature and purpose of collaborative arrangements are to be disclosed along with the accounting policies and the classification and amounts of significant financial statement amounts related to the arrangements. Activities in the arrangement conducted in a separate legal entity should be accounted for under other accounting literature; however required disclosure under EITF Issue No. 07-01 applies to the entire collaborative agreement. This Issue is effective for fiscal years beginning after December 15, 2008, and is to be applied retrospectively to all periods presented for all collaborative arrangements existing as of the effective date. We are currently in the process of evaluating the impact of adopting this pronouncement.

In December 2007, the FASB issued SFAS No. 160, *Noncontrolling Interests in Consolidated Financial Statements - an Amendment of Accounting Research Bulletin (ARB) No. 51*. This statement amends ARB No. 51 to establish accounting and reporting standards for the non-controlling interest in a subsidiary and for the deconsolidation of a subsidiary. It clarifies that a non-controlling interest in a subsidiary is an ownership interest in the consolidated entity and should therefore be reported as equity in the consolidated financial statements. The statement also establishes standards for presentation and disclosure of the non-controlling results on the consolidated income statement. SFAS No. 160 is effective for fiscal years beginning on or after December 15, 2008. We are currently in the process of evaluating the impact of adopting this pronouncement.

In December 2007, the FASB issued SFAS No. 141-R, *Business Combinations*. This statement replaces SFAS No. 141, but retains the fundamental requirements in SFAS No. 141 that the acquisition method of accounting be used for all business combinations. This statement requires an acquirer to recognize and measure the identifiable assets acquired, the liabilities assumed, and any non-controlling interest in the acquiree at their fair values as of the

acquisition date. The statement requires acquisition costs and any restructuring costs associated with the business combination to be recognized separately from the fair value of the business combination. SFAS No. 141-R establishes requirements for recognizing and measuring goodwill acquired in the business combination or a gain from a bargain purchase as well as disclosure requirements designed to enable users to better interpret the results of the business combination.

S-66

Table of Contents**Management's discussion and analysis of financial condition and results of operations**

SFAS No. 141-R is effective for fiscal years beginning on or after December 15, 2008. Given our history of acquisition activity, we anticipate the adoption of SFAS No. 141-R to have a significant impact on our consolidated financial statements. Early adoption of this statement is not permitted. As of December 31, 2008 there were \$3.8 million in capitalized acquisition costs classified in other non-current assets. The capitalized costs will be written off in January 2009 when this statement becomes effective.

Recently adopted standards

Effective October 2008, we adopted FSP 157-3, *Determining the Fair Value of a Financial Asset When the Market for That Asset Is Not Active*. FSP 157-3 clarifies the application of SFAS No. 157 in an inactive market. It demonstrated how the fair value of a financial asset is determined when the market for that financial asset is inactive. The adoption of these provisions did not have a material impact on our consolidated financial statements.

Effective January 1, 2008, we adopted EITF Issue No. 07-03, *Accounting for Nonrefundable Advance Payments for Goods or Services to Be Used in Future Research and Development Activities*. EITF 07-03 concludes that non-refundable advance payments for future research and development activities should be deferred and capitalized until the goods have been delivered or the related services have been performed. If an entity does not expect the goods to be delivered or services to be rendered, the capitalized advance payment should be charged to expense. The effect of applying this EITF is prospective for new contracts entered into on or after the date of adoption. The adoption of this EITF did not have a material impact on our consolidated financial statements.

Effective January 1, 2008, we adopted SFAS No. 159, *The Fair Value Option for Financial Assets and Financial Liabilities Including an Amendment of FASB No. 115*. This Statement provides companies with an option to measure, at specified election dates, many financial instruments and certain other items at fair value that are not currently measured at fair value. The standard also establishes presentation and disclosure requirements designed to facilitate comparison between entities that choose different measurement attributes for similar types of assets and liabilities. If the fair value option is elected, the effect of the first remeasurement to fair value is reported as a cumulative effect adjustment to the opening balance of retained earnings. The statement is to be applied prospectively upon adoption. The adoption of these provisions did not have a material impact on our consolidated financial statements.

Effective January 1, 2008, we adopted SFAS No. 157, *Fair Value Measurements*, for all financial instruments and non-financial instruments accounted for at fair value on a recurring basis. SFAS No. 157 establishes a framework for measuring fair value in generally accepted accounting principles, and expands disclosures about fair value measurements. The standard applies whenever other standards require, (or permit), assets or liabilities to be measured at fair value. The standard does not expand the use of fair value in any new circumstances. The FASB has provided a one-year deferral for the implementation for other non-financial assets and liabilities. The adoption of these provisions did not have a material impact on our consolidated financial statements. For further information about the adoption of the required provisions of SFAS No. 157 see note 7 of the notes to our consolidated financial statements included elsewhere in this prospectus supplement.

Table of Contents**Business**

Inverness Medical Innovations enables individuals to take charge of improving their health and quality of life at home by developing new capabilities in near-patient diagnosis, monitoring and health management. Our global leading products and services, as well as our new product development efforts, focus on cardiology, women's health, infectious disease, oncology and drugs of abuse. We are a Delaware corporation that was formed to acquire the women's health, nutritional supplements and professional diagnostics businesses of its predecessor, Inverness Medical Technology, Inc., through a split-off and merger transaction, which occurred in November 2001. We became an independent, publicly-traded company immediately after the split-off and our common stock was listed on the American Stock Exchange under the symbol IMA. We are now listed on the New York Stock Exchange under the symbol IMA. Since the split-off, we have grown our businesses through strategic use of our superior intellectual property portfolio and through strategic acquisitions. Our Alere health management business, which represents the union of Matria Healthcare, LLC, or Matria, acquired in 2008; Alere Medical, Inc., or Alere Medical, and ParadigmHealth, Inc., or ParadigmHealth, each acquired during 2007, is a leading provider of health management services to insurers and employers and we are confident that our unique ability to offer rapid diagnostic tools combined with value-added healthcare services will improve care and lower healthcare costs for both providers and patients.

SEGMENTS

Our major reportable operating segments are professional diagnostics, health management, consumer diagnostics and vitamins and nutritional supplements. Below are discussions of each of these reportable segments. Financial information about our reportable segments is provided in Note 20 of the Notes to Consolidated Financial Statements included elsewhere in this prospectus supplement.

PRODUCTS AND SERVICES

Professional Diagnostics. Professional diagnostics are generally designed to assist medical professionals in both preventative and interventional medicine, and includes testing or monitoring performed in hospitals and doctors offices and, increasingly, testing or monitoring done at home at the direction of the medical professional, or through patient self-testing. Professional diagnostic products provide for qualitative or quantitative analysis of a patient's body fluids or tissue for evidence of a specific medical condition or disease state or to measure response to therapy. Within professional diagnostics, we focus on point-of-care, rapid diagnostic testing and the developing patient self-testing market. We distinguish the point-of-care and patient self-testing markets from clinical diagnostic markets consisting of large, centralized laboratories offering a wide range of highly-automated laboratory services in hospital or related settings. The point-of-care market for rapid diagnostic products consists primarily of small and medium size laboratories and testing locations, such as physician office laboratories, specialized mobile clinics, emergency rooms and some rapid-response laboratories in larger medical centers.

In the market for rapid diagnostic products, the ability to deliver faster, accurate results at reasonable prices generally drives demand. This means that, while there is certainly demand for faster, more efficient automated equipment from large hospitals and major reference testing laboratories, there is also growing demand by point-of-care facilities and smaller laboratories for fast, high-quality, less expensive, self-contained diagnostic kits. As the speed and accuracy of such products improve, we believe that these products will play an increasingly important role in achieving early diagnosis, timely intervention and therapy monitoring outside of acute medicine environments, especially where supplemented by the support and management services that we also provide.

Table of Contents**Business**

Our current professional diagnostic products test for over 100 disease states and conditions and include point-of-care and laboratory tests in the following areas:

Cardiology. Cardiovascular disease encompasses a spectrum of conditions and illnesses, including high blood pressure, high cholesterol, metabolic syndrome, coronary artery disease, heart attack, heart failure and stroke. It is estimated that 80 million (one out of every three) American adults alone have one or more types of cardiovascular disease. The worldwide cardiology diagnostic market, including the markets for heart failure diagnostics, coronary artery disease risk assessment, coagulation testing and acute coronary syndrome, exceeds \$1.5 billion and, in the near-patient categories where we focus, annual growth is estimated at 15% to 20%. Our Biosite Triage, Cholestech LDX and HemoSense INRatio products, all acquired through acquisitions in 2007, have established us as a leader in this market. Our Triage system is used in approximately 63% of U.S. hospitals and in over 50 countries worldwide. The Triage system consists of a portable fluorometer that interprets consumable test devices for cardiovascular conditions, as well as the detection of certain drugs of abuse. The Biosite Triage cardiovascular tests include the following:

- Ø *Triage BNP Test.* An immunoassay that measures B-type Natriuretic Peptide, or BNP, in whole blood or plasma, used as an aid in the diagnosis and assessment of severity of heart failure. The test is also used for the risk stratification of patients with acute coronary syndrome and heart failure. We also offer a version of the Triage BNP Test for use on Beckman Coulter lab analyzers.
- Ø *Triage Cardiac Panel.* An immunoassay for the quantitative determination of CK-MB, myoglobin and troponin I in whole blood or plasma, used as an aid in the diagnosis of acute myocardial infarction.
- Ø *Triage CardioProfilER Panel.* An immunoassay for use as an aid in the diagnosis of acute myocardial infarction, the diagnosis and assessment of severity of congestive heart failure, risk stratification of patients with acute coronary syndromes and risk stratification of patients with heart failure. This panel combines troponin I, CK-MB, myoglobin and BNP to provide rapid, accurate results in whole blood and plasma.
- Ø *Triage Profiler Shortness of Breath (S.O.B.) Panel.* An immunoassay for use as an aid in the diagnosis of myocardial infarction, the diagnosis and assessment of severity of congestive heart failure, the assessment and evaluation of patients suspected of having disseminated intravascular coagulation and thromboembolic events, including pulmonary embolism and deep vein thrombosis, and the risk stratification of patients with acute coronary syndromes. This panel combines troponin I, CK-MB, myoglobin, BNP and d-dimer to provide rapid, accurate results in whole blood and plasma.
- Ø *Triage D-Dimer Test.* An immunoassay for use as an aid in the assessment and evaluation of patients suspected of having disseminated intravascular coagulation or thromboembolic events, including pulmonary embolism and deep vein thrombosis.

The Cholestech LDX System is a point-of-care monitor of blood cholesterol and related lipids which is used to test patients at risk of, or suffering from, heart disease and related conditions. The Cholestech LDX System makes it possible to provide a complete lipid profile with tests for total cholesterol, or TC, HDL & LDL cholesterol, triglycerides, and glucose (GLU), as well as tests for ALT and AST (for liver enzyme monitoring), and high sensitivity C-reactive protein, or hs-CRP. The Cholestech LDX System can also provide coronary heart disease risk assessment from the patient's results as measured on the lipid profile cassette. The Cholestech LDX System provides

results in five minutes per test cassette (seven minutes for CRP) and is CLIA-waived, meaning that the United States Food and Drug Administration, or FDA, has waived the more stringent requirements for laboratory testing applicable to moderate or high complexity laboratories based on the Cholestech LDX System's ease of use and accuracy. This allows the Cholestech LDX System to be marketed to physicians' offices, rather than hospitals or larger laboratories, and it is present in approximately 12% of U.S. CLIA-waived physicians' office laboratories with an installed base of approximately 10,000 units in regular use.

The HemoSense INRatio System is an easy-to-use, hand-held blood coagulation monitoring system for use by patients and healthcare professionals in the management of warfarin, a commonly prescribed medication used to prevent blood clots. The HemoSense INRatio System measures PT/INR, which is the patient's blood

Table of Contents**Business**

clotting time reported pursuant to an internationally normalized ratio, to help ensure that patients with risk of blood clot formation are maintained within the therapeutic range with the proper dosage of oral anticoagulant therapy. The INRatio System is 510(k) cleared by the FDA for use by healthcare professionals, as well as for patient self-testing, and is also CE marked in Europe. The INRatio System is targeted to both the professional, or point-of-care market, as well as the patient self-testing market. Recently we introduced the INRatio2 System, which targets the patient self-testing market and offers enhanced ease of use. Patient self-testing has gained significant momentum since March 2008 when Centers for Medicare & Medicaid Services expanded coverage of home INR monitoring to include chronic atrial fibrillation and venous thromboembolism patients on warfarin.

We also sell disposable, lateral flow rapid diagnostic tests for d-dimer and troponin I under our Clearview brand. These tests offer efficiency, as well as ease of use and accuracy, to clinics, hospitals and laboratories around the world.

Women's Health. Since women's health and general sexual health issues are a global health concern, this remains a priority area for us. In the professional marketplace, we are a global leader in pregnancy fertility/ovulation testing and bone therapy (osteoporosis) monitoring. Our professional pregnancy tests are generally urine-based, CLIA-waived rapid tests in dipstick or cassette format.

Our professional women's health products also target diseases, such as rubella and Group B strep, which pose unique threats to unborn or newborn babies and, in addition, we market a portfolio of tests for sexually-transmitted diseases. Our women's health products are sold under our Acceava, Clearview, Sure-Step, Inverness Medical TestPack and Osteomark brands.

Infectious Disease. We believe that the demand for infectious disease diagnostic products is growing faster than many other segments of the immunoassay market due to the increasing incidence of certain diseases or groups of diseases, including viral hepatitis, respiratory syncytial virus (RSV), influenza, tuberculosis, acquired immunodeficiency syndrome, or AIDS, herpes and other sexually-transmitted diseases. To meet this demand, we have continued to expand our product offerings and now offer one of the world's largest infectious disease test menus. We develop and market a wide variety of point-of-care tests for Influenza A/B, strep throat, HIV, HSV-2, malaria, C.difficile, infectious mononucleosis, lyme disease, chlamydia, H.pylori, RSV, rubella and other infectious diseases. Our tests for infectious disease are sold under brand names which include Acceava, BinaxNOW, Clearview, Determine, Inverness Medical TestPack, DoubleCheckGold, Panbio and TECHLAB®.

In addition to point-of-care products, we also offer a line of indirect fluorescent antibody, or IFA, assays for over 20 viral, bacterial and autoimmune diseases, a full line of serology diagnostic products covering a broad range of disease categories and over 70 enzyme-linked immunosorbent assays, or ELISA, tests for a wide variety of infectious and autoimmune diseases, as well as a full line of automated instrumentation for processing ELISA assays. We are the exclusive U.S. distributor of the AtheNA Multi-Lyte® Test System, a multiplexed, fluorescent bead-based system designed to simultaneously perform multiple assays from a single sample using just one well. It offers a simple and streamlined alternative to IFA and ELISA testing, providing improved clinical sensitivity and comparable clinical specificity in a labor-saving, automation-friendly format. Our IFA, serology and ELISA products, which generally serve the clinical diagnostics laboratory markets, are generally marketed under our Wampole brand.

Demand for certain infectious disease tests, primarily Influenza A/B, or flu, is significantly affected by the seasonal nature of the cold and flu season. As a result, we typically experience higher sales of our flu tests in the first and

fourth quarters. Sales of our flu products also vary from year to year based in large part on the severity, length and timing of the onset of the cold and flu season. While we believe that the severity, length and timing of the onset of the cold and flu season will continue to impact sales of certain of our infectious disease products, there can be no assurance that our future sales of these products will necessarily follow historical patterns.

S-70

Table of Contents

Business

Oncology. Among chronic disease categories, we are focused on oncology diagnostics as an area of significant future opportunity. The Matritech NMP22 BladderChek Test is the only in-office test approved by the FDA as an aid in the diagnosis of bladder cancer. The NMP22 BladderChek Test is a non-invasive assay, performed on a single urine sample, that detects elevated levels of NMP22 protein. The test can be performed in a physician's office with results delivered during the patient visit, allowing a rapid, accurate and cost-effective means of aiding the detection of bladder cancer in patients at risk, when used in conjunction with standard diagnostic procedures. We also offer the NMP22 Test Kit, a quantitative ELISA also designed to detect elevated levels of NMP22 protein.

Our Clearview FOB and Ultra FOB rapid tests aid in the early detection of colorectal cancer, the third most common type of cancer in men and women.

Drugs of Abuse. Drug abuse is a major global health problem, as well as a social and economic burden. In addition to being a primary cause of lost workforce productivity, family conflict and drug-related crime, drug abuse is linked to the spread of HIV/AIDS through contaminated needles. Drug abuse is one of the most costly health problems in the United States. As a result, employers, law enforcement officials and others expend considerable effort to be sure their employees and constituents are free of substance abuse, creating a significant market for simple, reliable tests to detect the most commonly abused substances. Urine-based screening tests for drugs of abuse range from simple immunoassay tests to complex analytical procedures. The speed and sensitivity of immunoassays have made them the most widely-accepted method for screening urine for drugs of abuse.

We offer one of the broadest and most comprehensive lines of drugs of abuse tests available today. We offer tests to detect alcohol, as well as the following illicit and prescription drugs of abuse: amphetamines/methamphetamines, cocaine, opiates, phencyclidine, tetrahydrocannabinol, acetaminophen, barbiturates, benzodiazepines, methadone, propoxyphene and tricyclic antidepressants, using both urine and saliva body fluids.

Our rapid drugs of abuse tests are sold primarily under the brands Triage, iScreen and SureStep. The TOX Drug Screen panel sold for use with the Biosite Triage System detects the presence of any illicit or prescription drugs listed above at the point-of-care in approximately 15 minutes.

Through our subsidiary Redwood Toxicology Laboratories, or Redwood, we also offer comprehensive, low-cost laboratory testing services. Through its laboratory services, Redwood offers its clients, including law enforcement agencies, penal systems, insurers and employers, the certainty of science, the dependability of proven processes and the assurance of legally defensible results.

Health Management. We believe that by utilizing both existing professional diagnostic devices and new devices under development to enhance the delivery of health management and other services to healthcare providers, we can further facilitate cost containment and outcome-driven decision making. Accordingly, during 2007, we entered the growing health management marketplace with our acquisitions of Alere Medical and ParadigmHealth, and in May 2008 we acquired Matria. Combined as Alere, our health management business strives to empower participants of our programs and physicians so that they can work together towards better health. Our expert-designed programs:

- Ø Embrace the entire lifespan, from pre-cradle to end-of-life, and targeted health states, from wellness to prevention to complex care;
- Ø Target high-cost chronic conditions with programs designed to improve outcomes and reduce expenditures;

- Ø Provide health coaches who engage and motivate participants during teachable moments;
- Ø Help participants improve their health by supporting their individual health goals;
- Ø Bring greater clarity to healthcare with empowering technologies that lead to better outcomes;
- Ø Offer 2,200+ healthcare professionals who share a passion for excellence in everything we do.

Table of Contents**Business**

Our key health management programs are:

Care. The Alere Disease Management Program provides technology-enabled, evidence-based solutions for managing chronic and high-cost conditions, improving productivity and reducing healthcare costs. The Alere Disease Management Program assists individuals with chronic diseases or conditions to better manage their care by increasing their knowledge about their illnesses, potential complications and the importance of medication and treatment plan compliance. Alere's highly-trained clinicians proactively contact participants to monitor their progress and ensure they are following the plan of care set by their physician. They work with participants to identify potential gaps in care, which occur when individuals do not receive national standards of care, or best practices, or when an individual fails to comply with their treatment plan. Alere offers a personal health support model of care. This model differs from providers of traditional, total population health models in several ways, including how individuals are selected, as well as a more disciplined approach to defining who can benefit from what kinds of touches and how these specific interactions are best accomplished. A second key differentiator is the use of the Alere DayLink Monitor for persons participating in higher risk health management programs. The DayLink Monitor records a participant's weight and/or answers to questions regarding their symptoms. This information is gathered daily and sent to Alere clinicians for review. The Alere Disease Management Program currently assists individuals with the following diseases or conditions: asthma, coronary artery disease, chronic obstructive pulmonary disease, diabetes, heart failure, pain, weight management and depression. In addition, Alere also offers Complex Care Management and Chronic Care Management for participants who require more attention and care than a traditional disease management program provides. What distinguishes our two programs is that Complex Care provides on-site care, and the Chronic Complex program involves telephone contact with Alere clinicians.

Women's & Children's Health. Alere's Women's and Children's Health division delivers a total spectrum of obstetrical care services, ranging from a risk assessment to identify women at risk for preterm birth to a neonatal program for early infant care management. In between are home-based obstetrical programs to manage and monitor pregnant women who have medical or pregnancy-related problems that could harm the health of the mother or baby. Alere delivers telephonic and home-based nursing services that support physician and patient goals. Alere has developed and refined these services over the years to accommodate physician plans of care. We focus on assessment of patient data and providing education. Our high-risk pregnancy management program revenues tend to be seasonal. Revenues tend to decrease with the onset of the holiday season starting with Thanksgiving. As a result, first and fourth quarter revenues of each year tend to be lower than second and third quarter revenues.

Oncology. The Alere Oncology Program is the most comprehensive, experienced and long-running cancer management program in the nation, managing 122 cancer types, covering more than eight million lives and effectively managing more than 50,000 participants. Cancer continues to challenge employers and health plans as they search for tools to compassionately manage this condition among their population in the most cost-effective manner. By incorporating best of breed practices and coordinating with physicians and participants, Alere provides an integrated solution to proactively manage this expensive and debilitating disease.

Wellness. Wellness Solutions is a suite of integrated wellness programs and resources designed to help organizations reduce health risks and improve the health and productivity of their employees while reducing healthcare-related costs. Wellness programs include screening for risk factors associated with diabetes, cardiovascular heart disease, hypertension and obesity; screening for high-risk pregnancies; assessments of health risks for broad populations; programs that promote better health by encouraging sustainable changes in behavior; and health coaching. In addition,

the Alere Health Portal provides employers and health plans with a powerful front door to Alere's continuum of healthcare services and the Alere Personal Health Record allows individuals to create a completely confidential on-line record of all of their personal healthcare data.

S-72

Table of Contents

Business

Consumer Diagnostics. On May 17, 2007, we and affiliates of P&G commenced a 50/50 joint venture for the development, manufacturing, marketing and sale of existing and to-be-developed consumer diagnostic products, outside the cardiology, diabetes and oral care fields. As part of this arrangement we transferred essentially all of the assets of our consumer diagnostics business, other than our manufacturing and core intellectual property assets, to the joint venture, and P&G acquired its interest in the joint venture. Accordingly, substantially all of the consumer diagnostics business conducted by us prior to the joint venture, including all of our products targeting the worldwide over-the-counter pregnancy and fertility/ovulation test market, are now sold by the joint venture, which is an unconsolidated entity operating primarily under the name SPD Swiss Precision Diagnostics GmbH.

As part of the SPD joint venture with P&G, we entered into a finished product purchase agreement, pursuant to which we currently manufacture and sell to SPD substantially all of the consumer diagnostic products which it sells. We also entered into certain transition and long-term services agreements with SPD, pursuant to which we provide certain operational support services to the joint venture. Our consumer diagnostics segment recognizes the revenue and costs arising from these arrangements.

Our other current consumer diagnostic products consist of our market-leading First Check brand of over-the-counter drugs of abuse tests for at-home testing for marijuana, cocaine, methamphetamines and opiates, as well as First Check brand over-the-counter tests for alcohol abuse, cholesterol monitoring and colon cancer screening. Taking advantage of our leadership in the field of women's health, we also sell Balance Activ Vaginal Gel directly to consumers and health care professionals alike for the effective treatment of bacterial vaginosis without antibiotics.

Vitamins and Nutritional Supplements. We also market a wide variety of vitamins and nutritional supplements primarily within the United States. Most growth in this market is attributed to new products that generate attention in the marketplace. Well-established market segments, where competition is greater and media commentary less frequent, are generally stable. Slow overall growth in the industry has resulted in retailers reducing shelf space for nutritional supplements and has forced many under-performing items out of distribution, including several broad product lines. Sales growth of private label products has generally outpaced the overall industry growth, as retailers continue to add to the number of private label nutritional products on their shelves.

Our subsidiary, Inverness Medical Nutritionals Group, or IMN, is a national supplier of private label vitamins and nutritional products for major drug and food chains and also manufactures bulk vitamins, minerals, nutritional supplements and over-the-counter drug products under contract for unaffiliated brand name distributors. IMN also manufactures an assortment of vitamin, mineral and nutritional supplement products for sale under Inverness Medical brand names.

Our Inverness Medical branded nutritional products are high-quality products sold at moderate prices through national and regional drug stores, groceries and mass merchandisers. These branded products include Stresstabs, a B-complex vitamin with added antioxidants; Ferro-Sequels, a time-release iron supplement; and Posture-D, a calcium supplement.

METHODS OF DISTRIBUTION AND CUSTOMERS

In the United States, Canada, the United Kingdom, Germany, Italy, Spain, the Netherlands, France, Austria, India, Japan, China, Australia, South Africa, Brazil, Colombia and Israel, we distribute our professional diagnostic products to hospitals, reference laboratories, physicians' offices and other point-of-care settings through our own sales forces

and distribution networks. In these countries, as well as in all other major world markets, we also utilize third-party distributors to sell our products. In the United States, we have distribution relationships with all of the major distributors to hospitals and reference laboratories, as well as with the major distributors serving physicians' offices and other non-hospital, point-of-care settings. One of our distributors of cardiology and other professional diagnostic products, Thermo Fisher Scientific, accounted for 22% of our consolidated net revenue in 2008. Our QAS subsidiary facilitates the distribution of our

Table of Contents

Business

HemoSense INRatio and INRatio2 coagulation monitors by contacting targeted customers and facilitating the Medicare reimbursement process for physicians and for patients monitoring at home. Under the terms of our acquisition of our Determine products from Abbott Laboratories in June 2005, Abbott distributes a portion of our Determine products, which are sold outside of the United States, in certain countries where we do not currently have suitable distribution capabilities. We also sell these products to Abbott as the exclusive supplier of its global Access to HIV Care program, through which Abbott provides free or low-cost testing products for HIV testing in underdeveloped countries around the world.

We market our health management programs primarily to health plans (both commercial and governmental) and self-insured employers, and to a lesser extent to pharmaceutical companies and physicians, through our employee sales force and channel partners.

We market and sell our First Check consumer drug testing products in the United States and Canada through retail drug stores, drug wholesalers, groceries and mass merchandisers. These products compete intensively with other brand name drug testing products based on price, performance and brand awareness, which is achieved through targeted print advertising.

We primarily market and sell our vitamins and nutritional supplements in the United States through private label arrangements with retail drug stores, groceries, mass merchandisers and warehouse clubs who sell our products under their store brands. We also sell a variety of branded products to the retail drug stores, groceries and mass merchandisers.

MANUFACTURING

Our major manufacturing facilities are located in Hangzhou and Shanghai, China; Matsudo, Japan; and San Diego, California. We are in the process of closing another significant facility in Bedford, England and transferring the manufacturing operations located there to our low-cost production facilities mainly in China. We also manufacture products at a number of other facilities in the United States and in the United Kingdom, as well as in Israel, Australia and South Africa. All of our important manufacturing facilities are ISO certified and registered with the FDA. We manufacture substantially all of our consumable diagnostic products and nutritional products at these facilities. We also manufacture the consumable diagnostic devices containing the diagnostic chemistry or other proprietary diagnostic technology which are used in conjunction with our diagnostic or monitoring systems, including our Biosite Triage system, our Cholestech LDX monitoring devices, our INRatio monitoring devices and the digital pregnancy and ovulation prediction tests and fertility monitors that we supply to the SPD joint venture. We contract with third parties to supply the electronic reader portion of these diagnostic or monitoring systems and to supply various other products which we sell, including our Triage[®] BNP Test for use on Beckman Coulter systems, a majority of our IFA and ELISA tests and our TECHLAB[®] products.

We manufacture substantially all of our vitamin and nutritional products at IMN's facilities in Freehold and Irvington, New Jersey. IMN internally manufactures substantially all of its softgel requirements at the Irvington facility. Both facilities manufacture to the GMP standards.

RESEARCH AND DEVELOPMENT

Our primary research and development centers are in Jena, Germany; Stirling, Scotland; and San Diego, California. We also conduct research and development in Bedford and Cambridge, England; Hangzhou, China; Scarborough, Maine; Hayward, California; Brisbane, Australia; and Yavne, Israel; and, to a lesser extent, at certain of our other facilities. Our research and development programs currently focus on the development of cardiology, infectious disease, oncology, HIV and women's health diagnostic products.

Our facility in Stirling, Scotland was formed in connection with a February 2005 co-development agreement with ITI Scotland Limited, or ITI, whereby ITI agreed to provide us with approximately £30.0 million over three years to partially fund research and development programs and we agreed to invest at least

S-74

Table of Contents

Business

£37.5 million in these programs over three years. The funding arrangement with ITI, as well as our investment commitments related thereto, expired during the first quarter of 2008.

Global Operations

We are a global company. We have major manufacturing facilities in San Diego, California; Hangzhou and Shanghai, China; and Matsudo, Japan and significant research and development operations in Jena, Germany and Stirling, Scotland. Our distribution network supporting our professional diagnostics business includes offices in the United States, Canada, England, France, Spain, Germany, Italy, Switzerland, Austria, Australia, New Zealand, Japan, South Africa, Israel, India, Brazil and Colombia.

Our professional diagnostic products are sold throughout the world. Our health management programs are offered almost exclusively in the United States and our vitamins and nutritional supplements are sold primarily in the United States and, to a lesser extent, in Canada. During 2008 and 2007, respectively, approximately 72% and 63% of our net revenues were generated from the United States, approximately 17% and 24% of our net revenues were generated from Europe, and approximately 11% and 13% of our net revenues were generated from customers located elsewhere. Revenues from the United States increased during 2008 due to the disproportionate impact of our newly-established health management business and, in particular, our acquisition of Matria in May 2008.

COMPETITION

Professional Diagnostics. The main competitors for our professional rapid diagnostic products are Becton Dickinson and Quidel. Some competitors in this market, such as Becton Dickinson, are large companies with substantial resources, while numerous smaller, yet aggressive companies are also competitors. Some automated immunoassay systems can be considered competitors when labor shortages force laboratories to automate or when the costs of such systems are lower. Such systems are provided by Abbott, Siemens AG, Beckman Coulter, Johnson & Johnson, Roche Diagnostics and other large diagnostic companies. In the infectious disease area, new technologies utilizing amplification techniques for analyzing molecular DNA gene sequences, from companies such as Abbott, Roche Diagnostics, Cepheid and Gen-Probe, are making in-roads into this market. Competition for rapid diagnostics is intense and is primarily based on price, breadth of product line and distribution capabilities.

Our competitors in the ELISA diagnostics market include the large diagnostics companies named above, which manufacture state-of-the-art automated immunoassay systems and a wide array of diagnostic products designed for processing on those systems. Other competitors in this market, DiaSorin and Diamedx, in particular, are smaller companies who compete based on quality and service. In the United States and Canada, we focus on matching the instrumentation and product testing requirements of our customers by offering a wide selection of diagnostic products and test equipment.

The markets for our serology and our IFA and microbiology products are mature and competition is based primarily on price and customer service. Our main competitors in serology and microbiology testing include Remel and Biokit. Our main competitors in IFA testing are Bio-Rad Laboratories, INOVA Diagnostics, Immuno Concepts, The Binding Site, Trinity Biotech, Meridian Biosciences and DiaSorin. However, products in these categories also compete to a large extent against rapid membrane and ELISA products, which are often easier to perform and read and can be more precise.

In cardiology, the majority of diagnostic immunoassays utilized by physicians and other healthcare providers are performed by independent clinical reference laboratories and hospital-based laboratories using automated analyzers for batch testing. As a result, the primary competitors of our Triage and LDX point-of-care testing systems, which consist of rapid diagnostic devices interpreted by portable electronic readers, are the large diagnostic companies identified above who produce automated immunoassay systems. We expect these large companies to continue to compete vigorously to maintain their dominance of the cardiology testing market. Although we offer our Triage BNP test for use on Beckman Coulter Immunoassay Systems, our other primary

Table of Contents**Business**

cardiology products are not currently designed for automated batch testing. Our Triage products face strong competition from Abbott Laboratories i-Stat handheld system and our LDX system also faces direct competition from Abaxis Medical Diagnostics, which markets its point-of-care blood laboratory systems to physicians office laboratories and Polymer Technology Systems, which sells a home cholesterol test system. The primary competitors for our INRatio coagulation monitoring system are Roche Diagnostics and International Technidyne Corporation, a division of Thoratec, who together currently account for over 75% of the domestic sales of PT/INR point-of-care and patient self-testing devices.

In oncology, our Matritech NMP-22 diagnostic products aid in diagnosing and monitoring bladder cancer patients, in conjunction with standard diagnostic procedures, and are based on our proprietary nuclear matrix protein technology. Our NMP-22 BladderChek Test is currently the only in-office test approved by the FDA as an aid in the diagnosis of bladder cancer. However, competition in the development and marketing of cancer diagnostics and therapeutics, using a variety of other technologies, is intense. Competing diagnostic products based on other technologies may be introduced by other companies and could adversely affect our competitive position. In a larger sense, our tests also compete with more invasive or expensive procedures, such as surgery, bone scans, magnetic resonance imaging and other in vivo imaging techniques. In the market for urine-based diagnostic tests, our NMP-22 tests also compete with existing cellular-based tests, such as the microscopic examination of suspicious cells and a test known as UroVysiontm, which is a fluorescent in-situ hybridization test.

Generally, our professional diagnostic products competitive positions may be based on, among other things, being first to market with a novel product, product performance, accuracy, convenience, cost-effectiveness, the strength of our intellectual property and price, as well as on the effectiveness of our sales force and our marketing and distribution partners. Where we face competition from large diagnostic companies, these competitors have greater resources than we do. In addition, certain competitors may have more favorable competitive positions than we do in markets outside of the United States.

We believe that our dedication to research and development and our strong intellectual property portfolio, coupled with our advanced manufacturing expertise, diversified product positioning, global market presence and established distribution networks, provide us with a competitive advantage in the point-of-care markets in which we compete.

Health Management. Competition for our health management services is also intense. Other health management service providers include Health Dialog and Healthways. Our competitors and potential competitors also include health plans, self-insured employers, healthcare providers, pharmaceutical companies, pharmacy benefit management companies, case management companies and other organizations that provide services to health plans and self-insured employers. Some of these entities, health plans and self-insured employers in particular, may be customers or potential customers and may own, acquire or establish health management service providers or capabilities for the purpose of providing health management services in-house. Many of these competitors are considerably larger than us, with access to greater resources. We believe however that our ability to improve clinical and financial outcomes and our highly-regarded technology platforms will enable us to compete effectively.

Consumer Diagnostics. Our First Check tests compete against over-the-counter diagnostic tests sold primarily by Phamatech, Inc., but also by other smaller competitors. Essentially all of our remaining consumer diagnostic product sales are to SPD, our joint venture. These products are sold by SPD in retail markets where competition is intense and based primarily on brand recognition and price. Our revenues, as well as our share of the profits from the sale of these products by SPD, are dependent upon SPD's ability to effectively compete in these markets.

Vitamins and Nutritional Supplements. The market for private label vitamins and nutritional supplements is extremely price sensitive, with quality, customer service and marketing support also being important. Many of the companies that mass market branded vitamins and nutritionals, including U.S. Nutrition and Pharmavite, also sell to private label customers and constitute our major competitors for private label business. In addition, there are several companies, such as Perrigo Company, that compete only in the private label business.

S-76

Table of Contents

Business

In the branded nutritional supplements industry, competition is based upon brand name recognition, price, quality, customer service and marketing support. There are many companies, both small and large, selling vitamin products to retailers. A number of these companies, particularly manufacturers of nationally advertised brand name products, are substantially larger than we are and have greater financial resources. Among the major competitors of our branded products that are sold through groceries and other mass retailers are U.S. Nutrition, Wyeth, Pharmavite and GlaxoSmithKline.

PATENTS AND PROPRIETARY TECHNOLOGY; TRADEMARKS

We have built a strong intellectual property portfolio in the area of lateral flow immunoassays, the technology which underlies many rapid diagnostic test formats, including most one-step home pregnancy and fertility/ovulation tests and most of our rapid membrane products for the point-of-care marketplaces that we serve. We believe that our intellectual property rights in the major patent families in this area of technology give us a distinct advantage and underpin our continuing success in this area. In addition, our intellectual property portfolio also includes an increasing number of other patents, patent applications and licensed patents protecting our vision of the technologies and products of the future. Our intellectual property portfolio consists of patents that we own and, in some cases, licenses to patents or other proprietary rights of third parties which may be limited in terms of field of use, transferability or may require royalty payments.

The medical products industry, including the diagnostic testing industry, historically has been characterized by extensive litigation regarding patents, licenses and other intellectual property rights. As the fact of our pending litigation with Healthways, Inc. and Robert Bosch North America Corp. and with Health Hero Network Inc. suggests, litigation relating to intellectual property rights is also prevalent in the health management industry. For more information regarding these pending matters see Business Legal Proceedings.

We believe that our history of successfully enforcing our intellectual property rights in the United States and abroad demonstrates our resolve in enforcing our intellectual property rights, the strength of our intellectual property portfolio and the competitive advantage that we have in this area. We have incurred substantial costs, both in asserting infringement claims against others and in defending ourselves against patent infringement claims, and we expect to incur substantial litigation costs as we continue to aggressively protect our technology and defend our proprietary rights.

Finally, we believe that certain of our trademarks are valuable assets that are important to the marketing of both our products and services. Many of these trademarks have been registered with the United States Patent and Trademark Office or internationally, as appropriate.

The medical products industry, including the diagnostic testing industry, and the health management industry place considerable importance on obtaining and enforcing patent and trade secret protection for new technologies, products, services and processes. Trademark protection is an important factor in the success of certain of our product lines and health management programs. Our success therefore depends, in part, on our ability to obtain and enforce the patents and trademark registrations necessary to protect our products, to preserve our trade secrets and to avoid or neutralize threats to our proprietary rights from third parties. We cannot, however, guarantee our success in enforcing or maintaining our patent rights; in obtaining future patents or licensed patents in a timely manner or at all; or as to the breadth or degree of protection that our patents or trademark registrations or other intellectual property rights might afford us. For more information regarding the risks associated with our reliance on intellectual property rights see

Risk Factors.

GOVERNMENT REGULATION

Our businesses are subject to extensive and frequently changing federal, state and local regulations. Changes in applicable laws or any failure to comply with existing or future laws, regulations or standards could have a material adverse effect on our results of operations, financial condition, business and prospects. We believe our current arrangements and practices are in material compliance with applicable laws and regulations.

S-77

Table of Contents

Business

There can be no assurance that we are in compliance with all applicable existing laws and regulations or that we will be able to comply with new laws or regulations.

Our research, development and clinical programs, as well as our manufacturing and marketing operations, are subject to extensive regulation in the United States and other countries. Most notably, all of our products sold in the United States are subject to the Federal Food, Drug and Cosmetic Act, or the FDCA, as implemented and enforced by the FDA. All of our diagnostic products sold in the United States require FDA clearance to market under Section 510(k) of the FDCA, which may require pre-clinical and clinical trials. Foreign countries may require similar or more onerous approvals to manufacture or market these products. The marketing of our consumer diagnostic products is also subject to regulation by the U.S. Federal Trade Commission, or the FTC. In addition, we are required to meet regulatory requirements in countries outside the United States, which can change rapidly with relatively short notice.

The manufacturing, processing, formulation, packaging, labeling and advertising of our nutritional supplements are subject to regulation by one or more federal agencies, including the FDA, the Drug Enforcement Administration, the Federal Trade Commission, or FTC, and the Consumer Product Safety Commission. These activities are also regulated by various agencies of the states, localities and foreign countries in which our nutritional supplements are now sold or may be sold in the future. In particular, the FDA regulates the safety, manufacturing, labeling and distribution of dietary supplements, including vitamins, minerals and herbs, as well as food additives, over-the-counter and prescription drugs and cosmetics. The GMP standards promulgated by the FDA are different for nutritional supplement, drug and device products. In addition, the FTC has jurisdiction along with the FDA to regulate the promotion and advertising of dietary supplements, over-the-counter drugs, cosmetics and foods.

Certain of our clinicians, such as nurses, must comply with individual licensing requirements. All of our clinicians who are subject to licensing requirements are licensed in the state in which they are physically present, such as the location of the call center from which they operate. In the future, multiple state licensing requirements for healthcare professionals who provide services telephonically over state lines may require us to license some of our clinicians in more than one state. New judicial decisions, agency interpretations or federal or state legislation or regulations could increase the requirement for multi-state licensing of a greater number of our clinical staff, which would increase our administrative costs.

Certain aspects of our health management business are subject to unique licensing or permit requirements by state and local health agencies. In addition, our health management business is subject to the security regulations of the Health Insurance Portability and Accountability Act, or HIPAA. We may also be required to obtain certification to participate in governmental payment programs, such as state Medicaid programs. Some states have established Certificate of Need, or CON, programs regulating the expansion of healthcare operations. The failure to obtain, renew or maintain any of the required licenses, certifications or CONs could adversely affect our business.

EMPLOYEES

As of January 31, 2009, we had approximately 8,300 employees, including temporary and contract employees, of which approximately 5,900 employees are located in the United States. In addition, we utilize consultants specializing in areas such as research and development, risk management, regulatory compliance, strategic planning and marketing.

LEGAL PROCEEDINGS

On September 19, 2008, the Estate of Melissa Prince Quisenberry filed a class action complaint in the Superior Court of California against Alere Medical, Inc.; certain executive officers, directors and/or significant shareholders of Alere Medical; and several unaffiliated entities. On April 13, 2009, the plaintiff amended the class action complaint, dismissing several of the unaffiliated entities. The plaintiff and the class owned stock in Alere Medical and allege that the defendants approved the March 14, 2007 sale of Alere

S-78

Table of Contents

Business

Medical to an unaffiliated entity at a price substantially lower than the price at which Inverness bought Alere Medical in November 2007, forcing plaintiff and the class either to tender their stock or seek appraisal. The plaintiff also alleges that the defendants failed to disclose material facts concerning the valuation of Alere, misleading the plaintiff and the class to tender their shares rather than seek appraisal. The plaintiff alleges that, through the foregoing actions, the individual defendants breached fiduciary duties of good faith, fair dealing, loyalty and candor; and that Alere Medical and an unaffiliated entity aided and abetted the breaches. We believe that we have strong defenses to all of the allegations and we intend to defend the claims vigorously. However, an outcome against Alere Medical could potentially have a material adverse impact on our sales, operations or financial performance.

Healthways, Inc. and Robert Bosch North America Corp. filed a complaint in U.S. District Court in the Northern District of Illinois on November 5, 2008 against Alere Medical alleging infringement of 11 patents, licensed by Bosch from Healthways. Alere Medical answered the complaint and filed counterclaims seeking declarations that the patents are invalid and not infringed. The plaintiffs subsequently filed an amended complaint substituting Alere LLC, or Alere, our consolidated health management subsidiary, as the defendant in place of Alere Medical. We believe that we have strong defenses to Healthways' allegations and we intend to defend them vigorously. However, a ruling against Alere could potentially have a material adverse impact on our sales, operations or financial performance or could limit our current or future business opportunities.

We are not a party to any other pending legal proceedings that we currently believe could have a material adverse impact on our sales, operations or financial performance. However, because of the nature of our business, we may be subject at any particular time to commercial disputes, consumer product claims, negligence claims or various other lawsuits arising in the ordinary course of our business, including infringement, employment or investor matters, and we expect that this will continue to be the case in the future. Such lawsuits generally seek damages, sometimes in substantial amounts.

As an example, as we have previously reported, in April 2008, Pyramid Holdings Inc., a purchaser in our November 2007 public offering of our common stock, filed a putative securities class action against us, Ron Zwanziger, our chairman, chief executive officer and president, and David Teitel, our chief financial officer, in the United States District Court for the District of Massachusetts, alleging that the prospectus supplement and registration statement with respect to the November 2007 public offering were inaccurate and misleading and omitted to state material facts. The plaintiffs have subsequently filed their amended class action complaint, adding as defendants each of our then current directors, a former director, and a former chief financial officer. We believe that the allegations are baseless, and we intend to defend against them vigorously.

Also, our subsidiary Alere Medical continues to defend infringement claims brought by Health Hero Network, Inc., a subsidiary of Robert Bosch North America Corp., which alleges to have patented certain processes related to home monitoring of patients.

While we believe that we have strong defenses to the claims brought by Pyramid Holdings and Health Hero and we intend to defend them vigorously, these, or other claims, could potentially have a negative impact on our sales, operations or financial performance or could limit our existing or future business opportunities.

In addition, we aggressively defend our patent and other intellectual property rights. This often involves bringing infringement or other commercial claims against third parties. These suits can be expensive and result in counterclaims challenging the validity of our patents and other rights.

Finally, we were recently notified by the SEC that its 2005 formal order of investigation in connection with the previously disclosed revenue recognition matter at one of our diagnostic divisions has been completed and that the SEC does not intend to recommend any enforcement actions against us.

Table of Contents

Management

The following biographical descriptions set forth certain information with respect to our executive officers and directors.

Name	Age	Position
Ron Zwanziger	55	Chairman of the Board, Chief Executive Officer and President
David Scott, Ph.D.	52	Director, Chief Scientific Officer
Jerry McAleer, Ph.D.	53	Director, Vice President, Research and Development and Vice President, Cardiology
Hilde Eylenbosch, M.D.	45	Vice President, Marketing
David Toohey	52	President, Europe/Middle East
John Yonkin	49	President, Inverness Medical Innovations North America, Inc., and President, Nutritionals
John Bridgen, Ph.D.	62	Vice President, Strategic Business Development
David Teitel	45	Chief Financial Officer
Jon Russell	44	Vice President, Finance
Michael K. Bresson	51	Vice President, Mergers & Acquisitions
Paul T. Hempel	60	Senior Vice President, Leadership Development and Special Counsel and Secretary
Ellen Chiniara	50	General Counsel and Assistant Secretary
Ron Geraty, M.D.	62	Chief Executive Officer, Alere LLC
Emanuel Hart	59	Vice President, International Business, LAmARCIS
David Walton	55	Vice President, Asia Pacific
Eli Y. Adashi, M.D.	64	Director
Carol R. Goldberg	78	Director
Robert P. Khederian	57	Director
John F. Levy	62	Director
John A. Quelch	57	Director
James Roosevelt, Jr.	63	Director
Peter Townsend	74	Director

Ron Zwanziger has served as our Chairman, Chief Executive Officer and President since our inception on May 11, 2001. Mr. Zwanziger served as Chairman, Chief Executive Officer and President of our predecessor company, Inverness Medical Technology, from its inception in 1992 through November 2001 when that company was acquired by Johnson & Johnson. From 1981 to 1991, he was Chairman and Chief Executive Officer of MediSense, a medical device company. Mr. Zwanziger also serves as a director, as a member of the Compensation Committee and as Chairperson of the Nominating and Corporate Governance Committee of AMAG Pharmaceuticals, Inc.

David Scott, Ph.D., has served on the Board since July 31, 2001 and is our Chief Scientific Officer. Dr. Scott served as Chairman of Inverness Medical Limited, a subsidiary of our predecessor company, Inverness Medical Technology, from July 1999 through November 2001, when that company was acquired by Johnson & Johnson, and as a managing director of Inverness Medical Limited from July 1995 to July 1999. Dr. Scott served as Managing Director of Great Alarm Limited, a consulting company, from October 1993 to April 1995. Between October 1984 and September 1993,

he held several positions at MediSense UK, serving most recently as Managing Director where he was responsible for managing product development, as well as the mass manufacture of one of its principal products, ExacTech.

S-80

Table of Contents**Management**

Jerry McAleer, Ph.D., joined the Board on March 10, 2003. Dr. McAleer has also served as our Vice President, Research and Development since our inception in May 2001 and has served as our Vice President, Cardiology since early 2006. Dr. McAleer served as Vice President of Research and Development of our predecessor company, Inverness Medical Technology, from 1999 through November 2001, when that company was acquired by Johnson & Johnson. From 1995 to 1999, Dr. McAleer served as Director of Development of Inverness Medical Limited, Inverness Medical Technology's primary research and development unit, where he headed the development of Inverness Medical Technology's electrochemical glucose strips. Prior to joining Inverness Medical Technology, Dr. McAleer held senior research and development positions at MediSense, a medical device company, and Ecosensors, Inc., an environmental research company.

Hilde Eylenbosch, M.D., has served as our Vice President of Marketing since April 1, 2009. Prior to that, she served as Chief Executive Officer of SPD Swiss Precision Diagnostics GmbH, our 50/50 joint venture with P&G, since its inception on May 18, 2007. Dr. Eylenbosch has also served as our President, Consumer Diagnostics since June 2006. Prior to assuming that title she served as Vice President, Consumer Diagnostics from July 2005 to June 2006, Vice President, Consumer Marketing from October 2004 to July 2005 and Vice President of International Women's Health from November 2001 to October 2004. Dr. Eylenbosch served in the same capacity for our predecessor company, Inverness Medical Technology, from August 2001 until that company was acquired by Johnson & Johnson in November 2001. Prior to that, she held various positions at Inverness Medical Technology, including Director of U.S. Women's Health from September 1998 through October 2000. When she joined Inverness Medical Technology in January 1995, Dr. Eylenbosch was responsible for marketing that company's women's health products in Europe. Before joining Inverness Medical Technology, Dr. Eylenbosch was employed by Synthelabo, a French pharmaceutical company, where she held various marketing positions.

David Toohey was appointed President, Europe/Middle East in January 2008. Prior to that, he served as President, Professional Diagnostics from December 2005, as Vice President, Professional Diagnostics from October 2002, as Vice President, European Operations from February 2002, and as Vice President, New Products from November 2001. He also served as Managing Director of our Unipath Limited subsidiary from December 2001 through October 2002. Mr. Toohey was employed by our predecessor company, Inverness Medical Technology, as its Vice President, New Products from May 2001 through November 2001, when that company was acquired by Johnson & Johnson. Prior to joining Inverness Medical Technology, Mr. Toohey served as Vice President of Operations at Boston Scientific Corporation's Galway, Ireland facility where he oversaw its growth, from a start-up to Boston Scientific Corporation's largest manufacturing facility, between 1995 and 2001. Prior to that time he held various executive positions at Bausch & Lomb, Inc., Digital Equipment Corp. and Mars, Inc.

John Yonkin was appointed President, Inverness Medical Innovations North America, Inc. in January 2008. Prior to that, he served as President, U.S. Point of Care from June 2006. Mr. Yonkin also continues to serve as President, Nutritionals, a role he has had since June 2006. Prior to that, he served as our Vice President, Nutritionals from April 2005 to June 2006 and Vice President, U.S. Sales and Marketing from November 2001 to April 2005. Mr. Yonkin served as Vice President of U.S. Sales of our predecessor company, Inverness Medical Technology, from October 1998 through January 2000 and as its General Manager from January 2000 through November 2001, when that company was acquired by Johnson & Johnson. He also served as Manager of Product Development for Inverness Medical Technology from October 1997 until October 1998. From January 1995 to September 1997, Mr. Yonkin was Director of National Accounts for Genzyme Genetics, a subsidiary of Genzyme, Inc., a leader in genetic testing services for hospitals, physicians and managed healthcare companies.

John Bridgen, Ph.D., joined our Company in September 2002 upon our acquisition of Wampole Laboratories, LLC. Dr. Bridgen served as President of Wampole from August 1984 until September 2005. He currently serves as our Vice President, Strategic Business Development. Prior to joining Wampole, Dr. Bridgen

Table of Contents

Management

had global sales and marketing responsibility for the hematology and immunology business units of Ortho Diagnostic Systems Inc., a Johnson & Johnson company.

David Teitel has served as our Chief Financial Officer since December 2006. Mr. Teitel has over 20 years of public and private company finance experience, including nine years of audit experience at Arthur Andersen and senior financial positions with Thermo Electron, which is now Thermo Fisher Scientific and Deknatel Snowden Pencer Inc. Mr. Teitel joined the Company in December 2003 as Director of Finance Operations and assumed the title Vice President, Finance in December 2004.

Jon Russell has served as our Vice President, Finance since December 2006. In this role, Mr. Russell oversees financial systems management and integration and shares responsibility for external communications with the Chief Executive Officer. Previously, Mr. Russell was Chief Financial Officer of Wampole Laboratories, LLC. He has 20 years of experience in finance and operations management, including senior operational finance positions in North America and Europe with Precision Castparts Corporation, Vertex Interactive, Inc. and Genicom Corporation. Mr. Russell began his career at Ernst & Young LLP.

Michael K. Bresson rejoined us as Vice President, Mergers & Acquisitions, in January 2007 after serving as President of LifeTrac Systems Incorporated from February 2006 to December 2006. Previously, Mr. Bresson served as our Vice President, Business Development from May 2005 to February 2006. From 1998 until January 2005, he was employed at Apogent Technologies Inc. (now part of Thermo Fisher Scientific Inc.), last serving as Apogent's Executive Vice President Administration, General Counsel and Secretary. Prior to joining Apogent in 1998, Mr. Bresson was a partner at the law firm of Quarles & Brady LLP.

Paul T. Hempel served as our General Counsel and Secretary since our inception on May 11, 2001. In April 2006, Mr. Hempel became Senior Vice President in charge of Leadership Development, while retaining his role as Secretary and oversight of legal affairs. Mr. Hempel served as General Counsel and Assistant Secretary of our predecessor company, Inverness Medical Technology, from October 2000 through November 2001, when that company was acquired by Johnson & Johnson. Prior to joining Inverness Medical Technology, he was a founding stockholder and Managing Director of Erickson Schaffer Peterson Hempel & Israel PC from 1996 to 2000. Prior to 1996, Mr. Hempel was a partner and managed the business practice at Bowditch & Dewey LLP.

Ellen Chiniara serves as General Counsel and Assistant Secretary and is responsible for managing legal matters for our Company. Ms. Chiniara joined our Company in October 2006 as General Counsel of the Professional Diagnostics strategic business unit and became General Counsel of our Company in May 2007. From 2002 to 2006, Ms. Chiniara was Associate General Counsel, Neurology of Serono, Inc., a biopharmaceutical company. Previously, she served as General Counsel to a healthcare venture capital fund and a healthcare management services organization, where she also was Chief Operating Officer of its clinical trial site management division. From 1994 to 1997, Ms. Chiniara was Assistant General Counsel at Value Health, a specialty managed healthcare company. Prior to 1994, Ms. Chiniara was a corporate attorney in Boston with Hale and Dorr (now Wilmer Cutler Pickering Hale and Dorr LLP).

Ron Geraty, M.D., serves as Chief Executive Officer of Alere LLC, our health management subsidiary. Dr. Geraty joined us when Alere Medical was purchased in November 2007. Prior to our purchase of Alere Medical, Dr. Geraty had served on the board and as Chief Executive Officer of Alere Medical since late 2001. Prior to Alere Medical, Dr. Geraty was Chief Executive Officer of American Imaging Management, a radiology benefits management company, from 1999 to 2000. In 1989, Dr. Geraty founded Assured Health, Inc. (an employee assistance company)

which was sold to American Biodyne, Inc. where he was a board member and executive through several company transitions until the company was sold to a competitor in 1998. Dr. Geraty was a Fellow at the Harvard School of Medicine School of Public Policy in 1998. In 1984, Dr. Geraty founded Monarch Health Corporation, which was sold to Parkside Medical Corporation in 1986 where he served as an executive.

S-82

Table of Contents**Management**

Emanuel Hart has served as Vice President for International Business responsible for the Latin America, Africa, Russia, ex-Soviet Union countries and Israel territories (LAmARCIS) for all of our products since August 2007. Mr. Hart has also served as Chief Executive Officer and President of Organics Ltd., one of our subsidiaries, since 1997.

David Walton serves as Vice President, Asia Pacific. Mr. Walton joined our Company in December 2001 when we acquired the Unipath business from Unilever, where he was previously International Director for the Consumer and Professional Diagnostic business units. Prior to this, Mr. Walton held various senior global sales and marketing roles in the Diagnostics Division of Eli Lilly based at Hybritech in San Diego, California and Liege, Belgium, Biorad U.K. and Corning Medical U.K.

Eli Y. Adashi, M.D., M.S., F.A.C.O.G., joined the Board on April 1, 2009. Dr. Adashi, a Professor of Medical Science at The Warren Alpert Medical School of Brown University since 2004, is a Physician-Scientist-Executive with over 25 years of experience in Health Care and in the Life Sciences. A member of the Institute of Medicine of the National Academy of Sciences and of its Committees on *Human Embryonic Stem Cell Research* and on *Women's Health Research*, Dr. Adashi is the founder and former leader of the multidisciplinary Ovarian Cancer Program of the NCI-designated Huntsman Cancer Research Institute. Dr. Adashi also served on sabbatical on the Quality Improvement Group of the Office of Clinical Standards and Quality, Centers for Medicare and Medicaid Services (CMS) and is a current ad hoc member of the Reproductive Health Drugs Advisory Committee of the U.S. Food & Drug Administration. A fellow of the American Association for the Advancement of Science and a member of the Association of American Physicians, Dr. Adashi is the author or co-author of over 250 peer-reviewed publications, over 120 book chapters/reviews, and 13 books focusing on ovarian biology, ovarian cancer and reproductive health. Dr. Adashi is a member of the Board's Compensation Committee.

Carol R. Goldberg has served on the Board since May 30, 2001. Ms. Goldberg served as a director of our predecessor company, Inverness Medical Technology, from August 1992 through November 2001, when that company was acquired by Johnson & Johnson. Since December 1989, she has served as President of The AVCAR Group, Ltd., an investment and management consulting firm in Boston, Massachusetts. Ms. Goldberg is Chairperson of the Board's Compensation Committee and a member of the Board's Nominating and Corporate Governance Committee.

Robert P. Khederian has served on the Board since July 31, 2001. Mr. Khederian is the Chairman of Belmont Capital, a venture capital firm he founded in 1996, and Provident Corporate Finance, an investment banking firm he founded in 1998. From 1984 through 1996, he was founder and Chairman of Medical Specialties Group, Inc., a nationwide distributor of medical products which was acquired by Bain Capital. Mr. Khederian is a member of the Board's Audit Committee, Compensation Committee and Nominating and Corporate Governance Committee.

John F. Levy has served on the Board since May 30, 2001. Mr. Levy served as director of Inverness Medical Technology from August 1996 through November 2001, when that company was acquired by Johnson & Johnson. Since 1993, he has been an independent consultant. Mr. Levy served as President and Chief Executive Officer of Waban, Inc., a warehouse merchandising company, from 1989 to 1993. Mr. Levy is Chairperson of the Board's Audit Committee and is a member of the Board's Compensation Committee and Nominating and Corporate Governance Committee.

John A. Quelch joined the Board on March 10, 2003. Since June, 2001, Mr. Quelch has been a professor and Senior Associate Dean at the Harvard Business School. From July 1998 through June 2001, he was Dean of the London

Business School. Mr. Quelch also serves as a director of WPP plc, one of the world's largest communications groups, Gentiva Health Services, Inc., as member of the Compensation Committee of Pepsi Bottling Group and as Chairman of the Massachusetts Port Authority. He is Chairperson of the Board's Nominating and Corporate Governance Committee.

Table of Contents

Management

James Roosevelt, Jr. joined the Board on February 6, 2009. Mr. Roosevelt has served as the President and Chief Executive Officer of Tufts Health Plan since 2005. From 1999 to 2005, Mr. Roosevelt was Vice President and General Counsel of Tufts Health Plan. Mr. Roosevelt also serves as Co-Chair of the Rules and By-laws Committee of the Democratic National Committee, Co-Chair of the Board of Directors for the Tufts Health Care Institute, and member of the Board of Directors at American Health Insurance Plans, Emmanuel College and PointRight Inc. Mr. Roosevelt is a member of The Board's Nominating and Corporate Governance Committee.

Peter Townsend has served on the Board since May 30, 2001. Mr. Townsend served as a director of our predecessor company, Inverness Medical Technology, from August 1996 through November 2001, when that company was acquired by Johnson & Johnson. From 1991 to 1995, when he retired, Mr. Townsend served as Chief Executive Officer and a director of Enviromed plc, a medical products company. Mr. Townsend is a member of the Board's Audit Committee.

S-84

Table of Contents

Description of other indebtedness

SECURED CREDIT FACILITIES

On June 26, 2007, in conjunction with our acquisition of Biosite, Inc., we entered into a secured First Lien Credit Agreement, which we refer to as our senior secured credit facility, with certain lenders, General Electric Capital Corporation as administrative agent and collateral agent, and certain other agents and arrangers, a secured Second Lien Credit Agreement, which we refer to as our junior secured credit facility (and together with the senior secured credit facility, as our secured credit facilities), with certain lenders, General Electric Capital Corporation as administrative agent and collateral agent, and certain other agents and arrangers, and certain related guaranty and security agreements. On November 15, 2007 we amended the senior secured credit facility. As amended, the senior secured credit facility provides for term loans in the aggregate amount of \$975.0 million and, subject to our continued compliance with the senior secured credit facility, a \$150.0 million revolving line of credit. The junior secured credit facility provides for term loans in the aggregate amount of \$250.0 million.

As of December 31, 2008, the term loans and the revolving line of credit under the senior secured credit facility bore interest at 3.89% and 3.64%, respectively, and the term loans under the junior secured credit facility bore interest at 6.14%. As of December 31, 2008, aggregate outstanding borrowings under the secured credit facilities included \$960.8 million under the senior secured credit facility term loans, \$142.0 million under the senior secured credit facility revolving line of credit and \$250.0 million in borrowings under the junior secured credit facility term loans. Interest expense (including amortized deferred borrowing costs) related to our secured credit facilities, which included the term loans and revolving line of credit, for the year ended December 31, 2008 was \$85.2 million. As of December 31, 2008, we were in compliance with all debt covenants related to the secured credit facilities, which consisted principally of maximum consolidated leverage and minimum interest coverage requirements.

We must repay the senior secured credit facility term loans as follows: (a) in two initial installments in the amount of \$2,250,000 each on September 30, 2007 and December 31, 2007 (each of which installment payment has been made), (b) in twenty-five consecutive quarterly installments, beginning on March 31, 2008 and continuing through March 31, 2014, in the amount of \$2,437,500 each (each of which installment payments through March 31, 2009 has been made) and (c) in a final installment on June 26, 2014 in an amount equal to the then outstanding principal balance of the senior secured credit facility term loans. We may repay borrowings under the senior secured credit facility revolving line of credit at any time, but in no event later than June 26, 2013. We must repay the entire junior credit facility term loans on June 26, 2015.

In August 2007, we entered into interest rate swap contracts, with an effective date of September 28, 2007, that fix our floating rate interest obligations under the secured credit facilities with respect to a total notional value of \$350.0 million and have a maturity date of September 28, 2010. In January 2009, we entered into additional interest rate swap contracts, with an effective date of January 14, 2009, that fix our floating rate interest obligations under the secured credit facilities with respect to a total notional value of \$500.0 million and have a maturity date of January 5, 2011.

We are required to make mandatory prepayments of the term loans and the revolving credit loans in various amounts under the secured credit facilities if we make certain sales of assets outside the ordinary course of business above certain thresholds, if we suffer certain property loss events above certain thresholds, if we issue certain types of debt, or if we have excess cash flow, as that term is defined in the secured credit facilities. We may make optional prepayments of the senior secured credit facility term loan from time to time without premium or penalty. If, after June 26, 2008 and on or prior to June 26, 2009, we optionally prepay the junior secured credit facility term loan or mandatorily prepay the junior secured credit facility term loan as a result of our issuing certain types of debt, we must

pay a prepayment premium equal to 1.0% of principal amount prepaid; after June 26, 2009, we may make optional prepayments of the second lien

Table of Contents**Description of other indebtedness**

term loan from time to time without premium or penalty. Once repaid in full or in part, no reborrowings of the term loans under either secured credit facility may be made.

The senior secured credit facility term loans bear interest at a rate per annum of, at our option, either (a) the base rate, as defined in the secured credit facilities, plus 1.00%, or (b) LIBOR plus 2.00%. The borrowings pursuant to the revolving line of credit under the senior secured credit facility bear interest at a rate per annum of, at our option, either (a) the base rate plus an applicable margin, which varies between 0.75% and 1.25% depending on our consolidated leverage ratio, or (b) LIBOR plus an applicable margin, which varies between 1.75% and 2.25% depending on our consolidated leverage ratio. We are obligated to pay fees on the unused portion of our revolving line of credit at a rate per annum of 0.50%. The junior secured credit facility term loan bears interest at a rate per annum of, at our option, either (a) the base rate plus 3.25%, or (b) LIBOR plus 4.25%.

Under the secured credit facilities, we must comply with various customary financial and non-financial covenants. The primary financial covenants under the senior secured credit facility consist of a maximum consolidated leverage ratio, a minimum consolidated interest coverage ratio and a limit on capital expenditures. The primary financial covenants under the junior secured credit facility consist of a maximum consolidated leverage ratio and a limit on capital expenditures. The primary non-financial covenants under the secured credit facilities limit our ability to pay dividends or other distributions on our capital stock, to repurchase our capital stock, to conduct mergers or acquisitions, to make investments and loans, to incur future indebtedness, to place liens on assets, to prepay other indebtedness, to alter our capital structure and to sell assets. The non-financial covenants under both the senior secured credit facility and the junior secured credit facility are substantially similar, with the non-financial covenants under the junior secured credit facility providing us some increased flexibility in some respects.

The respective lender groups under the secured credit facilities are entitled to accelerate repayment of the loans under the respective secured credit facilities upon the occurrence of any of various customary events of default, which include, among other events, failure to pay when due any principal, interest or other amounts in respect of the loans, breach of any of our covenants (subject, in some cases, to certain grace periods) or representations under the loan documents, default under any other of our or our material subsidiaries' significant indebtedness agreements, a bankruptcy or insolvency event with respect to us or any of our material subsidiaries, a significant unsatisfied judgment against us or any of our material subsidiaries, any exercise by Procter & Gamble of its option to put its joint venture interest back to us if we are not then in pro forma compliance with our financial covenants under the secured credit facilities, or if we undergo a change of control (including any fundamental change or termination of trading event as defined under the indenture governing our senior subordinated convertible notes).

Borrowings under the secured credit facilities are guaranteed by us and substantially all of our United States subsidiaries and are secured by the stock of substantially all of our United States subsidiaries, portions of the stock of certain of our foreign subsidiaries, substantially all of the intellectual property rights of our United States subsidiaries and substantially all of the other assets of our businesses in the United States. Pursuant to the terms of an intercreditor agreement entered into at the closing of the secured credit facilities between the administrative agents for the respective lender groups under the secured credit facilities, the liens securing the loans and other obligations arising under senior secured credit facility are senior to the liens securing the loans and other obligations arising under the junior secured credit facility.

3% CONVERTIBLE SENIOR SUBORDINATED NOTES DUE 2016

On May 14, 2007, we sold \$150.0 million in principal amount of 3% convertible senior subordinated notes due May 15, 2016, which we refer to as our senior subordinated convertible notes, in a private placement to qualified institutional buyers pursuant to the terms of Securities Purchase Agreements dated May 9, 2007. The senior subordinated convertible notes pay interest semiannually at a rate of 3.00% per annum and were initially convertible into shares of our common stock at a conversion price of approximately \$52.30 per

S-86

Table of Contents

Description of other indebtedness

share. At the initial conversion price, the senior subordinated convertible notes were convertible into an aggregate 2,868,120 shares of our common stock. On May 9, 2008, pursuant to the terms of the indenture governing the terms of the senior subordinated convertible notes, the conversion price was adjusted to \$43.98. At the adjusted conversion price, the senior subordinated convertible notes are convertible into an aggregate 3,410,641 shares of our common stock.

We may not redeem the senior subordinated convertible notes prior to their stated maturity. In the event of certain fundamental changes, as defined in the indenture governing the senior subordinated convertible notes, we may be required to repurchase the senior subordinated convertible notes for cash at a price equal to 100% of the unconverted principal plus any accrued but unpaid interest. The senior subordinated convertible notes are equal in right of payment to the notes offered hereby and subordinate in right of payment to the prior payment of our senior indebtedness, including the secured credit facilities. The senior subordinated convertible notes contain customary events of default entitling the trustee or the holders thereof to declare all amounts owed pursuant to the senior subordinated convertible notes immediately payable if we violate certain of our obligations.

As of December 31, 2008, \$150.0 million in principal amount of the senior subordinated convertible notes was outstanding. Interest expense related to the senior subordinated convertible notes for the year ended December 31, 2008, including amortized deferred borrowing costs, was \$5.0 million.

S-87

Table of Contents

Description of notes

GENERAL

The terms of our 9.00% Senior Subordinated Notes due 2016, which we refer to as the Notes, are described below. Our debt securities are described generally in the accompanying prospectus. The following description of the particular terms of the Notes in this prospectus supplement overrides and supersedes in its entirety the description of the general terms and provisions of our debt securities included in the accompanying prospectus.

The Notes will be issued under an indenture dated as of May 12, 2009, between Inverness Medical Innovations, Inc., as issuer, and U.S. Bank National Association, as trustee (the Base Indenture), as supplemented by a supplemental indenture dated as of May 12, 2009, among Inverness Medical Innovations, Inc., as issuer, the Guarantors named therein, as guarantors, and U.S. Bank National Association, as trustee (the Supplemental Indenture; the Base Indenture as supplemented by the Supplemental Indenture, the Indenture). The terms of the Notes include those stated in the Indenture and those made part of the Indenture by reference to the Trust Indenture Act of 1939, as amended. The Notes are subject to all those terms, and you should review the Indenture and the Trust Indenture Act for a statement of the terms.

The following is a summary of the material provisions of the Indenture. It does not purport to be complete and does not restate the Indenture in its entirety. You are encouraged to read the Indenture because it, and not this description, defines your rights as holder of the Notes. A copy of the Indenture may be obtained as described under Where You Can Find More Information below.

You can find definitions of certain terms used in this description under the heading Certain Definitions. As used below in this Description of Notes section, the Issuer means Inverness Medical Innovations, Inc., a Delaware corporation, and its successors, but not any of its subsidiaries, and Notes means the Notes described in this prospectus supplement that the Issuer will issue in this offering, along with any additional Notes issued under the Indenture.

PRINCIPAL, MATURITY AND INTEREST

The Notes will mature on May 15, 2016. The Notes will bear interest at a rate of 9.00% per annum, payable semi-annually on May 15 and November 15 of each year, or if any such day is not a Business Day, on the next succeeding Business Day (each an Interest Payment Date), commencing on November 15, 2009, to holders of record at the close of business on the May 1 or November 1, as the case may be, immediately preceding the relevant interest payment date. Interest on the Notes will be computed on the basis of a 360-day year of twelve 30-day months. The Issuer will be required to pay interest (including post-petition interest in any proceeding under any Bankruptcy Law) on overdue principal, premium and installments of interest, if any, from time to time on demand to the extent lawful at the interest rate applicable to the Notes.

The Notes will be issued in registered form, without coupons, and in minimum denominations of \$2,000 and integral multiples of \$1,000.

An aggregate principal amount of Notes equal to \$400.0 million is being issued in this offering. The Issuer may issue additional Notes in an unlimited principal amount having identical terms and conditions to the Notes being issued in this offering, subject to compliance with the covenant described under Certain Covenants Limitations on Additional Indebtedness. Any additional Notes will be part of the same issue as the Notes being issued in this offering and will be treated as a single class for all purposes under the Indenture.

S-88

Table of Contents

Description of notes

METHODS OF RECEIVING PAYMENTS ON THE NOTES

If a Holder has given wire transfer instructions to the Issuer at least 10 Business Days prior to the applicable payment date, the Issuer will make all payments on such Holder's Notes by wire transfer of immediately available funds to the account specified in those instructions. Otherwise, payments on the Notes will be made at the office or agency of the paying agent (the Paying Agent) and registrar (the Registrar) for the Notes within the City and State of New York unless the Issuer elects to make interest payments by check mailed to the Holders at their addresses set forth in the register of Holders.

RANKING OF THE NOTES AND THE GUARANTEES

The Notes will be:

- Ø general unsecured senior subordinated obligations of the Issuer;
- Ø junior in right of payment to all existing and future senior indebtedness of the Issuer, including indebtedness arising under the Credit Facilities; see Subordination of the Notes below;
- Ø *pari passu* in right of payment with all existing and future senior subordinated indebtedness of the Issuer, including indebtedness arising under the Issuer's outstanding 2007 Convertible Notes and any indebtedness of the Issuer that ranks *pari passu* in right of payment with the 2007 Convertible Notes;
- Ø senior in right of payment to any existing or future indebtedness of the Issuer that is, by its terms, subordinated in right of payment to the Notes;
- Ø unconditionally guaranteed by the Guarantors; see Guarantees of the Notes below;
- Ø effectively subordinated to all existing and future secured indebtedness of the Issuer, including indebtedness arising under the secured Credit Facilities, to the extent of the assets securing such indebtedness; and
- Ø structurally subordinated to all existing and future obligations of each of the Issuer's Subsidiaries that is not a Guarantor.

Each Guarantee will be:

- Ø a general unsecured senior subordinated obligation of the Guarantor thereunder;
- Ø junior in right of payment to all existing and future senior indebtedness of that Guarantor, including indebtedness arising under the Credit Facilities; see Subordination of the Guarantees of the Notes below;
- Ø *pari passu* in right of payment with any existing or future senior subordinated indebtedness of that Guarantor;
- Ø senior in right of payment to any existing or future indebtedness of that Guarantor that is, by its terms, subordinated in right of payment to the Guarantee of that Guarantor;

- Ø effectively subordinated to all existing and future secured indebtedness of that Guarantor, including indebtedness arising under the secured Credit Facilities, to the extent of the assets securing such obligations; and
- Ø structurally subordinated to all existing and future obligations of each Subsidiary of that Guarantor that is not also a Guarantor.

SUBORDINATION OF THE NOTES

The payment of all Obligations owing to the Holders in respect of the Notes will be subordinated in right of payment to the prior payment in full in cash of all Senior Debt (including all Obligations under any Credit Facility (including any Credit Agreement)), whether outstanding on the Issue Date or incurred after that date.

The Notes shall in all respects rank *pari passu* in right of payment with the 2007 Convertible Notes and any Indebtedness of the Issuer that ranks *pari passu* in right of payment with the 2007 Convertible Notes, and

Table of Contents

Description of notes

only Indebtedness of the Issuer which is Senior Debt shall rank senior to the Notes in accordance with the provisions of the Indenture.

The holders of Senior Debt will be entitled to receive payment in full in cash of all Obligations due on all Senior Debt (including interest accruing after the commencement of any bankruptcy or other like proceeding at the rate specified in any Credit Facility (including any Credit Agreement), whether or not such interest is an allowed claim in any such proceeding) before the Holders of Notes will be entitled to receive any payment or distribution of any kind or character made on account of any Obligations on or relating to the Notes (other than Permitted Junior Securities) in the event of any payment or distribution of assets of the Issuer of any kind or character, whether in cash, assets or securities, to creditors:

- Ø in any total or partial liquidation, dissolution or winding-up of the Issuer;
- Ø in a bankruptcy, reorganization, insolvency, receivership or other similar proceeding relating to the Issuer or its assets (whether voluntary or involuntary);
- Ø in any assignment for the benefit of creditors; or
- Ø in any marshalling of the Issuer's assets and liabilities.

In addition, the Issuer may not make any payment or distribution of any kind or character with respect to any Obligations on or relating to the Notes or acquire any of the Notes for cash or assets or otherwise (other than, in either case, Permitted Junior Securities) if:

- Ø any payment default on any Designated Senior Debt occurs and is continuing; or
- Ø any other event of default occurs and is continuing on any Designated Senior Debt that permits the holders of such Designated Senior Debt to accelerate its maturity (a non-payment default) and the Trustee receives a notice of such default (a Payment Blockage Notice) from the Representative of such Designated Senior Debt (including, as applicable, the administrative agent under any Credit Facility (including any Credit Agreement)).

Payments on and distributions with respect to any Obligations on or with respect to the Notes may and shall be resumed:

- Ø in the case of a payment default, upon the date on which all payment defaults are cured or waived (so long as no other event of default exists); and
- Ø in case of a non-payment default, on the earliest of (1) the date on which all such non-payment defaults are cured or waived, (2) 179 days after the date on which the applicable Payment Blockage Notice is received or (3) the date on which the Trustee receives notice from the Representative for such Designated Senior Debt rescinding the Payment Blockage Notice, unless in each case the maturity of any Designated Senior Debt has been accelerated.

No new Payment Blockage Notice may be delivered unless and until 360 days have elapsed since the effectiveness of the immediately prior Payment Blockage Notice.

No non-payment default that existed or was continuing on the date of delivery of any Payment Blockage Notice to the Trustee shall be, or be made, the basis for a subsequent Payment Blockage Notice, unless such non-payment default shall have been cured or waived for a period of not less than 90 consecutive days. Any subsequent action, or any breach of any financial covenants for a period ending after the date of delivery of the initial Payment Blockage Notice that, in either case, would give rise to a non-payment default pursuant to any provisions under which a non-payment default previously existed or was continuing will constitute a new non-payment default for this purpose.

Notwithstanding anything to the contrary, payments and distributions (i) of Permitted Junior Securities and (ii) made from the trust established pursuant to the provisions described under Legal Defeasance and Covenant Defeasance will be permitted and will not be subordinated so long as, with respect to clause (ii), the payments into the trust were made in accordance with the requirements described under Legal

S-90

Table of Contents

Description of notes

Defeasance and Covenant Defeasance and did not violate the subordination provisions when they were made.

The Issuer must promptly notify the holders of Senior Debt and Guarantor Senior Debt if payment of the Notes is accelerated because of an Event of Default.

As a result of the subordination provisions described above, in the event of a bankruptcy, liquidation or reorganization of the Issuer, Holders of the Notes may recover less ratably than creditors of the Issuer who are holders of Senior Debt. See Risk Factors Risks related to this offering Your right to receive payments on the notes and the related guarantees is subordinated to our and our guarantor subsidiaries senior debt.

As of December 31, 2008, the Issuer and its Restricted Subsidiaries had approximately \$1.37 billion in aggregate principal amount of Senior Debt outstanding, including approximately \$1.35 billion in aggregate principal amount of secured indebtedness outstanding under the Credit Facilities.

GUARANTEES OF THE NOTES

The Issuer's obligations under the Notes and the Indenture will be jointly and severally guaranteed by each Restricted Subsidiary that is a Domestic Subsidiary that guarantees any Indebtedness or other Obligation under any Credit Agreement; *provided, however*, that neither of the following shall be a Guarantor unless the Issuer so elects:

- (a) SPDH, Inc.; and
- (b) Diamics, Inc., until such time, if ever, that it becomes a Wholly-Owned Restricted Subsidiary.

Not all of our Subsidiaries will guarantee the Notes. Unrestricted Subsidiaries, Foreign Subsidiaries, the Subsidiaries named above, and Domestic Subsidiaries that do not guarantee any Indebtedness or other Obligation under the Credit Agreements will not be Guarantors. In the event of a bankruptcy, liquidation or reorganization of any of these non-guarantor Subsidiaries, these non-guarantor Subsidiaries will pay the holders of their debts and their trade creditors before they will be able to distribute any of their assets to us. For the fiscal year ended December 31, 2008, our non-guarantor Subsidiaries had net revenues of approximately \$499 million, or approximately 29.9% of our consolidated 2008 revenues, and operating income of approximately \$13.2 million, or approximately 20.7% of our consolidated 2008 operating income. As of December 31, 2008, our non-guarantor Subsidiaries had assets of approximately \$1,157 million, or approximately 19.4% of our consolidated assets. In addition, as of December 31, 2008, our non-guarantor Subsidiaries had total indebtedness and other liabilities of approximately \$467.8 million, excluding intercompany payable balances. For additional information, see note 26 of the notes to our audited financial statements included elsewhere in this prospectus supplement and Risk Factors Risks related to this offering under the subheadings The notes are not secured by our assets or those of our guarantor subsidiaries and Your right to receive payment on the notes will be structurally subordinated to the obligations of our non-guarantor subsidiaries, respectively.

Under the circumstances described below under the subheading Certain Covenants Limitations on Designation of Unrestricted Subsidiaries, the Issuer will be permitted to designate some of our Subsidiaries as Unrestricted Subsidiaries. On the Issue Date, no Subsidiary will be an Unrestricted Subsidiary and all Subsidiaries of the Issuer will be Restricted Subsidiaries. The effect of designating a Subsidiary as an Unrestricted Subsidiary will be:

- Ø an Unrestricted Subsidiary will not be subject to many of the restrictive covenants in the Indenture;
- Ø a Subsidiary that has previously been a Guarantor and that is designated an Unrestricted Subsidiary will be released from its Guarantee; and
- Ø the assets, income, cash flow and other financial results of an Unrestricted Subsidiary will not be consolidated with those of the Issuer for purposes of calculating compliance with the restrictive covenants

Table of Contents

Description of notes

contained in the Indenture, except for income of the Unrestricted Subsidiary to the extent any such income has actually been received by the Issuer or any of its Wholly-Owned Restricted Subsidiaries.

The Obligations of each Guarantor under its Guarantee will be limited to the maximum amount as will, after giving effect to all other contingent and fixed liabilities of such Guarantor (including any guarantees under any Credit Facility (including any Credit Agreement) permitted under clause (1) of **Certain Covenants Limitations on Additional Indebtedness**) and after giving effect to any collections from or payments made by or on behalf of any other Guarantor in respect of the Obligations of such other Guarantor under its Guarantee or pursuant to its contribution obligations under the Indenture, result in the obligations of such Guarantor under its Guarantee not constituting a fraudulent conveyance or fraudulent transfer under federal or state law. Each Guarantor that makes a payment for distribution under its Guarantee is entitled to a contribution from each other Guarantor in a *pro rata* amount based on adjusted net assets of each Guarantor.

A Guarantor shall be released from its obligations under its Guarantee and the Indenture:

- (1) in the event of a sale or other disposition of all or substantially all of the assets of such Guarantor, by way of merger, consolidation or otherwise, or a sale or other disposition of all of the Equity Interests of such Guarantor then held by the Issuer and the Restricted Subsidiaries;
- (2) if such Guarantor is designated as an Unrestricted Subsidiary or otherwise ceases to be a Restricted Subsidiary, in each case in accordance with the provisions of the Indenture, upon effectiveness of such designation or when it first ceases to be a Restricted Subsidiary, respectively; or
- (3) if such Guarantor does not guarantee any Indebtedness or other Obligation under any Credit Agreement (other than if such Guarantor no longer guarantees any Indebtedness or other Obligation under such Credit Agreement as a result of payment under any guarantee of any such Indebtedness or other Obligation by such Guarantor); *provided, however*, that a Guarantor shall not be permitted to be released from its Guarantee if it is an obligor with respect to any Indebtedness or other Obligation that would not, under **Certain Covenants Limitations on Additional Indebtedness**, be permitted to be incurred by a Restricted Subsidiary that is not a Guarantor.

SUBORDINATION OF THE GUARANTEES OF THE NOTES

Each Guarantee will be subordinated to Guarantor Senior Debt on the same basis as the Notes are subordinated to Senior Debt.

REDEMPTION

Optional redemption

Except as set forth below, the Notes may not be redeemed at the Issuer's option prior to May 15, 2013. At any time on or after May 15, 2013, the Issuer, at its option, may redeem the Notes, in whole or in part, upon not less than 30 nor more than 60 days' notice, at the redemption prices (expressed as percentages of principal amount) set forth below, together with accrued and unpaid interest thereon, if any, to but excluding the redemption date, if redeemed during the 12-month period beginning May 15 of the years indicated:

Year	Optional Redemption Price
2013	104.500%
2014	102.250%
2015 and thereafter	100.000%

S-92

Table of Contents

Description of notes

Redemption with proceeds from equity offerings

At any time prior to May 15, 2012, the Issuer may redeem up to 35% of the aggregate principal amount of the Notes with the net cash proceeds of one or more Qualified Equity Offerings at a redemption price equal to 109.00% of the principal amount of the Notes to be redeemed, *plus* accrued and unpaid interest thereon, if any, to but excluding the date of redemption; *provided, however*, that (1) at least 65% of the aggregate principal amount of Notes issued under the Indenture remains outstanding immediately after the occurrence of such redemption and (2) the redemption occurs within 90 days of the date of the closing of any such Qualified Equity Offering.

Make-whole redemption

At any time prior to May 15, 2013, the Issuer may redeem all or a part of the Notes, upon not less than 30 nor more than 60 days' notice, at a redemption price equal to 100% of the principal amount (or portion thereof) of the Notes to be redeemed *plus* the Applicable Premium as of, and accrued and unpaid interest, if any, to but excluding, the date of redemption.

Mandatory redemption

The Issuer is not required to make mandatory redemption or sinking fund payments with respect to the Notes.

Other acquisitions of notes

The Issuer may acquire Notes by means other than a redemption, whether pursuant to an issuer tender offer, open market purchase or otherwise, in accordance with applicable securities laws, so long as the acquisition does not otherwise violate the terms of the Indenture.

SELECTION AND NOTICE OF REDEMPTION

In the event that less than all of the Notes are to be redeemed at any time pursuant to an optional redemption, a redemption with proceeds from Qualified Equity Offerings or a make-whole redemption, selection of the Notes for redemption will be made by the Trustee in compliance with the requirements of the principal national securities exchange, if any, on which the Notes are listed or, if the Notes are not then listed on a national security exchange, on a *pro rata* basis, by lot or by such other method as the Trustee shall deem fair and appropriate; *provided, however*, partial redemption of Notes of any Holder may only be made of principal equal to \$1,000 or integral multiples thereof (*provided, however*, that no Note will be purchased in part if such Note would have a remaining principal amount of less than \$2,000). In addition, if a partial redemption is made pursuant to the provisions described in

Redemption with Proceeds from Equity Offerings, selection of the Notes or portions thereof for redemption will be made by the Trustee only on a *pro rata* basis or on as nearly a *pro rata* basis as is practicable (subject to the procedures of the Depository), unless that method is otherwise prohibited.

Notice of redemption will be mailed by first-class mail, postage prepaid, at least 30 but not more than 60 days before the date of redemption to each Holder of Notes to be redeemed at the Holder's registered address, except that redemption notices may be mailed more than 60 days prior to a redemption date if the notice is issued in connection with a satisfaction and discharge of the Indenture. The notice, if given in the manner provided above and in the Indenture, shall be conclusively presumed to have been given, whether or not the Holder receives such notice. If any

Note is to be redeemed in part only, the notice of redemption that relates to that Note will state the portion of the principal amount of the Note to be redeemed. A new Note in a principal amount equal to the unredeemed portion of the Note will be issued in the name of the Holder of the Note upon cancellation of the original Note. On and after the date of redemption, interest will cease to accrue on Notes or portions thereof called for redemption so long as the Issuer has deposited with the paying

Table of Contents

Description of notes

agent for the Notes funds in satisfaction of the redemption price (including accrued and unpaid interest, if any, on the Notes to be redeemed) pursuant to the Indenture.

CHANGE OF CONTROL

Upon the occurrence of any Change of Control, each Holder will have the right to require that the Issuer purchase all or any part (equal to \$1,000 or an integral multiple thereof (*provided, however*, that no Note will be purchased in part if such Note would have a remaining principal amount of less than \$2,000)) of that Holder's Notes for a cash price (the Change of Control Purchase Price) equal to 101% of the principal amount of the Notes to be purchased, *plus* accrued and unpaid interest thereon, if any, to but excluding the date of purchase.

Within 30 days following any Change of Control, the Issuer will mail, or caused to be mailed, to the Holders a notice:

- (1) describing the transaction or transactions that constitute the Change of Control;
- (2) offering to purchase, pursuant to the procedures required by the Indenture and described in the notice (a Change of Control Offer), on a date specified in the notice (which shall be a Business Day not earlier than 30 days nor later than 60 days from the date the notice is mailed) and for the Change of Control Purchase Price, all Notes properly tendered by such Holder pursuant to such Change of Control Offer; and
- (3) describing the procedures that Holders must follow to accept the Change of Control Offer.

The Change of Control Offer is required to remain open for at least 20 Business Days or for such longer period as is required by law.

The Issuer will publicly announce the results of the Change of Control Offer on or as soon as practicable after the date of purchase.

In the event that at the time of such Change of Control the terms of the Indebtedness under any Credit Agreement restrict or prohibit the purchasing of the Notes upon a Change of Control, then prior to mailing the notice described above to the Holders, but in any event within 30 days following any Change of Control, the Issuer must either repay in full the Indebtedness and terminate all commitments under the Credit Agreement that contains the prohibition or obtain the requisite consent of the applicable lenders to permit the purchase of Notes. The Issuer shall first comply with the covenant in the immediately preceding sentence before it shall be required to repurchase Notes upon a Change of Control or to send the notice pursuant to the provisions described above. The Issuer's failure to comply with the covenant described in the second preceding sentence (and any failure to send the notice described above to the Holders because the same is prohibited by the second preceding sentence) may (with notice and lapse of time) constitute an Event of Default described in clause (3) of the definition of Event of Default below but shall not constitute an Event of Default described in clause (2) of the definition of Event of Default below.

Our existing Credit Agreements currently prohibit us from purchasing any Notes, and also provide that some change of control events with respect to us would constitute a default under these Credit Agreements. Any future Credit Agreements or other agreements relating to Senior Debt to which the Issuer becomes a party may contain similar restrictions and provisions. In the event a Change of Control occurs at a time when the Issuer is prohibited from purchasing Notes, if the Issuer does not obtain all required consents of our senior lenders to purchase the Notes or

repay or refinance the borrowings that contain the prohibition, the Issuer will remain prohibited from purchasing Notes. In that case, our failure to obtain such consents or repay or refinance such borrowings so that we may purchase the Notes would constitute an Event of Default under the Indenture, which would, in turn, constitute a default under the Credit Agreements and any such other Senior Debt. In these circumstances, the subordination provisions in the Indenture would likely restrict payments to the Holders of Notes.

S-94

Table of Contents

Description of notes

The provisions described above that require us to make a Change of Control Offer following a Change of Control will be applicable regardless of whether any other provisions of the Indenture are applicable. Except as described above with respect to a Change of Control, the Indenture does not contain provisions that permit the Holders to require that the Issuer purchase or redeem the Notes in the event of a takeover, recapitalization or similar transaction.

The Issuer's obligation to make a Change of Control Offer will be satisfied if a third party makes the Change of Control Offer in the manner and at the times and otherwise in compliance with the requirements applicable to a Change of Control Offer made by the Issuer and purchases all Notes properly tendered and not withdrawn under the Change of Control Offer.

The definition of "Change of Control" under the Indenture contains important exceptions for certain types of transactions. The occurrence of transactions within these exceptions would not constitute a "Change of Control" for purposes of the Indenture, and would therefore not trigger the Holders' right to require the Issuer to purchase Notes as set forth above. The definition of "Change of Control" is set forth below under "Certain Definitions."

With respect to any disposition of assets, the phrase "all or substantially all" as used in the Indenture (including as set forth under "Certain Covenants - Limitations on Mergers, Consolidations, Etc." below) varies according to the facts and circumstances of the subject transaction, has no clearly established meaning under New York law (which governs the Indenture) and is subject to judicial interpretation. Accordingly, in certain circumstances there may be a degree of uncertainty in ascertaining whether a particular transaction would involve a disposition of "all or substantially all" of the assets of the Issuer, and therefore it may be unclear as to whether a Change of Control has occurred and whether the Holders have the right to require the Issuer to purchase Notes.

The Issuer will comply with applicable tender offer rules, including the requirements of Rule 14e-1 under the Exchange Act and any other applicable laws and regulations in connection with the purchase of Notes pursuant to a Change of Control Offer. To the extent that the provisions of any securities laws or regulations conflict with the "Change of Control" provisions of the Indenture, the Issuer shall comply with the applicable securities laws and regulations and will not be deemed to have breached its obligations under the "Change of Control" provisions of the Indenture by virtue of this compliance.

CERTAIN COVENANTS

The Indenture contains, among others, the following covenants:

Limitations on additional indebtedness

The Issuer will not, and will not permit any Restricted Subsidiary to, directly or indirectly, incur any Indebtedness; *provided, however*, that the Issuer or any Restricted Subsidiary may incur additional Indebtedness, and the Issuer or any Restricted Subsidiary may incur Acquired Indebtedness, if, after giving effect thereto, the Consolidated Interest Coverage Ratio would be at least 2.00 to 1.00 (the "Coverage Ratio Exception").

Notwithstanding the above, each of the following will be permitted to be incurred (the "Permitted Indebtedness"):

(1) Indebtedness of the Issuer or any Restricted Subsidiary under any Credit Facility (including any Credit Agreement) (including the issuance or creation of letters of credit and bankers' acceptances thereunder) so long as the aggregate amount of all Indebtedness of the Issuer and its Restricted Subsidiaries (without duplication) at any time outstanding under all Credit Facilities (including all Credit Agreements) (excluding Hedging Obligations related to the Indebtedness thereunder) does not exceed the greater of (x) \$1.75 billion, *less* the aggregate amount of Net Available Proceeds applied to repayments under the Credit Agreements in accordance with the covenant described under

Limitations on Asset Sales, and (y) 85% of the book value of the accounts receivable of the Issuer and the Restricted Subsidiaries *plus* 65% of the book value of inventory of the Issuer and the

Table of Contents

Description of notes

Restricted Subsidiaries, in each case calculated on a consolidated basis and in accordance with GAAP as of the last day of the last full fiscal quarter for which financial statements are available;

(2) the Notes being issued on the Issue Date and the related Guarantees;

(3) Indebtedness of the Issuer and the Restricted Subsidiaries to the extent outstanding on the Issue Date (other than Indebtedness referred to in clauses (1) and (2) above);

(4) Indebtedness of the Issuer or any Restricted Subsidiary under Hedging Obligations (i) entered into for *bona fide* purposes of hedging against fluctuations in interest rates with respect to Indebtedness under any Credit Facility (including any Credit Agreement) or (ii) entered into in the ordinary course of business for *bona fide* hedging purposes and not for the purpose of speculation that are designed to protect against fluctuations in interest rates, foreign currency exchange rates and commodity prices, provided that if, in the case of either (i) or (ii), such Hedging Obligations are of the type described in clause (1) of the definition thereof, (a) such Hedging Obligations relate to payment obligations on Indebtedness otherwise permitted to be incurred by this covenant, and (b) the notional principal amount of such Hedging Obligations at the time incurred does not exceed the principal amount of the Indebtedness to which such Hedging Obligations relate;

(5) Indebtedness of the Issuer owed to a Restricted Subsidiary and Indebtedness of any Restricted Subsidiary owed to the Issuer or any other Restricted Subsidiary, provided that upon any such Restricted Subsidiary ceasing to be a Restricted Subsidiary or such Indebtedness being owed to any Person other than the Issuer or a Restricted Subsidiary, the Issuer or such Restricted Subsidiary, as applicable, shall be deemed to have incurred Indebtedness not permitted by this clause (5);

(6)(i) Indebtedness in respect of bid, performance or surety bonds issued for the account of the Issuer or any Restricted Subsidiary in the ordinary course of business, including guarantees or obligations of the Issuer or any Restricted Subsidiary with respect to letters of credit supporting such bid, performance or surety obligations (in each case other than for an obligation for money borrowed), and (ii) Indebtedness of the Issuer or any Restricted Subsidiary consisting of reimbursement obligations with respect to commercial letters of credit and letters of credit issued to landlords, in each case in the ordinary course of business in an aggregate face amount not to exceed \$10.0 million at any time;

(7) Purchase Money Indebtedness incurred by the Issuer or any Restricted Subsidiary, and Refinancing Indebtedness with respect thereto, in an aggregate outstanding amount not to exceed \$50.0 million at any time;

(8) Indebtedness of the Issuer or any Restricted Subsidiary arising from the honoring by a bank or other financial institution of a check, draft or similar instrument inadvertently (except in the case of daylight overdrafts) drawn against insufficient funds in the ordinary course of business, provided that such Indebtedness is extinguished within five Business Days of incurrence;

(9) Indebtedness of the Issuer or any Restricted Subsidiary arising in connection with endorsement of instruments for deposit in the ordinary course of business;

(10) (i) Capitalized Lease Obligations arising under Sale and Leaseback Transactions with respect to any of the real property currently owned by Biosite Incorporated or any of its Restricted Subsidiaries in San Diego, California or

San Clemente, California, and Refinancing Indebtedness with respect thereto, in an aggregate outstanding amount for all such transactions under this clause (i) not to exceed \$150.0 million at any time and (ii) Capitalized Lease Obligations arising under any other Sale and Leaseback Transactions, and Refinancing Indebtedness with respect thereto, in an aggregate outstanding amount for all such transactions under this clause (ii) not to exceed \$50.0 million at any time;

(11) guarantee Obligations of the Issuer or any of its Restricted Subsidiaries with respect to Indebtedness of the Issuer or any of its Restricted Subsidiaries;

S-96

Table of Contents

Description of notes

(12) (i) Indebtedness incurred by the Issuer or any Restricted Subsidiary for the purpose of financing all or any part of the cost of, or in order to consummate, the acquisition of (x) Equity Interests of another Person engaged in the Permitted Business that becomes a Restricted Subsidiary, (y) all or substantially all of the assets of such a Person or a line of business, division or business unit within the Permitted Business by the Issuer or a Restricted Subsidiary, or (z) any other Permitted Business assets by the Issuer or a Restricted Subsidiary and (ii) Acquired Indebtedness incurred by the Issuer or any Restricted Subsidiary in connection with an acquisition by the Issuer or a Restricted Subsidiary; *provided, however*, that, in each of the foregoing cases, on the date of the incurrence of such Indebtedness or Acquired Indebtedness, after giving effect to the incurrence thereof and the use of any proceeds therefrom and otherwise determined on a *pro forma* basis for such transaction in accordance with the provisions set forth in the definition of *Consolidated Interest Coverage Ratio* in *Certain Definitions* below, either:

(a) the Issuer would be permitted to incur at least \$1.00 of additional Indebtedness pursuant to the Coverage Ratio Exception, or

(b) the Consolidated Interest Coverage Ratio would be greater than the Consolidated Interest Coverage Ratio immediately prior to the incurrence of such Indebtedness;

(13) guarantees by the Issuer or any of its Restricted Subsidiaries of the performance by any Restricted Subsidiary of its obligations under the P&G JV Agreements or the joint venture agreement or other related agreements, instruments or documents relating to any other joint venture entered into by the Issuer or any of its Restricted Subsidiaries in compliance with the Indenture (for the avoidance of doubt this clause shall not be read to allow guarantees of Indebtedness of any joint venture or joint venture partner or their Affiliates);

(14) Refinancing Indebtedness incurred by the Issuer or any Restricted Subsidiary with respect to Indebtedness incurred pursuant to the Coverage Ratio Exception or clause (2), (3) or (12) or this clause (14) in this section;

(15) Indebtedness of any Foreign Restricted Subsidiary or of any Domestic Subsidiary that is not a Guarantor in an aggregate outstanding principal amount for all such Indebtedness at any time not to exceed \$50.0 million; and

(16) any other Indebtedness of the Issuer or any Restricted Subsidiary in an aggregate outstanding principal amount for all such Indebtedness not to exceed \$50.0 million at any time.

For purposes of determining compliance with this covenant, in the event that an item of Indebtedness meets the criteria of more than one of the categories of Permitted Indebtedness described in clauses (1) through (16) above or is entitled to be incurred pursuant to the Coverage Ratio Exception, the Issuer shall, in its sole discretion, classify such item of Indebtedness and may divide and classify (and may later redivide and reclassify) such Indebtedness in more than one of the types of Indebtedness described in this covenant in any manner that complies with this covenant, except that Indebtedness incurred under any Credit Agreement on the Issue Date shall be deemed to have been incurred under clause (1) above. Any item of Indebtedness entitled to be incurred pursuant to the Coverage Ratio Exception and classified by the Issuer within such type of Indebtedness shall retain such classification (and the amount thereof shall not be counted in the determination of the amount of Indebtedness under any of clauses (1) through (16) of this covenant notwithstanding that the Coverage Ratio Exception is not available at any later time). In addition, for purposes of determining any particular amount of Indebtedness under this covenant or any category of Permitted Indebtedness, guarantees, Liens, letter of credit obligations or other obligations supporting Indebtedness

otherwise included in the determination of such particular amount shall not be included so long as incurred by a Person that could have incurred such Indebtedness.

The accrual of interest, the accretion or amortization of original issue discount, the payment of interest on any Indebtedness in the form of additional Indebtedness with the same terms and the payment of dividends

Table of Contents

Description of notes

on Disqualified Equity Interests of the Issuer in the form of additional shares of the same class of Disqualified Equity Interest (or in the form of Qualified Equity Interests) will not be deemed to be an incurrence of Indebtedness for purposes of this covenant.

Limitations on layering indebtedness

The Issuer will not, and will not permit any Restricted Subsidiary to, directly or indirectly, incur any Indebtedness that by its terms (or by the terms of any agreement governing such Indebtedness) is or purports to be senior in right of payment to the Notes or the Guarantee, if any, of such Restricted Subsidiary and subordinated in right of payment to any other Indebtedness of the Issuer or of such Restricted Subsidiary, as the case may be.

For purposes of the foregoing, no Indebtedness will be deemed to be subordinated in right of payment to any other Indebtedness of the Issuer or any Restricted Subsidiary solely by virtue of being unsecured or by virtue of the fact that the holders of such Indebtedness have entered into intercreditor agreements or other arrangements giving one or more of such holders priority over the other holders in the collateral held by them or by virtue of structural subordination.

Limitations on restricted payments

The Issuer will not, and will not permit any Restricted Subsidiary to, directly or indirectly, make any Restricted Payment if at the time of such Restricted Payment:

- (1) a Default shall have occurred and be continuing or shall occur as a consequence thereof;
- (2) the Issuer cannot incur \$1.00 of additional Indebtedness pursuant to the Coverage Ratio Exception; or
- (3) the amount of such Restricted Payment, when added to the aggregate amount of all other Restricted Payments made after the Issue Date (other than Restricted Payments made pursuant to clauses (2) through (7), (8) (with respect to non-cash dividends only), (10) and (11) of the next paragraph), exceeds the sum (the Restricted Payments Basket) of (without duplication):
 - (a) 50% of Consolidated Net Income for the period (taken as one accounting period) commencing on the first day of the first full fiscal quarter commencing after the Issue Date to and including the last day of the fiscal quarter ended immediately prior to the date of such calculation for which consolidated financial statements are available (or, if such Consolidated Net Income shall be a deficit, minus 100% of such aggregate deficit), *plus*
 - (b) 100% of the aggregate net proceeds, including cash and the Fair Market Value of the equity of a Person or of assets used in or constituting a line of business, in each case which becomes or becomes owned by a Restricted Subsidiary, received by the Issuer from the issuance and sale of Qualified Equity Interests after the Issue Date, other than any such proceeds which are used to redeem Notes in accordance with the second paragraph under Redemption Redemption with Proceeds from Equity Offerings, provided that the Issuer delivers to the Trustee:
 - (x) with respect to any equity or assets with a Fair Market Value in excess of \$15.0 million, an Officers Certificate setting forth such Fair Market Value and a Secretary s Certificate which sets forth and authenticates a resolution that has been adopted by a majority of the Independent Directors approving such Fair Market Value; and

(y) with respect to any equity or assets with a Fair Market Value in excess of \$50.0 million, the certificates described in the preceding clause (x) and a written opinion as to the Fair Market Value of such equity or assets received by the Issuer

S-98

Table of Contents

Description of notes

from the issuance and sale of such Qualified Equity Interests to the Issuer issued by an Independent Financial Advisor (which opinion may be in the form of a fairness opinion with respect to the transaction in which the equity or assets are acquired), *plus*

(c) 100% of the aggregate net cash proceeds received by the Issuer as contributions to the common or preferred equity (other than Disqualified Equity Interests) of the Issuer after the Issue Date, other than any such proceeds which are used to redeem Notes in accordance with the second paragraph under Redemption Redemption with Proceeds from Equity Offerings, *plus*

(d) the aggregate amount by which Indebtedness incurred by the Issuer or any Restricted Subsidiary subsequent to the Issue Date is reduced on the Issuer's balance sheet upon the conversion or exchange (other than by a Subsidiary of the Issuer) of Indebtedness into Qualified Equity Interests (less the amount of any cash, or the fair value of assets, distributed by the Issuer or any Restricted Subsidiary upon such conversion or exchange), *plus*

(e) in the case of the disposition or repayment of or return on any Investment that was treated as a Restricted Payment made after the Issue Date, an amount (to the extent not included in the computation of Consolidated Net Income) equal to the lesser of (i) the return of capital with respect to such Investment and (ii) the amount of such Investment that was treated as a Restricted Payment, in either case, *less* the cost of the disposition of such Investment and net of taxes, *plus*

(f) upon a Redesignation of an Unrestricted Subsidiary as a Restricted Subsidiary, the lesser of (i) the Fair Market Value of the Issuer's proportionate interest in such Subsidiary immediately following such Redesignation, and (ii) the aggregate amount of the Issuer's Investments in such Subsidiary to the extent such Investments reduced the Restricted Payments Basket and were not previously repaid or otherwise reduced.

The foregoing provisions will not prohibit:

(1) the payment by the Issuer or any Restricted Subsidiary of any dividend within 60 days after the date of declaration thereof, if on the date of declaration the payment would have complied with the provisions of the Indenture;

(2) the redemption of any Equity Interests of the Issuer or any Restricted Subsidiary in exchange for, or out of the proceeds of the substantially concurrent issuance and sale of, Qualified Equity Interests (and any payment of cash in lieu of delivering fractional shares in connection therewith);

(3) the redemption of Subordinated Indebtedness of the Issuer or any Restricted Subsidiary (a) in exchange for, or out of the proceeds of the substantially concurrent issuance and sale of, Qualified Equity Interests (and any payment of cash in lieu of delivering fractional shares in connection therewith) or (b) in exchange for, or out of the proceeds of the substantially concurrent incurrence of, Refinancing Indebtedness permitted to be incurred under the Limitations on Additional Indebtedness covenant and the other terms of the Indenture;

(4) the redemption of Equity Interests of the Issuer held by officers, directors or employees or former officers, directors or employees (or their transferees, estates or beneficiaries under their estates) upon their death, disability, retirement, severance or termination of employment or service; *provided, however*, that the aggregate cash consideration paid for all such redemptions shall not exceed \$10.0 million during any calendar year;

(5) repurchases of Equity Interests deemed to occur upon the exercise of stock options or warrants if the Equity Interests represents a portion of the exercise price thereof;

Table of Contents

Description of notes

(6) the redemption of any Indebtedness of the Issuer or any Restricted Subsidiary owing to any Restricted Subsidiary or the Issuer;

(7) upon the occurrence of a Change of Control and within 120 days after the completion of the offer to repurchase the Notes pursuant to the provisions of the Indenture described under Change of Control, any redemption of Indebtedness of the Issuer required pursuant to the terms thereof;

(8) the payment by the Issuer of any dividend on shares of the Series B Preferred Stock, in accordance with the terms thereof set forth in the Issuer's certificate of incorporation as in effect on the Issue Date (as may be modified thereafter in a manner not adverse to the Holders), whether paid in cash or Equity Interests (other than Disqualified Equity Interests);

(9) payments of dividends on Disqualified Equity Interests issued in compliance with the covenant described under Limitations on Additional Indebtedness ;

(10) payments made using any Net Proceeds Deficiency (as such term is defined in Limitations on Asset Sales below); or

(11) other Restricted Payments in an amount which, when taken together with all other Restricted Payments made pursuant to this clause (11), does not exceed \$50.0 million in the aggregate (with the amount of each Restricted Payment being determined as of the date made and without regard to subsequent changes in value);

provided, however, that (a) in the case of any Restricted Payment pursuant to clause (3)(b), (10) or (11) above, no Default shall have occurred and be continuing or will occur as a consequence thereof and (b) no issuance and sale of Qualified Equity Interests pursuant to clause (2) or (3) above shall increase the Restricted Payments Basket, except to the extent the proceeds thereof exceed the amounts used to effect the transactions described therein.

Limitations on dividend and other restrictions affecting restricted subsidiaries

The Issuer will not, and will not permit any Restricted Subsidiary to, directly or indirectly, create or otherwise cause or permit to exist or become effective any consensual encumbrance or consensual restriction on the ability of any Restricted Subsidiary to:

(a) pay dividends or make any other distributions on or in respect of its Equity Interests;

(b) make loans or advances, or pay any Indebtedness or other obligation owed, to the Issuer or any other Restricted Subsidiary; or

(c) transfer any of its assets to the Issuer or any other Restricted Subsidiary;

except for:

(1) encumbrances or restrictions existing under or by reason of applicable law;

(2) encumbrances or restrictions existing under the Indenture (including the Guarantees) and the Notes;

- (3) non-assignment provisions or other restrictions on transfer contained in any lease, license or other contract;
- (4) encumbrances or restrictions existing under agreements existing on the date of the Indenture (including any Credit Facility or Credit Agreement) (with similar restrictions under any such agreement applicable to future Restricted Subsidiaries being permitted hereunder);
- (5) encumbrances or restrictions under any Credit Facility (including any Credit Agreement) (including with regard to future Restricted Subsidiaries);

S-100

Table of Contents

Description of notes

- (6) restrictions on the transfer of assets subject to any Lien imposed by the holder of such Lien;
- (7) restrictions on the transfer of assets imposed under any agreement to sell such assets to any Person pending the closing of such sale;
- (8) encumbrances or restrictions under any instrument governing Acquired Indebtedness that are not applicable to any Person, or the properties or assets of any Person, other than the Person or the properties or assets of the Person so acquired;
- (9) encumbrances or restrictions under any other agreement entered into after the Issue Date that are, in the good faith judgment of the Issuer, not materially more restrictive, taken as a whole, with respect to any Restricted Subsidiary than those in effect on the Issue Date with respect to that Restricted Subsidiary (or any future Restricted Subsidiary) pursuant to agreements in effect on the Issue Date (including the Indenture and the Credit Agreements);
- (10) restrictions under customary provisions in partnership agreements, limited liability company organizational or governance documents, joint venture agreements, corporate charters, stockholders' agreements, and other similar agreements and documents on the transfer of ownership interests in such partnership, limited liability company, joint venture or similar Person;
- (11) encumbrances or restrictions imposed under Purchase Money Indebtedness on the assets acquired that are of the nature described in clause (c) above, provided such Purchase Money Indebtedness is incurred in compliance with the covenant described under "Limitations on Additional Indebtedness";
- (12) restrictions of the nature described in clause (c) above contained in any security agreement or mortgage securing Indebtedness or other obligations of the Issuer or any Restricted Subsidiary to the extent such restrictions restrict the transfer of the property subject to such security agreement or mortgage; and
- (13) any encumbrances or restrictions imposed by any amendments or refinancings of the contracts, instruments or obligations referred to in clauses (1) through (12) above; *provided, however*, that such encumbrances or restrictions are, in the good faith judgment of the Issuer, no more materially restrictive, taken as a whole, than those in effect prior to such amendment or refinancing.

Limitations on transactions with affiliates

The Issuer will not, and will not permit any Restricted Subsidiary to, directly or indirectly, in one transaction or a series of related transactions, sell, lease, transfer or otherwise dispose of any of its assets to, or purchase any assets from, or enter into any contract, agreement, understanding, loan, advance or guarantee with, or for the benefit of, any Affiliate (an Affiliate Transaction), unless:

- (1) such Affiliate Transaction is on terms that are no less favorable to the Issuer or the relevant Restricted Subsidiary than those that would have been obtained in a comparable transaction at such time on an arm's-length basis by the Issuer or that Restricted Subsidiary from a Person that is not an Affiliate of the Issuer or that Restricted Subsidiary; and

(2) the Issuer delivers to the Trustee:

(a) with respect to any Affiliate Transaction involving aggregate value expended by the Issuer or any Restricted Subsidiary in a consecutive twelve-month period in excess of \$15.0 million, an Officers Certificate certifying that such Affiliate Transaction complies with clause (1) above and a Secretary s Certificate which sets forth and authenticates a resolution that has been adopted by a majority of the Independent Directors approving such Affiliate Transaction; and

S-101

Table of Contents

Description of notes

(b) with respect to any Affiliate Transaction involving aggregate value expended by the Issuer or any Restricted Subsidiary in a consecutive twelve-month period of \$50.0 million or more, the certificates described in the preceding clause (a) and a written opinion as to the fairness of such Affiliate Transaction to the Issuer or such Restricted Subsidiary from a financial point of view issued by an Independent Financial Advisor.

The foregoing restrictions shall not apply to:

(1) transactions exclusively between or among (a) the Issuer and one or more Restricted Subsidiaries or (b) Restricted Subsidiaries, provided in each case, that no Affiliate of the Issuer (other than another Restricted Subsidiary) owns Equity Interests of any such Restricted Subsidiary;

(2) director, officer and employee compensation (including bonuses) and other benefits (including retirement, health, stock option and other benefit plans) and indemnification and insurance arrangements;

(3) the entering into of any tax sharing agreement, or the making of payments pursuant to any such agreement, between the Issuer and/or one or more Subsidiaries, on the one hand, and any other Person with which the Issuer or such Subsidiaries are required or permitted to file a consolidated tax return or with which the Issuer or such Subsidiaries are part of a consolidated group for tax purposes, on the other hand, which payments by the Issuer and the Subsidiaries are not materially in excess of the tax liabilities that would have been payable by them on a stand-alone basis;

(4) any Permitted Investments;

(5) Restricted Payments which are made in accordance with the covenant described above under Limitations on Restricted Payments (including payments and transactions that would constitute Restricted Payments but for the exclusions in clauses (1) and (2) of the definition thereof);

(6) any transaction with an Affiliate where the only consideration paid by the Issuer or any Restricted Subsidiary is Qualified Equity Interests (and any payments of cash in lieu of delivering fractional shares in connection therewith);

(7) the sale to an Affiliate of the Issuer of Equity Interests of the Issuer that do not constitute Disqualified Equity Interests, and the sale to an Affiliate of the Issuer of Indebtedness (including Disqualified Equity Interests) of the Issuer in connection with an offering of such Indebtedness in a market transaction and on terms substantially identical to those of other purchasers in such market transaction who are not Affiliates;

(8) any transaction with a joint venture in which the Issuer or a Restricted Subsidiary is a joint venturer and no other Affiliate is a joint venturer, or with any Subsidiary thereof or other joint venturer therein, pursuant to the joint venture agreement or related agreements for such joint venture, including any transfers of any equity or ownership interests in any such joint venture to any other joint venturer therein pursuant to the performance or exercise of any rights or obligations to make such transfer under the terms of the agreements governing such joint venture; or

(9) without limiting clause (8) immediately above, (a) any transaction with a P&G JV Company or any Subsidiary or member thereof pursuant to the P&G JV Agreements or (b) any other transactions with a P&G JV Company or any Subsidiary or member thereof for the manufacturing, packaging, supply or distribution of products or materials, or the provision of other administrative or operational services (whether on a transitional or ongoing basis), solely with

respect to the consumer diagnostic business, so long as, with respect to this clause (b), the charges for manufacturing such products are on a cost-plus basis.

S-102

Table of Contents

Description of notes

The foregoing restrictions in clause (2) of the first paragraph of this covenant shall not apply to ordinary course transactions between the Issuer or any Restricted Subsidiary and an Unrestricted Subsidiary.

Limitations on liens

The Issuer shall not, and shall not permit any Restricted Subsidiary to, directly or indirectly, create, incur, assume or permit or suffer to exist any Lien of any nature whatsoever (other than Permitted Liens) against any assets of the Issuer or any Restricted Subsidiary (including Equity Interests of a Restricted Subsidiary), whether owned at the Issue Date or thereafter acquired, or any proceeds therefrom, in each case securing an obligation that ranks *pari passu* in right of payment with, or that is subordinated in right of payment to, the Notes or any Guarantee, unless contemporaneously therewith:

- (1) in the case of any Lien securing an obligation that ranks *pari passu* in right of payment with the Notes or any Guarantee, effective provision is made to secure the Notes or such Guarantee, as the case may be, at least equally and ratably with or prior to such obligation with a Lien on the same collateral; and
- (2) in the case of any Lien securing an obligation that is subordinated in right of payment to the Notes or a Guarantee, effective provision is made to secure the Notes or such Guarantee, as the case may be, with a Lien on the same collateral that is prior to the Lien securing such subordinated obligation,

in each case, for so long as such obligation is secured by such Lien.

Limitations on asset sales

The Issuer will not, and will not permit any Restricted Subsidiary to, directly or indirectly, consummate any Asset Sale unless:

- (1) the Issuer or such Restricted Subsidiary receives consideration at the time of such Asset Sale at least equal to the Fair Market Value of the assets included in such Asset Sale; and
- (2) at least 75% (or, solely in the case of any Asset Sale to create any Health Management Joint Venture, 50%) of the total consideration received in such Asset Sale consists of cash or Cash Equivalents.

For purposes of clause (2) (and not for purposes of determining the Net Available Proceeds with respect to the application and purchase offer provisions in this covenant), the following shall be deemed to be cash:

- (a) the amount (without duplication) of any Indebtedness of the Issuer or such Restricted Subsidiary that is expressly assumed by the transferee in such Asset Sale and with respect to which the Issuer or such Restricted Subsidiary, as the case may be, is released by the holder of such Indebtedness;
- (b) the amount of any obligations received from such transferee that are within 180 days converted by the Issuer or such Restricted Subsidiary to cash (to the extent of the cash actually so received);
- (c) the Fair Market Value of (i) any assets (other than securities) received by the Issuer or any Restricted Subsidiary to be used by it in the Permitted Business, (ii) Equity Interests in a Person that is a Restricted Subsidiary or in a Person

engaged in a Permitted Business that shall become a Restricted Subsidiary immediately upon the acquisition of such Person by the Issuer or (iii) a combination of (i) and (ii); and

(d) the Fair Market Value of any Equity Interests for which the Issuer or such Restricted Subsidiary has a contractual right to require the registration of such Equity Interests under the Securities Act or the applicable securities laws of the jurisdiction in which such Securities are listed on a Major Foreign Exchange (Designated Non-Cash Consideration); *provided, however*, that no consideration

Table of Contents

Description of notes

received in an Asset Sale will constitute Designated Non-Cash Consideration if and to the extent that the classification of such consideration as Designated Non-Cash Consideration would cause the aggregate amount of all such Designated Non-Cash Consideration outstanding at that time to exceed 2.5% of Consolidated Total Assets (with the Fair Market Value of each item of Designated Non-Cash Consideration being measured at the time received and without giving effect to subsequent changes in value).

If at any time any non-cash consideration (including any Designated Non-Cash Consideration) received by the Issuer or any Restricted Subsidiary of the Issuer, as the case may be, in connection with any Asset Sale is repaid or converted into or sold or otherwise disposed of for cash (other than interest received with respect to any such non-cash consideration), then the date of such repayment, conversion or disposition shall be deemed to constitute the date of an Asset Sale hereunder and the Net Available Proceeds thereof shall be applied in accordance with this covenant.

If the Issuer or any Restricted Subsidiary engages in an Asset Sale, the Issuer or such Restricted Subsidiary shall, no later than 360 days following the consummation thereof, apply all or any (or, in the Issuer's discretion, none) of the Net Available Proceeds therefrom to:

(1) repay Senior Debt or Guarantor Senior Debt, and in the case of any such repayment under any revolving credit facility, effect a permanent reduction in the availability under such revolving credit facility, in each case if and to the extent permitted under the terms of such Senior Debt or Guarantor Senior Debt;

(2) repay any Indebtedness which was secured by the assets sold in such Asset Sale; and/or

(3) (a) invest all or any part of the Net Available Proceeds thereof in assets (other than securities), including expenditures for research and development activities, to be used by the Issuer or any Restricted Subsidiary in the Permitted Business, (b) acquire Equity Interests in a Person that is a Restricted Subsidiary or in a Person engaged in a Permitted Business that shall become a Restricted Subsidiary immediately upon the consummation of such acquisition or (c) a combination of (a) and (b).

The amount of Net Available Proceeds not applied or invested as provided in this paragraph will constitute Excess Proceeds. The Issuer or such Restricted Subsidiary may repay Senior Debt or Guarantor Senior Debt under a revolving Credit Facility during the 360 days following the consummation of such Asset Sale without effecting a permanent reduction in the availability under such revolving credit facility, pending application of such proceeds pursuant to clause (1), (2) or (3) above or their use as Excess Proceeds in accordance with the next paragraph, and such repayment shall not be considered an application of Net Available Proceeds for purposes of this paragraph; *provided, however*, that, if such Net Available Proceeds are not applied after 360 days for any purpose other than the repayment of a revolving credit facility, a permanent reduction in the availability under such revolving credit facility shall then be required in order for such repayment to be considered an application of Net Available Proceeds for purposes of this paragraph.

When the aggregate amount of Excess Proceeds equals or exceeds \$50.0 million, the Issuer will be required to make an offer to purchase from all Holders and, if applicable, redeem (or make an offer to do so) any Pari Passu Indebtedness of the Issuer the provisions of which require the Issuer to redeem such Pari Passu Indebtedness with the proceeds from any Asset Sales (or offer to do so), in an aggregate principal amount of Notes and such Pari Passu Indebtedness equal to the amount of such Excess Proceeds as follows:

(1) the Issuer will (a) make an offer to purchase (a Net Proceeds Offer) to all Holders in accordance with the procedures set forth in the Indenture, and (b) redeem (or make an offer to do so) any such other Pari Passu Indebtedness, on a *pro rata* basis (or on as nearly a *pro rata* basis as is practicable) in proportion to the respective principal amounts of the Notes and such other Pari Passu Indebtedness required to be redeemed, the maximum principal amount of Notes (in each case in whole in a principal amount of \$1,000 or integral multiples thereof; *provided, however*, that no Note

S-104

Table of Contents

Description of notes

will be purchased in part if such Note would have a remaining amount of less than \$2,000) and Pari Passu Indebtedness that may be redeemed out of the amount (the Payment Amount) of such Excess Proceeds;

(2) the offer price for the Notes will be payable in cash in an amount equal to 100% of the principal amount of the Notes tendered pursuant to a Net Proceeds Offer, *plus* accrued and unpaid interest thereon, if any, to the date such Net Proceeds Offer is consummated (the Offered Price), in accordance with the procedures set forth in the Indenture and the redemption price for such Pari Passu Indebtedness (the Pari Passu Indebtedness Price) shall be as set forth in the related documentation governing such Indebtedness;

(3) if the aggregate Offered Price of Notes validly tendered and not withdrawn by Holders thereof exceeds the *pro rata* portion of the Payment Amount allocable to the Notes, Notes to be purchased will be selected on a *pro rata* basis (or on as nearly a *pro rata* basis as is practicable); and

(4) upon completion of such Net Proceeds Offer in accordance with the foregoing provisions, the amount of Excess Proceeds with respect to which such Net Proceeds Offer was made shall be deemed to be zero.

To the extent that the sum of the aggregate Offered Price of Notes tendered pursuant to a Net Proceeds Offer and the aggregate Pari Passu Indebtedness Price paid to the holders of such Pari Passu Indebtedness is less than the Payment Amount relating thereto (such shortfall constituting a Net Proceeds Deficiency), the Issuer may use the Net Proceeds Deficiency, or a portion thereof, for general corporate purposes, subject to the provisions of the Indenture, and the amount of Excess Proceeds with respect to such Net Proceeds Offer shall be deemed to be zero.

The Issuer will comply with applicable tender offer rules, including the requirements of Rule 14e-1 under the Exchange Act and any other applicable laws and regulations in connection with the purchase of Notes pursuant to a Net Proceeds Offer. To the extent that the provisions of any securities laws or regulations conflict with the covenant described under Limitations on Asset Sales, the Issuer shall comply with the applicable securities laws and regulations and will not be deemed to have breached its obligations under the covenant described under Limitations on Asset Sales by virtue of this compliance.

Limitations on designation of unrestricted subsidiaries

The Issuer may designate any Subsidiary of the Issuer (including any newly acquired or newly formed Subsidiary) as an Unrestricted Subsidiary under the Indenture (a Designation) only if:

(1) no Default shall have occurred and be continuing at the time of or after giving effect to such Designation; and

(2) the Issuer would be permitted to make, at the time of such Designation, (a) a Permitted Investment or (b) an Investment pursuant to the first paragraph of Limitations on Restricted Payments above, in either case, in an amount (the Designation Amount) equal to the Fair Market Value of the Issuer's proportionate interest in such Subsidiary on such date *less*, for this purpose, the amount of any intercompany loan from the Issuer or any Restricted Subsidiary to such Subsidiary that was treated as a Restricted Payment.

No Subsidiary shall be Designated as an Unrestricted Subsidiary unless such Subsidiary:

(1) has no Indebtedness other than Non-Recourse Debt;

(2) is not party to any agreement, contract, arrangement or understanding with the Issuer or any Restricted Subsidiary unless the terms of the agreement, contract, arrangement or understanding are no less favorable to the Issuer or the Restricted Subsidiary than those that might be obtained at the time from Persons who are not Affiliates;

S-105

Table of Contents

Description of notes

(3) is a Person with respect to which neither the Issuer nor any Restricted Subsidiary has any direct or indirect obligation (a) to subscribe for additional Equity Interests or (b) to maintain or preserve the Person's financial condition or to cause the Person to achieve any specified levels of operating results; and

(4) has not guaranteed or otherwise directly or indirectly provided credit support for any Indebtedness of the Issuer or any Restricted Subsidiary in excess of \$25.0 million in the aggregate, except for any guarantee given solely to support the pledge by the Issuer or any Restricted Subsidiary of the Equity Interests of such Unrestricted Subsidiary, which guarantee is not recourse to the Issuer or any Restricted Subsidiary, and except to the extent the amount thereof constitutes a Restricted Payment permitted pursuant to the covenant described under Limitations on Restricted Payments.

If, at any time, any Unrestricted Subsidiary fails to meet the preceding requirements as an Unrestricted Subsidiary, it shall thereafter cease to be an Unrestricted Subsidiary for purposes of the Indenture and any Indebtedness of the Subsidiary and any Liens on assets of such Subsidiary shall be deemed to be incurred by a Restricted Subsidiary as of the date and, if the Indebtedness is not permitted to be incurred under the covenant described under Limitations on Additional Indebtedness above, or the Lien is not permitted under the covenant described under Limitations on Liens above, the Issuer shall be in default of the applicable covenant.

The Issuer may redesignate an Unrestricted Subsidiary as a Restricted Subsidiary (a Redesignation) only if:

- (1) no Default shall have occurred and be continuing at the time of and after giving effect to such Redesignation; and
- (2) all Liens, Indebtedness and Investments of such Unrestricted Subsidiary outstanding immediately following such Redesignation would, if incurred or made at such time, have been permitted to be incurred or made for all purposes of the Indenture.

All Designations and Redesignations must be evidenced by (1) resolutions of the Board of Directors of the Issuer, and (2) an Officer's Certificate certifying compliance with the foregoing provisions, in each case delivered to the Trustee.

Limitations on sale and leaseback transactions

The Issuer will not, and will not permit any Restricted Subsidiary to, directly or indirectly, enter into any Sale and Leaseback Transaction; *provided, however*, that the Issuer or any Restricted Subsidiary may enter into a Sale and Leaseback Transaction if:

- (1) the Issuer or such Restricted Subsidiary could have (a) incurred the Indebtedness attributable to such Sale and Leaseback Transaction pursuant to the covenant described under Limitations on Additional Indebtedness and (b) incurred a Lien to secure such Indebtedness without equally and ratably securing the Notes pursuant to the covenant described under Limitations on Liens ;

- (2) the gross cash proceeds of such Sale and Leaseback Transaction are at least equal to the Fair Market Value of the asset that is the subject of such Sale and Leaseback Transaction; and

(3) the transfer of assets in such Sale and Leaseback Transaction is permitted by, and the Issuer or the applicable Restricted Subsidiary applies the proceeds of such transaction in accordance with, the covenant described under Limitations on Asset Sales.

Limitations on the issuance or sale of equity interests of restricted subsidiaries

The Issuer will not, and will not permit any Restricted Subsidiary to, directly or indirectly, sell or issue any shares of Equity Interests of any Restricted Subsidiary except (1) by any Wholly-Owned Restricted Subsidiary

S-106

Table of Contents

Description of notes

to the Issuer or any Restricted Subsidiary, (2) to the Issuer, a Restricted Subsidiary or the minority stockholders of any Restricted Subsidiary, on a *pro rata* basis, at Fair Market Value, or (3) to the extent such shares represent directors qualifying shares or shares required by applicable law to be held by a Person other than the Issuer or a Wholly-Owned Restricted Subsidiary. The sale of all the Equity Interests of any Restricted Subsidiary is permitted by this covenant but is subject to the covenant described under Limitations on Asset Sales.

Limitations on mergers, consolidations, etc.

The Issuer will not, directly or indirectly, in a single transaction or a series of related transactions, (a) consolidate or merge with or into any other Person (other than a merger with a Wholly-Owned Restricted Subsidiary solely for the purpose of changing the Issuer's name or jurisdiction of incorporation to another State of the United States), or sell, lease, transfer, convey or otherwise dispose of or assign all or substantially all of the assets of the Issuer or the Issuer and the Restricted Subsidiaries (taken as a whole) to any other Person or (b) effect a Plan of Liquidation unless, in either case:

(1) either (x) the Issuer will be the surviving or continuing Person or (y) the Person formed by or surviving such consolidation or merger (if not the Issuer) or to which such sale, lease, conveyance or other disposition shall be made (or, in the case of a Plan of Liquidation, any Person to which assets are transferred) (collectively, the Successor) is a corporation organized and existing under the laws of any State of the United States of America or the District of Columbia, and the Successor expressly assumes, by supplemental indenture in form and substance satisfactory to the Trustee, all of the obligations of the Issuer under the Notes and the Indenture;

(2) immediately after giving effect to such transaction and the assumption of the obligations as set forth in clause (1)(y) above, if applicable, and the incurrence of any Indebtedness to be incurred in connection therewith, no Default shall have occurred and be continuing; and

(3) except in the case of the consolidation or merger of any Restricted Subsidiary with or into the Issuer, immediately after giving effect to such transaction and the assumption of the obligations set forth in clause (1)(y) above, if applicable, and the incurrence of any Indebtedness to be incurred in connection therewith, and the use of any net proceeds therefrom on a *pro forma* basis, (a) the Consolidated Net Worth of the Issuer or the Successor, as the case may be, would be at least equal to the Consolidated Net Worth of the Issuer immediately prior to such transaction and (b) either (i) the Issuer or the Successor, as the case may be, could incur \$1.00 of additional Indebtedness pursuant to the Coverage Ratio Exception or (ii) the Consolidated Interest Coverage Ratio of the Issuer or the Successor, as the case may be, determined on a *pro forma* basis for such transaction, would not be lower than the Consolidated Interest Coverage Ratio of the Issuer immediately prior to such transaction.

For purposes of this covenant, any Indebtedness of the Successor which was not Indebtedness of the Issuer immediately prior to the transaction shall be deemed to have been incurred in connection with such transaction.

Except as provided under the caption Guarantees of the Notes, no Guarantor may consolidate with or merge with or into (whether or not such Guarantor is the surviving Person) another Person (other than the Issuer or another Guarantor), whether or not affiliated with such Guarantor, unless:

(1) either:

- (a) such Guarantor will be the surviving or continuing Person; or
- (b) the Person formed by or surviving any such consolidation or merger assumes, by supplemental indenture in the form of Exhibit B attached to the Indenture, all of the

Table of Contents

Description of notes

obligations of such Guarantor under the Guarantee of such Guarantor and the Indenture; and

(2) immediately after giving effect to such transaction, no Default shall have occurred and be continuing.

For purposes of this covenant, the sale, lease, transfer, conveyance or other disposition or assignment of all or substantially all of the assets of one or more Restricted Subsidiaries, the Equity Interests of which constitute all or substantially all of the assets of the Issuer, will be deemed to be the transfer of all or substantially all of the assets of the Issuer.

Except as provided under the caption Guarantees of the Notes, upon any consolidation, combination or merger of the Issuer or a Guarantor, or any sale, lease, transfer, conveyance or other disposition or assignment of all or substantially all of the assets of the Issuer in accordance with the foregoing, in which the Issuer or such Guarantor is not the continuing obligor or continuing guarantor, as the case may be, under the Notes or its Guarantee, the surviving entity formed by such consolidation or into which the Issuer or such Guarantor is merged or the entity to which the sale, lease, transfer, conveyance or other disposition or assignment is made will succeed to, and be substituted for, and may exercise every right and power of, the Issuer or such Guarantor under the Indenture, the Notes and the Guarantee with the same effect as if such surviving entity had been named therein as the Issuer or such Guarantor, and, except in the case of a lease, the Issuer or such Guarantor, as the case may be, will be released from the obligation to pay the principal of and interest on the Notes or in respect of its Guarantee, as the case may be, and all of the Issuer's or such Guarantor's other obligations and covenants under the Notes, the Indenture and its Guarantee, if applicable.

Notwithstanding the foregoing, any Restricted Subsidiary may merge into the Issuer or another Restricted Subsidiary.

Additional guarantees

If, after the Issue Date, (a) the Issuer or any Restricted Subsidiary acquires or creates a Domestic Subsidiary that guarantees any Indebtedness or other Obligation under any Credit Agreement (other than a Subsidiary that has been designated an Unrestricted Subsidiary), (b) any Unrestricted Subsidiary that is a Domestic Subsidiary that guarantees any Indebtedness or other Obligation under any Credit Agreement is redesignated a Restricted Subsidiary, or (c) if the proviso in the definition of Domestic Subsidiary shall cease to apply with respect to Inverness Medical Investments, LLC, BBI Research, Inc. or Seravac USA Inc. such that any such Subsidiary shall become a Domestic Subsidiary (and provided that such Domestic Subsidiary is a Restricted Subsidiary and guarantees any Indebtedness or other Obligations under any Credit Agreement), then, in each such case, the Issuer shall cause such Restricted Subsidiary to execute and deliver to the Trustee a supplemental indenture in the form of Exhibit B attached to the Indenture, pursuant to which such Restricted Subsidiary shall unconditionally and irrevocably guarantee all of the Issuer's obligations under the Notes and the Indenture. Thereafter, such Restricted Subsidiary shall be a Guarantor for all purposes of the Indenture.

Conduct of business

The Issuer will not, and will not permit any Restricted Subsidiary to, engage in any business other than the Permitted Business.

SEC reports

Whether or not required by the SEC's rules and regulations, so long as any Notes are outstanding, the Issuer will furnish to the Holders of Notes, cause the Trustee to furnish to the Holders, or file electronically with the SEC through the SEC's Electronic Data Gathering, Analysis and Retrieval System (or any successor system, including the Interactive Data Electronic Applications System), within the time periods (including any

S-108

Table of Contents

Description of notes

extensions thereof) applicable to (or that would be applicable to) the Issuer under the SEC's rules and regulations:

(1) all quarterly and annual financial information that would be required to be contained in a filing with the SEC on Forms 10-Q or 10-K (or any successor forms), as the case may be, if the Issuer were required to file these Forms, including a Management's Discussion and Analysis of Financial Condition and Results of Operations and, with respect to the annual information only, a report on the annual financial statements by the Issuer's independent accountants; and

(2) all current reports that would be required to be filed with the SEC on Form 8-K (or any successor form) if the Issuer were required to file these reports.

In addition, whether or not required by the SEC's rules and regulations, the Issuer will file a copy of all of the information and reports referred to in clauses (1) and (2) above with the SEC for public availability within the time periods applicable to the Issuer under Section 13(a) or 15(d) of the Exchange Act (unless the SEC will not accept the filing, in which case the Issuer shall make the information available to securities analysts and prospective investors upon request). The Issuer also shall comply with the other provisions of Trust Indenture Act § 314(a).

Suspension of covenants

If during any period of time following the issuance of the Notes that (i) the Notes have a rating equal to or higher than Baa3 (or the equivalent) by Moody's and BBB- (or the equivalent) by S&P, or, if both will not make a rating on the Notes publicly available, from a nationally recognized statistical rating agency or agencies, as the case may be, selected by the Issuer that will be substituted for Moody's or S&P or both, as the case may be (Moody's, S&P or such other agency or agencies, as the case may be, the Rating Agencies), an equivalent rating by such other agency or agencies, as the case may be (any such rating, an Investment Grade Rating), and (ii) no Default has occurred and is continuing under the Indenture (the occurrence of the events described in the foregoing clauses (i) and (ii) being collectively referred to as a Covenant Suspension Event), the Issuer and the Restricted Subsidiaries will not be subject to the covenants described above under the following headings:

- (1) Limitations on Additional Indebtedness
- (2) Limitations on Restricted Payments
- (3) Limitations on Dividend and other Restrictions Affecting Restricted Subsidiaries
- (4) Limitations on Transactions with Affiliates
- (5) Limitations on Asset Sales
- (6) Limitations on Sale and Leaseback Transactions and
- (7) clause (3) under Limitations on Mergers, Consolidations, Etc.

(collectively, the Suspended Covenants). Upon the occurrence of a Covenant Suspension Event, the amount of Net Available Proceeds with respect to any applicable Asset Sale will be set at zero at such date (the Suspension Date). In the event that the Issuer and the Restricted Subsidiaries are not subject to the Suspended Covenants for any period of

time as a result of the foregoing, and on any subsequent date (the Reversion Date) one or both of the Rating Agencies withdraws its Investment Grade Rating or downgrades the rating assigned to the Notes below an Investment Grade Rating or a Default occurs and is continuing, then the Issuer and the Restricted Subsidiaries will thereafter again be subject to the Suspended Covenants, but only with respect to events after the Reversion Date. The period of time between the Suspension Date and the Reversion Date is referred to as the Suspension Period. Notwithstanding that the Suspended Covenants may be reinstated, no Default will be deemed to have occurred as a result of a failure to comply with the Suspended Covenants during the Suspension Period.

S-109

Table of Contents

Description of notes

On the Reversion Date, all Indebtedness incurred during the Suspension Period will be subject to the covenant described above under the caption **Limitations on Additional Indebtedness**. To the extent such Indebtedness would not be so permitted to be incurred pursuant to the covenant described below under the caption **Limitations on Additional Indebtedness**, such Indebtedness will be deemed to have been outstanding on the Issue Date, so that it is classified as permitted under clause (3) of the definition of **Permitted Indebtedness**.

Calculations made after the Reversion Date of the amount available to be made as Restricted Payments under the covenant described above under the caption **Limitations on Restricted Payments** will be made as though such covenant had been in effect from the Issue Date and throughout the Suspension Period. Accordingly, Restricted Payments made during the Suspension Period will be deemed to have been permitted but will reduce the amount available to be made as Restricted Payments under the first paragraph of the covenant described below under the caption **Limitations on Restricted Payments**.

During a Suspension Period, the Issuer may not designate a Subsidiary as an Unrestricted Subsidiary under the covenant described under the caption **Limitations on Designation of Unrestricted Subsidiaries**.

Notwithstanding the foregoing, neither (a) the continued existence, after the Reversion Date, of facts and circumstances or obligations that occurred, were incurred or otherwise came into existence during a Suspension Period nor (b) the performance of any such obligations, shall constitute a breach of any Suspended Covenant set forth in the Indenture or cause a Default thereunder, provided that (1) the Issuer and the Restricted Subsidiaries did not incur or otherwise cause such facts and circumstances or obligations to exist in anticipation of a withdrawal or downgrade by the applicable Rating Agency below an Investment Grade Rating and (2) the Issuer reasonably believed that such incurrence or actions would not result in such withdrawal or downgrade.

EVENTS OF DEFAULT

Each of the following is an Event of Default :

(1) failure by the Issuer to pay interest on any of the Notes when it becomes due and payable and the continuance of any such failure for 30 consecutive days (whether or not such payment is prohibited by the subordination provisions of the Indenture);

(2) failure by the Issuer to pay the principal on any of the Notes when it becomes due and payable, whether at stated maturity, upon redemption, upon purchase, upon acceleration or otherwise (including the failure to make a payment to purchase Notes tendered pursuant to a Change of Control Offer or Net Proceeds Offer on the date specified for such payment in the applicable offer to purchase, if required) (whether or not such payment is prohibited by the subordination provisions of the Indenture);

(3) failure by the Issuer to comply with any other agreement or covenant in the Indenture and the continuance of any such failure for 60 consecutive days after notice of the failure has been given to the Issuer by the Trustee or by the Holders of at least 25% of the aggregate principal amount of the Notes then outstanding (except in the case of a default with respect to the covenant described under **Limitations on Mergers, Consolidations, Etc.** which will constitute an Event of Default with such notice requirement but without such passage of time requirement);

(4) default under any mortgage, indenture or other instrument or agreement under which there may be issued or by which there may be secured or evidenced Indebtedness of the Issuer or any Restricted Subsidiary, whether such Indebtedness now exists or is incurred after the Issue Date, which default:

(a) is caused by a failure to pay at final maturity (giving effect to any applicable grace periods and any extensions thereof) principal on such Indebtedness, or

(b) results in the acceleration of such Indebtedness prior to its express final maturity, and

S-110

Table of Contents

Description of notes

in each case, the principal amount of such Indebtedness, together with any other Indebtedness with respect to which an event described in clause (a) or (b) has occurred and is continuing, aggregates \$50.0 million or more;

(5) entry by a court or courts of competent jurisdiction against the Issuer or any Restricted Subsidiary of one or more final judgments or orders for the payment of money that exceed \$50.0 million in the aggregate (net of amounts covered by insurance or bonded) and such judgments or orders have not been satisfied, stayed, annulled or rescinded within 60 days of entry (or such longer period as may be permitted for timely appeal under applicable law);

(6) the Issuer or any Significant Subsidiary pursuant to or within the meaning of any Bankruptcy Law:

(a) commences a voluntary case,

(b) consents to the entry of an order for relief against it in an involuntary case,

(c) consents to the appointment of a Custodian of it or for all or substantially all of its assets, or

(d) makes a general assignment for the benefit of its creditors;

(7) a court of competent jurisdiction enters an order or decree under any Bankruptcy Law that:

(a) is for relief against the Issuer or any Significant Subsidiary as debtor in an involuntary case,

(b) appoints a Custodian of the Issuer or any Significant Subsidiary or a Custodian for all or substantially all of the assets of the Issuer or any Significant Subsidiary, or

(c) orders the liquidation of the Issuer or any Significant Subsidiary,

and the order or decree remains unstayed and in effect for 60 days; or

(8) (a) the Guarantee of any Significant Subsidiary (i) ceases to be in full force and effect (other than in accordance with the terms of the Indenture (including such Guarantee)) or (ii) is declared null and void and unenforceable or found to be invalid, and such circumstance or event remains uncured for a period of 30 days, or (b) any Guarantor denies its liability under its Guarantee (other than by reason of release of a Guarantor from its Guarantee in accordance with the terms of the Indenture (including such Guarantee)).

If an Event of Default (other than an Event of Default specified in clause (6) or (7) above with respect to the Issuer), shall have occurred and be continuing under the Indenture, the Trustee, by written notice to the Issuer, or the Holders of at least 25% in aggregate principal amount of the Notes then outstanding by written notice to the Issuer and the Trustee, may declare all amounts owing under the Notes to be due and payable, which notice shall specify each applicable Event of Default and that it is a notice of acceleration (an Acceleration Notice). Upon proper delivery of an Acceleration Notice, the aggregate principal of and accrued and unpaid interest on the outstanding Notes shall become due and payable (a) if there is any Designated Senior Debt outstanding at such time, with respect to any acceleration arising out of any Event of Default other than a payment default under clause (1) or (2) above, upon the earlier of (x) the date which is 5 Business Days after receipt by the Representatives of such Acceleration Notice or (y) the date

of acceleration of any Designated Senior Debt and (b) if otherwise, immediately, but, in any case, only if one or more of the Events of Default specified in such Acceleration Notice are then continuing; *provided, however*, that after such declaration of acceleration, but before a judgment or decree based on acceleration, the Holders of at least a majority in aggregate principal amount of such outstanding Notes may, under certain circumstances and on behalf of all the Holders, rescind and annul such declaration of acceleration and its consequences if all existing Events of Default, other than the nonpayment of accelerated principal and

Table of Contents

Description of notes

interest, have been cured or waived as provided in the Indenture. If an Event of Default specified in clause (6) or (7) with respect to the Issuer occurs, all outstanding Notes shall become immediately due and payable without any further action or notice.

The Trustee shall, within 30 days after the occurrence of any Default with respect to the Notes or, if later, after a responsible officer of the Trustee has knowledge of such Default, give the Holders notice of all uncured Defaults thereunder of which it received written notice; *provided, however*, that, except in the case of a Default in payment with respect to the Notes or a Default in complying with Certain Covenants Limitations on Mergers, Consolidations, Etc., the Trustee will be protected in withholding such notice if and so long as the board of directors, the executive committee or a committee of its trust officers in good faith determines that the withholding of such notice is in the interest of the Holders.

No Holder will have any right to institute any proceeding with respect to the Indenture or for any remedy thereunder, unless the Trustee:

- (1) has failed to act for a period of 60 consecutive days after receiving written notice of a continuing Event of Default from such Holder and a request to act by Holders of at least 25% in aggregate principal amount of the outstanding Notes;
- (2) has been offered indemnity satisfactory to it in its reasonable judgment; and
- (3) has not received from the Holders of a majority in aggregate principal amount of the outstanding Notes a direction inconsistent with such request.

However, such limitations do not apply to a suit instituted by a Holder of any Note for enforcement of payment of the principal of or interest on such Note on or after the due date therefor (after giving effect to the grace period specified in clause (1) of the first paragraph of this Events of Default section).

The Issuer and each Guarantor (to the extent that such Guarantor is so required under the Trust Indenture Act) is required to deliver to the Trustee annually a statement regarding compliance with the Indenture and, upon any Officer of the Issuer becoming aware of any Default, a statement specifying such Default and what action the Issuer is taking or proposes to take with respect thereto.

LEGAL DEFEASANCE AND COVENANT DEFEASANCE

The Issuer may, at its option and at any time, elect to have its obligations and the obligations of the Guarantors discharged with respect to the outstanding Notes and the Guarantees (Legal Defeasance). Legal Defeasance means that the Issuer and the Guarantors shall be deemed to have paid and discharged the entire indebtedness represented by the Notes and the Guarantees, and the Indenture shall cease to be of further effect as to all outstanding Notes and the Guarantees, except as to:

- (1) the rights of Holders of outstanding Notes to receive payments in respect of the principal of and interest on the Notes when such payments are due from the trust funds referred to below;

(2) the Issuer's obligations with respect to the Notes concerning issuing temporary Notes, registration of Notes, mutilated, destroyed, lost or stolen Notes, and the maintenance of an office or agency for payment and money for security payments held in trust;

(3) the rights, powers, trust, duties, and immunities of the Trustee under the Indenture and the Issuer's obligation in connection therewith; and

(4) the Legal Defeasance provisions of the Indenture.

In addition, the Issuer may, at its option and at any time, elect to have its obligations and the obligations of each of the Guarantors released with respect to most of the covenants under the Indenture, except as described otherwise in the Indenture (Covenant Defeasance), and thereafter any omission to comply with such obligations shall not constitute a Default. In the event Covenant Defeasance occurs, certain Events of

S-112

Table of Contents

Description of notes

Default (not including non-payment and, solely for a period of 91 days following the deposit referred to in clause (1) of the next paragraph, bankruptcy, receivership, rehabilitation and insolvency events) will no longer apply. Covenant Defeasance will not be effective until such bankruptcy, receivership, rehabilitation and insolvency events no longer apply. The Issuer may exercise its Legal Defeasance option regardless of whether it previously exercised Covenant Defeasance.

In order to exercise either Legal Defeasance or Covenant Defeasance:

(1) the Issuer must irrevocably deposit with the Trustee, in trust, for the benefit of the Holders, funds in Dollars or U.S. Government Obligations or a combination thereof, in such amounts as will be sufficient (without reinvestment) in the opinion of a nationally recognized firm of independent public accountants selected by the Issuer, to pay the principal of and interest on the outstanding Notes on the stated date for payment thereof or on the applicable redemption date, as the case may be, and the Issuer must specify to the Trustee whether the Notes are being defeased to such stated date for payment or to a particular redemption date, as the case may be, and the Issuer must specify to the Trustee whether the Notes are being defeased to such stated date for payment or particular redemption date and the Holders must have a valid, perfected, exclusive security interest in such trust;

(2) in the case of Legal Defeasance, the Issuer shall have delivered to the Trustee an opinion of counsel in the United States reasonably acceptable to the Trustee confirming that:

- (a) the Issuer has received from, or there has been published by the Internal Revenue Service, a ruling, or
- (b) since the date of the Indenture, there has been a change in the applicable U.S. federal income tax law,

in either case to the effect that, and based thereon this opinion of counsel shall confirm that, the Holders will not recognize income, gain or loss for U.S. federal income tax purposes as a result of the Legal Defeasance and will be subject to U.S. federal income tax on the same amounts, in the same manner and at the same times as would have been the case if such Legal Defeasance had not occurred;

(3) in the case of Covenant Defeasance, the Issuer shall have delivered to the Trustee an opinion of counsel in the United States reasonably acceptable to the Trustee confirming that the Holders will not recognize income, gain or loss for U.S. federal income tax purposes as a result of such Covenant Defeasance and will be subject to U.S. federal income tax on the same amounts, in the same manner and at the same times as would have been the case if the Covenant Defeasance had not occurred;

(4) no Default shall have occurred and be continuing on the date of such deposit (other than a Default resulting from the borrowing of funds to be applied to such deposit and the grant of any Lien securing such borrowing);

(5) the Legal Defeasance or Covenant Defeasance shall not result in a breach or violation of, or constitute a default under (other than a default resulting solely from the borrowing of funds to be applied to such deposit and the grant of any Lien on such deposit in favor of the Trustee and/or the Holders), any Credit Agreement or any other material agreement or instrument to which the Issuer or any of its Subsidiaries is a party or by which the Issuer or any of its Subsidiaries is bound;

(6) the Issuer shall have delivered to the Trustee an Officers Certificate stating that the deposit was not made by the Issuer with the intent of preferring the Holders over any other of its creditors or with the intent of defeating, hindering, delaying or defrauding any other of its creditors or others; and

Table of Contents

Description of notes

(7) the Issuer shall have delivered to the Trustee an Officers Certificate and an opinion of counsel, stating, in the case of the Officers Certificate, that the conditions provided for in clauses (1) through (6) of this paragraph have been complied with and stating, in the case of the opinion of counsel, that clause (1) (with respect to the validity and perfection of the security interest) and the conditions provided for in clause (2) or (3), as applicable, and clause (5) of this paragraph have been complied with.

Notwithstanding anything to the contrary herein, the borrowing of funds to be applied to any deposit, and the grant of any Lien securing such borrowing, in order to effect any Legal Defeasance or Covenant Defeasance will not constitute a Default under the Indenture.

If the funds deposited with the Trustee to effect Covenant Defeasance are insufficient to pay the principal of and interest on the Notes when due, then the Issuer's obligations and the obligations of the Guarantors under the Indenture will be revived and no such defeasance will be deemed to have occurred.

SATISFACTION AND DISCHARGE

The Indenture and the Guarantees will be discharged and will cease to be of further effect as to all outstanding Notes when either:

(1) all the Notes that have been authenticated and delivered (except lost, stolen or destroyed Notes that have been replaced or paid and Notes for whose payment money has been deposited in trust or segregated and held in trust by the Issuer and thereafter repaid to the Issuer or discharged from this trust) have been delivered to the Trustee for cancellation; or

(2) (a) all Notes that have not been delivered to the Trustee for cancellation either (i) have become due and payable by reason of the mailing of a notice of redemption as described in Redemption or otherwise or (ii) will become due and payable within one year, and in each of the foregoing cases the Issuer has irrevocably deposited or caused to be deposited with the Trustee as trust funds in trust solely for the benefit of the Holders funds in Dollars or U.S. Government Obligations in amounts sufficient (without reinvestment) to pay and discharge the entire Indebtedness (including all principal and accrued interest) on the Notes not theretofore delivered to the Trustee for cancellation to the date of maturity or redemption,

(b) the Issuer or any Guarantor has paid or caused to be paid all other sums payable by the Issuer under the Indenture,

(c) the Issuer has delivered irrevocable instructions to the Trustee to apply the deposited money toward the payment of the Notes at maturity or on the date of redemption, as the case may be, and

(d) the Holders have a valid, perfected, exclusive security interest in this trust.

In addition, the Issuer must deliver an Officers Certificate and an opinion of counsel to the Trustee stating that all conditions precedent to satisfaction and discharge have been complied with.

TRANSFER AND EXCHANGE

A Holder will be able to register the transfer of or exchange Notes only in accordance with the provisions of the Indenture. The Registrar may require a Holder, among other things, to furnish appropriate endorsements and transfer documents and to pay any taxes and fees required by law or permitted by the Indenture. Without the prior consent of the Issuer, the Registrar is not required (1) to register the transfer of or exchange any Note for a period of 15 days before the mailing of a notice of redemption of Notes to be redeemed, (2) to register the transfer of or exchange any Note selected for redemption or (3) to register the transfer or exchange of a Note between a record date for the payment of interest and the next succeeding interest payment date.

S-114

Table of Contents

Description of notes

The Notes will be issued in registered form and the registered Holder will be treated as the owner of such Notes for all purposes.

The Notes will be initially issued in the form of one or more global notes in registered form and deposited with the Trustee as custodian for the Depository.

AMENDMENT, SUPPLEMENT AND WAIVER

Subject to certain exceptions, the Indenture (including the Guarantees) or the Notes may be amended or supplemented with the consent (which may include consents obtained in connection with a tender offer or exchange offer for Notes) of the Holders of at least a majority in aggregate principal amount of the Notes then outstanding, and any existing Default under, or compliance with any provision of, the Indenture may be waived (other than any continuing Default in the payment of the principal or interest on the Notes) with the consent (which may include consents obtained in connection with a tender offer or exchange offer for Notes) of the Holders of a majority in aggregate principal amount of the Notes then outstanding; *provided, however*, that without the consent of each Holder affected, no amendment or waiver may:

- (1) reduce the principal, or change the stated maturity of any Note;
- (2) reduce the rate or extend the time for payment of interest on any Note;
- (3) reduce any premium payable upon optional redemption of the Notes, change the date on which any Notes are subject to redemption or otherwise alter the provisions with respect to the redemption of the Notes (other than provisions relating to the purchase of Notes described above under **Change of Control** and **Certain Covenants Limitations on Asset Sales**, except that if a Change of Control has occurred, no amendment or other modification of the obligation of the Issuer to make a Change of Control Offer relating to such Change of Control shall be made without the consent of each Holder of the Notes affected);
- (4) make the principal of or interest, if any, on any Note payable in money or currency other than that stated in the Notes;
- (5) modify or change any provision of the Indenture or the related definitions affecting the subordination of the Notes or the Guarantees in a manner that adversely affects the Holders in any material respect;
- (6) release any Guarantor which is a Significant Subsidiary from any of its obligations under its guarantee or Indenture other than as provided in the Indenture;
- (7) waive a Default in the payment of principal of or interest on any Notes (except a rescission of acceleration of the Notes by the Holders of at least a majority in principal amount of the outstanding Notes as provided in the Indenture and a waiver of the payment Default that resulted from such acceleration);
- (8) impair the rights of Holders to receive payments of principal of or interest on the Notes on or after the due date therefor;

(9) reduce the principal amount of outstanding Notes whose Holders must consent to an amendment, supplement or waiver to or under the Indenture (including the Guarantees) or the Notes; or

(10) make any change in (a) certain provisions of the Indenture relating to the right of Holders to receive payments when due or (b) these amendment or waiver provisions.

Notwithstanding the foregoing, the Issuer, the Guarantors and the Trustee, together, may amend or supplement the Indenture, the Guarantees or the Notes without the consent of any Holder, to cure any ambiguity, defect or inconsistency, to provide for uncertificated Notes in addition to or in place of certificated

Table of Contents

Description of notes

Notes, to provide for the assumption of the Issuer's or any Guarantor's obligations to the Holders in the case of a merger, consolidation or sale of all or substantially all of the Issuer's assets, to add Guarantees with respect to the Notes, to release any Guarantor from its Guarantee or any of its other obligations under the Indenture (to the extent permitted by the Indenture), to make any change that would provide any additional rights or benefits to the Holders or that adds covenants of the Issuer or any Guarantor for the benefit of the Holders, to surrender any right or power conferred upon the Issuer or any Guarantor, to make any change that does not materially adversely affect the rights of any Holder, to maintain the qualification of the Indenture under, or otherwise comply with, the Trust Indenture Act, to conform the text of the Indenture or the Notes to any provision of this Description of Notes section of this prospectus supplement to the extent that such provision in this Description of Notes section was intended to be a substantially verbatim recitation of a provision of the Indenture or the Notes, or to evidence and provide for the acceptance of appointment under the Indenture by a successor Trustee with respect to the Notes and to add or change any of the provisions of the Indenture as shall be necessary to provide for or facilitate the administration of the trusts hereunder by more than one Trustee.

No amendment of, or supplement or waiver to, the Indenture shall adversely affect the rights of any holder of Senior Debt or Guarantor Senior Debt under the subordination provisions of the Indenture without the consent of such holder.

NO PERSONAL LIABILITY OF DIRECTORS, OFFICERS, EMPLOYEES, STOCKHOLDERS, MEMBERS OR MANAGERS

No director, officer, employee, incorporator, stockholder, member or manager of the Issuer or any Guarantor will have any liability for any obligations of the Issuer under the Notes or the Indenture or of any Guarantor under its Guarantee or the Indenture for any claim based on, in respect of, or by reason of, such obligations or their creation. Each Holder by accepting a Note waives and releases all such liability. The waiver and release are part of the consideration for issuance of the Notes and the Guarantees. The waiver may not be effective to waive liabilities under the federal securities laws. It is the view of the SEC that this type of waiver is against public policy.

CONCERNING THE TRUSTEE

U.S. Bank National Association is the Trustee under the Indenture and has been appointed by the Issuer as Registrar and Paying Agent with regard to the Notes. The Indenture contains certain limitations on the rights of the Trustee, should it become a creditor of the Issuer, to obtain payment of claims in certain cases, or to realize on certain assets received in respect of any such claim as security or otherwise. The Trustee will be permitted to engage in other transactions; however, if it acquires any conflicting interest (as defined in the Indenture), it must eliminate such conflict or resign.

The Holders of at least a majority in principal amount of the then outstanding Notes will have the right to direct the time, method and place of conducting any proceeding for exercising any remedy available to the Trustee or exercising any trust or power conferred on it, subject to certain exceptions. The Indenture provides that, in case a Default occurs and is continuing, the Trustee will be required, in the exercise of its power, to use the degree of care of a prudent person in similar circumstances in the conduct of his or her own affairs. Subject to such provisions, the Trustee will be under no obligation to exercise any of its rights or powers under the Indenture at the request of any Holder, unless such Holder offers to the Trustee security and indemnity satisfactory to the Trustee.

GOVERNING LAW

The Indenture (including the Guarantees) and the Notes will be, as the case may be, governed by, and construed in accordance with, the laws of the State of New York, but without giving effect to applicable

S-116

Table of Contents

Description of notes

principles of conflicts of laws to the extent that the application of the laws of another jurisdiction would be required thereby.

CERTAIN DEFINITIONS

Set forth below is a summary of certain of the defined terms used in the Indenture. Reference is made to the Indenture for the full definition of all such terms.

2007 Convertible Notes means those certain 3% convertible senior subordinated notes due 2016 in the principal amount of \$150.0 million issued by the Issuer to certain holders thereof under that certain Indenture between the Issuer and U.S. Bank Trust National Association, as trustee, dated as of May 14, 2007.

Acquired Indebtedness means (1) with respect to any Person that becomes a Restricted Subsidiary after the Issue Date, Indebtedness of such Person and its Subsidiaries existing at the time such Person becomes a Restricted Subsidiary that was not incurred in connection with, or in contemplation of, such Person becoming a Restricted Subsidiary and (2) with respect to the Issuer or any Restricted Subsidiary, any Indebtedness of a Person (other than the Issuer or a Restricted Subsidiary) existing at the time such Person is merged with or into, or consolidated with, the Issuer or a Restricted Subsidiary, or Indebtedness expressly assumed by the Issuer or any Restricted Subsidiary in connection with the acquisition of any Person or any asset or assets from another Person, which Indebtedness was not, in any case, incurred by such other Person in connection with, or in contemplation of, such merger, consolidation or acquisition.

Affiliate of any Person means any other Person which directly or indirectly controls or is controlled by, or is under direct or indirect common control with, the referent Person. For purposes of the covenant described under **Certain Covenants Limitations on Transactions with Affiliates**, Affiliates shall be deemed to include, with respect to any Person, any other Person (1) which beneficially owns or holds, directly or indirectly, 10% or more of any class of the Voting Stock of the referent Person, (2) of which 10% or more of the Voting Stock is beneficially owned or held, directly or indirectly, by the referenced Person or (3) with respect to an individual, any immediate family member of such Person. For purposes of this definition, **control** of a Person shall mean the power to direct the management and policies of such Person, directly or indirectly, whether through the ownership of voting securities, by contract or otherwise, and **controlling**, **controlled by**, and **under common control** shall have correlative meanings.

amend means to amend, supplement, restate, amend and restate or otherwise modify; and **amendment** shall have a correlative meaning.

Applicable Premium means, with respect to the principal amount of any Note to be redeemed on any redemption date, the greater of:

- (1) 1.0% of the principal amount (or portion thereof) of such Note to be redeemed; and
- (2) the excess, if any, of (a) the present value at such redemption date of (i) the redemption price of such Note (or portion of the principal amount thereof to be redeemed) at May 15, 2013 (such redemption price being set forth in the table appearing above in **Redemption Optional Redemption**), *plus* (ii) all required interest payments due on such Note (or portion of the principal amount thereof to be redeemed) through May 15, 2013 (excluding accrued but unpaid interest to the redemption date), computed using a discount rate equal to the Treasury Rate as of such redemption date

plus 50 basis points; over (b) the then outstanding principal amount (or portion thereof) of such Note to be redeemed.

asset means any asset or property.

Table of Contents

Description of notes

Asset Acquisition means:

- (1) an Investment by the Issuer or any Restricted Subsidiary of the Issuer in any other Person if, as a result of such Investment, such Person shall become a Restricted Subsidiary of the Issuer, or shall be merged with or into the Issuer or any Restricted Subsidiary of the Issuer; or
- (2) the acquisition by the Issuer or any Restricted Subsidiary of the Issuer of all or substantially all of the assets of any other Person or any division or line of business of any other Person.

Asset Sale means any sale, conveyance, transfer, lease, assignment, license or other disposition on or after the Issue Date by the Issuer or any Restricted Subsidiary to any Person other than the Issuer or any Restricted Subsidiary (including by means of a Sale and Leaseback Transaction or a merger or consolidation) (collectively, for purposes of this definition, a transfer), in one transaction or a series of related transactions, of any assets of the Issuer or any of its Restricted Subsidiaries other than in the ordinary course of business. For purposes of this definition, the term Asset Sale shall not include:

- (1) transfers of cash or Cash Equivalents;
- (2) transfers of assets (including Equity Interests) that are governed by, and made in accordance with, the covenant described under Certain Covenants Limitations on Mergers, Consolidations, Etc. ;
- (3) Permitted Investments, Restricted Payments permitted under the covenant described under Certain Covenants Limitations on Restricted Payments and transfers that would constitute Restricted Payments but for the exclusions in clauses (1) and (2) of the definition thereof; *provided, however*, that any sale, conveyance, contribution, transfer, lease, assignment, license or other disposition of assets by the Issuer or any of its Restricted Subsidiaries to any Health Management Joint Venture pursuant to clause (13) of the definition of Permitted Investments in connection with the creation thereof shall be deemed to be an Asset Sale for purposes of this definition;
- (4) the creation or realization of any Permitted Lien;
- (5) transfers of damaged, worn-out or obsolete equipment or assets that, in the Issuer's reasonable judgment, are no longer used or useful in the business of the Issuer or the Restricted Subsidiaries;
- (6) any license of intellectual property not otherwise in the ordinary course of business, other than the license of all or substantially all of the rights associated with any intellectual property owned or controlled by the Issuer or any of the Restricted Subsidiaries if (i) such rights are used or could be used in a line of business then being conducted by the Issuer or any of the Restricted Subsidiaries and such rights and line of business are material to the business of the Issuer and the Restricted Subsidiaries taken as a whole, as reasonably determined by the Issuer, (ii) such license is for all or substantially all of the remaining contractual or useful life of such intellectual property, whichever is shorter, determined as of the date such license is granted, and (iii) the Fair Market Value of such license, together with that of any other such licenses meeting the criteria in clauses (i) and (ii) (with the Fair Market Value of any such license being determined at the time thereof and without regard to subsequent changes in value), exceeds \$25.0 million in any fiscal year of the Issuer; and

(7) any transfer or series of related transfers that, but for this clause, would be Asset Sales, if after giving effect to such transfers, the aggregate Fair Market Value of the assets transferred in such transaction or any such series of related transactions does not exceed, in the aggregate with all other such transactions or series of related transactions (with the Fair Market Value of any such transaction being determined at the time thereof and without regard to subsequent changes in value), \$25.0 million in any fiscal year of the Issuer.

Attributable Indebtedness, when used with respect to any Sale and Leaseback Transaction, means, as at the time of determination, the present value (discounted at a rate equivalent to the Issuer's then-current weighted

S-118

Table of Contents

Description of notes

average cost of funds for borrowed money as at the time of determination, compounded on a semi-annual basis) of the total obligations of the lessee for rental payments during the remaining term of the lease included in any such Sale and Leaseback Transaction.

Bankruptcy Law means Title 11 of the United States Code, as amended, or any similar federal or state law for the relief of debtors.

Board of Directors shall mean, with respect to any Person, (i) in the case of any corporation, the board of directors of such Person, (ii) in the case of any limited liability company, the board of managers of such Person, (iii) in the case of any partnership, the Board of Directors of the general partner of such Person and (iv) in any other case, the functional equivalent of the foregoing, or any committee thereof duly authorized to act on behalf of such Board.

Business Day means a day other than a Saturday, Sunday or other day on which banking institutions in The City of New York, New York are authorized or required by law to close.

Capitalized Lease means a lease required to be capitalized for financial reporting purposes in accordance with GAAP.

Capitalized Lease Obligations of any Person means the obligations of such Person to pay rent or other amounts under a Capitalized Lease, and the amount of such obligations shall be the capitalized amount thereof determined in accordance with GAAP.

Cash Equivalents means:

- (1) marketable obligations with a maturity of one year or less issued or directly and fully guaranteed or insured by the United States of America or issued by any agency or instrumentality thereof and the full faith and credit of the United States of America is pledged in support thereof;
- (2) any marketable direct obligations issued by any other agency of the United States of America, any State of the United States of America or the District of Columbia, or any political subdivision of any such state or instrumentality thereof, in each case having one of the two highest ratings obtainable from either S&P or Moody's;
- (3) demand and time deposits and certificates of deposit or acceptances with a maturity of 180 days or less of any financial institution that is a member of the Federal Reserve System having combined capital and surplus and undivided profits of not less than \$500.0 million;
- (4) commercial paper maturing no more than one year from the date of creation thereof issued by a corporation that is not the Issuer or an Affiliate of the Issuer, and is organized under the laws of any State of the United States of America or the District of Columbia and rated at least A-1 by S&P or at least P-1 by Moody's;
- (5) repurchase obligations with a term of not more than ten days for underlying securities of the types described in clause (1) above entered into with any commercial bank meeting the specifications of clause (3) above;
- (6) investments in money market or other mutual funds substantially all of whose assets comprise securities of the types described in clauses (1) through (5) above; and

(7) other short-term investments utilized by any Foreign Subsidiary in accordance with normal investment practices for cash management, and other investments by Foreign Subsidiaries in or with foreign obligors that, in the reasonable judgment of the Issuer, are of a credit quality comparable to those listed in clauses (1) through (6) above.

Table of Contents

Description of notes

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

- (1) any person or group (as such terms are used in Sections 13(d) and 14(d) of the Exchange Act), is or becomes the beneficial owner (as defined in Rules 13d-3 and 13d-5 under the Exchange Act (except that for purposes of this clause that person or group shall be deemed to have beneficial ownership of all securities that any such person or group has the right to acquire, whether such right is exercisable immediately or only after the passage of time)), directly or indirectly, of Voting Stock representing more than 50% of the voting power of the total outstanding Voting Stock of the Issuer;
- (2) during any period of two consecutive years, individuals who at the beginning of such period constituted the Issuer's Board of Directors (together with any new directors whose election to the Issuer's Board of Directors or whose nomination for election by the Issuer's stockholders was approved by a vote of at least a majority of the directors of the Issuer then still in office either who were directors of the Issuer at the beginning of such period or whose election or nomination for election was previously so approved) cease for any reason (other than death or disability) to constitute a majority of the Issuer's Board of Directors;
- (3) consummation of (a) any share exchange, consolidation or merger of the Issuer or series of such related transactions (excluding a merger with a Wholly-Owned Restricted Subsidiary solely for the purpose of changing the Issuer's name or jurisdiction of incorporation) or (b) any sale, lease or other transfer, in one transaction or a series of related transactions, of all or substantially all of the consolidated assets of the Issuer and its Restricted Subsidiaries, taken as a whole, to any person or group within the meaning thereof in Section 13(d) of the Exchange Act, other than one or more of the Wholly-Owned Restricted Subsidiaries; *provided, however*, that a transaction described in foregoing clause (a) or (b) where the holders of Voting Stock representing more than 50% of the voting power of the total outstanding Voting Stock of the Issuer immediately prior to such transaction own, directly or indirectly, Voting Stock representing more than 50% of the voting power of the total outstanding Voting Stock of the continuing, surviving or resulting entity or the transferee immediately after such event shall not be a Change of Control; or
- (4) the Issuer shall adopt a Plan of Liquidation or dissolution or any such plan shall be approved by the stockholders of the Issuer.

Notwithstanding anything herein to the contrary, neither the creation by the Issuer or any of its Subsidiaries of any Health Management Joint Venture nor the sale, conveyance, contribution, transfer, lease, assignment, license or other disposition by the Issuer or any of its Subsidiaries of any Health Management Business assets to any such Health Management Joint Venture in connection with such creation shall constitute a Change of Control for purposes of clause (3)(b) of this definition, so long as (i) the holders of Voting Stock representing more than 50% of the voting power of the total outstanding Voting Stock of the Issuer immediately prior to such transaction own, directly or indirectly, Voting Stock representing more than 50% of the voting power of the total outstanding Voting Stock of the Issuer immediately after such transaction and (ii) on the date of such transaction, after giving effect to such transaction, the Consolidated Total Leverage Ratio would be less than or equal to 4.0 to 1.0.

Consolidated Amortization Expense for any period means the amortization expense of the Issuer and the Restricted Subsidiaries for such period, determined on a consolidated basis in accordance with GAAP.

Consolidated Cash Flow for any period means, without duplication, the sum of the amounts for such period of:

(1) Consolidated Net Income; *plus*

(2) in each case only to the extent (and in the same proportion) deducted in determining Consolidated Net Income and with respect to the portion of Consolidated Net Income attributable to

S-120

Table of Contents

Description of notes

any Restricted Subsidiary only if a corresponding amount would be permitted at the date of determination to be distributed to the Issuer by such Restricted Subsidiary without prior approval (that has not been obtained), pursuant to the terms of its charter and all agreements, instruments, judgments, decrees, orders, statutes, rules and governmental regulations applicable to such Restricted Subsidiary or its stockholders,

- (a) Consolidated Income Tax Expense,
- (b) Consolidated Amortization Expense (but only to the extent not included in Consolidated Interest Expense),
- (c) Consolidated Depreciation Expense,
- (d) Consolidated Interest Expense, and
- (e) all other non-cash items reducing Consolidated Net Income for such period, including any stock-based compensation expense,

in each case determined on a consolidated basis in accordance with GAAP; *minus*

- (3) the aggregate amount of all non-cash items, determined on a consolidated basis, to the extent such items increased Consolidated Net Income (including the reversal of accruals or reserves for charges that increased Consolidated Net Income at any time during the Four-Quarter Period ending on the Issue Date or thereafter) for such period; *minus*
- (4) cash disbursements in respect of previously accrued or reserved items increasing Consolidated Cash Flow in that or prior periods.

Consolidated Depreciation Expense for any period means the depreciation expense of the Issuer and the Restricted Subsidiaries for such period, determined on a consolidated basis in accordance with GAAP.

Consolidated Income Tax Expense for any period means the provision for taxes of the Issuer and the Restricted Subsidiaries, determined on a consolidated basis in accordance with GAAP.

Consolidated Interest Coverage Ratio means the ratio of (x) Consolidated Cash Flow during the Four-Quarter Period ending on or prior to the date of the transaction giving rise to the need to calculate the Consolidated Interest Coverage Ratio (the Transaction Date) to (y) Consolidated Interest Expense for such Four-Quarter Period. For purposes of this definition, Consolidated Cash Flow and Consolidated Interest Expense shall be calculated after giving effect on a *pro forma* basis for the period of such calculation to:

- (1) the incurrence of any Indebtedness or the issuance of any Preferred Stock of any Restricted Subsidiary (and the application of the proceeds thereof) and any repayment of other Indebtedness or the redemption of any Preferred Stock of any Restricted Subsidiary (and the application of the proceeds thereof), other than the incurrence or repayment of Indebtedness in the ordinary course of business for working capital purposes pursuant to any revolving credit arrangement, occurring during the Four-Quarter Period or at any time subsequent to the last day of the Four-Quarter Period and on or prior to the Transaction Date, as if such incurrence, issuance, redemption or repayment, as the case may be (and the application of the proceeds thereof), occurred on the first (1st) day of the Four-Quarter Period; and

(2) any Asset Sale or Asset Acquisition (including any Asset Acquisition giving rise to the need to make such calculation as a result of the Issuer or any Restricted Subsidiary (including any Person who becomes a Restricted Subsidiary as a result of such Asset Acquisition) incurring Acquired Indebtedness and also including any Consolidated Cash Flow (including any pro forma expense and cost reductions calculated on a basis consistent with Regulation S-X under the Exchange Act) associated with any such Asset Acquisition) occurring during the Four-Quarter Period or at any time subsequent to the last day of the Four-Quarter Period and on or prior to the Transaction Date, as if

S-121

Table of Contents

Description of notes

such Asset Sale or Asset Acquisition (including the incurrence of, or assumption or liability for, any such Acquired Indebtedness) occurred on the first (1st) day of the Four-Quarter Period.

If the Issuer or any Restricted Subsidiary directly or indirectly guarantees Indebtedness of a third Person, the preceding sentence shall give effect to the incurrence of such guaranteed Indebtedness as if the Issuer or such Restricted Subsidiary had directly incurred or otherwise assumed such guaranteed Indebtedness.

In calculating Consolidated Interest Expense for purposes of determining the denominator (but not the numerator) of this Consolidated Interest Coverage Ratio:

- (1) interest on outstanding Indebtedness determined on a fluctuating basis as of the Transaction Date and which will continue to be so determined thereafter shall be deemed to have accrued at a fixed rate *per annum* equal to the rate of interest on such Indebtedness in effect on the Transaction Date;
- (2) if interest on any Indebtedness actually incurred on the Transaction Date may optionally be determined at an interest rate based upon a factor of a prime or similar rate, a eurocurrency interbank offered rate, or other rates, then the interest rate in effect on the Transaction Date will be deemed to have been in effect during the Four-Quarter Period; and
- (3) notwithstanding clause (1) or (2) above, interest on Indebtedness determined on a fluctuating basis, to the extent such interest is covered by agreements relating to Hedging Obligations, shall be deemed to accrue at the rate *per annum* resulting after giving effect to the operation of these agreements.

Consolidated Interest Expense for any period means the sum, without duplication, of the total interest expense of the Issuer and the Restricted Subsidiaries for such period, determined on a consolidated basis in accordance with GAAP and including without duplication:

- (1) imputed interest on Capitalized Lease Obligations and Attributable Indebtedness;
- (2) commissions, discounts and other fees and charges owed with respect to letters of credit securing financial obligations, bankers acceptance financing and receivables financings;
- (3) the net costs associated with Hedging Obligations;
- (4) amortization of debt issuance costs, debt discount or premium and other financing fees and expenses (other than the write-off of deferred debt issuance costs resulting from the initial offering of the Notes);
- (5) the interest portion of any deferred payment obligations;
- (6) all other non-cash interest expense;
- (7) capitalized interest;
- (8) the product of (a) all dividend payments on any series of Disqualified Equity Interests of the Issuer or any Preferred Stock of any Restricted Subsidiary (other than any such Disqualified Equity Interests or any Preferred Stock

held by the Issuer or a Wholly-Owned Restricted Subsidiary or to the extent paid in Qualified Equity Interests), multiplied by (b) a fraction, the numerator of which is one and the denominator of which is one minus the then current combined federal, state and local statutory tax rate of the Issuer and the Restricted Subsidiaries, expressed as a decimal;

(9) all interest payable with respect to discontinued operations; and

(10) all interest on any Indebtedness of any other Person guaranteed by the Issuer or any Restricted Subsidiary.

S-122

Table of Contents

Description of notes

Consolidated Interest Expense shall be calculated after giving effect to Hedging Obligations (including associated costs) described in clause (1) of the definition of Hedging Obligations, but excluding unrealized gains and losses with respect to Hedging Obligations.

Consolidated Net Income for any period means the net income (or loss) of the Issuer and the Restricted Subsidiaries for such period determined on a consolidated basis in accordance with GAAP; *provided, however*, that there shall be excluded from such net income (to the extent otherwise included therein), without duplication:

(1) the net income (or loss) of any Person (other than a Restricted Subsidiary) in which any Person other than the Issuer and the Restricted Subsidiaries has an ownership interest, except to the extent that cash in an amount equal to any such income has actually been received by the Issuer or any of its Wholly-Owned Restricted Subsidiaries during such period;

(2) except to the extent includible in the consolidated net income of the Issuer pursuant to the foregoing clause (1), the net income (or loss) of any Person that accrued prior to the date that (a) such Person becomes a Restricted Subsidiary or is merged into or consolidated with the Issuer or any Restricted Subsidiary or (b) the assets of such Person are acquired by the Issuer or any Restricted Subsidiary;

(3) the net income of any Restricted Subsidiary during such period to the extent that the declaration or payment of dividends or similar distributions by such Restricted Subsidiary of that income is not permitted by operation of the terms of its charter or any agreement, instrument, judgment, decree, order, statute, rule or governmental regulation applicable to that Subsidiary during such period, except that the Issuer's equity in a net loss of any such Restricted Subsidiary for such period shall be included in determining Consolidated Net Income;

(4) for the purposes of calculating the Restricted Payments Basket only, in the case of a successor to the Issuer by consolidation, merger or transfer of its assets, any income (or loss) of the successor prior to such merger, consolidation or transfer of assets;

(5) other than for purposes of calculating the Restricted Payments Basket, any gain (or loss), together with any related provisions for taxes on any such gain (or the tax effect of any such loss), realized during such period by the Issuer or any Restricted Subsidiary upon (a) the acquisition of any securities, or the extinguishment of any Indebtedness, of the Issuer or any Restricted Subsidiary or (b) any Asset Sale by the Issuer or any Restricted Subsidiary;

(6) any gains and losses due solely to fluctuations in currency values and the related tax effects according to GAAP;

(7) any unrealized gains and losses with respect to Hedging Obligations;

(8) any extraordinary, unusual or nonrecurring gain, charges and losses (including all restructuring costs, facilities relocation costs, acquisition integration costs and fees, including cash severance payments made in connection with acquisitions, and any expense or charge related to the repurchase of Equity Interests or warrants or options to purchase Equity Interests), and the related tax effects according to GAAP;

(9) any acquisition-related expenses expensed in accordance with Statement of Financial Accounting Standards No. 141(R) promulgated by the Financial Accounting Standards Board (SFAS 141(R)) and any gains or losses on any

earn-out payments, contingent consideration or deferred purchase price in conjunction with any Asset Acquisition determined in accordance with SFAS 141(R);

(10) any impairment charge or asset write-off, in each case pursuant to GAAP, and the amortization of intangibles arising pursuant to GAAP;

Table of Contents

Description of notes

(11) any non-cash compensation charges and deferred compensation charges, including any arising from existing stock options resulting from any merger or recapitalization transaction; *provided, however*, that Consolidated Net Income for any period shall be reduced by any cash payments made during such period by the Issuer or any Restricted Subsidiary in connection with any such deferred compensation, whether or not such reduction is in accordance with GAAP; and

(12) inventory purchase accounting adjustments and amortization and impairment charges resulting from other purchase accounting adjustments in connection with acquisition transactions.

In addition, any return of capital with respect to an Investment that increased the Restricted Payments Basket pursuant to clause (3)(e) of the first paragraph under Certain Covenants Limitations on Restricted Payments or decreased the amount of Investments outstanding pursuant to clause (15) of the definition of Permitted Investments shall be excluded from Consolidated Net Income for purposes of calculating the Restricted Payments Basket.

Consolidated Net Worth means, with respect to any Person as of any date, the consolidated stockholders' equity of such Person, determined on a consolidated basis in accordance with GAAP, less (without duplication) (1) any amounts thereof attributable to Disqualified Equity Interests of such Person or its Subsidiaries or any amount attributable to Unrestricted Subsidiaries and (2) all write-ups (other than write-ups resulting from foreign currency translations and write-ups of tangible assets of a going concern business made within twelve months after the acquisition of such business) subsequent to the Issue Date in the book value of any asset owned by such Person or a Subsidiary of such Person.

Consolidated Total Assets means, at any time of determination, the consolidated total assets of the Issuer and the Restricted Subsidiaries determined on a consolidated basis in accordance with GAAP as of the most recent date for which financial statements of the Issuer are then available.

Consolidated Total Debt means all Indebtedness of a type described in clause (1), (2), (3), (4)(i), (6), (7), or (9) of the definition thereof and all guarantee Obligations with respect to any such Indebtedness of another Person, in each case of the Issuer and its Restricted Subsidiaries determined on a consolidated basis in accordance with GAAP.

Consolidated Total Leverage Ratio means the ratio of (x) Consolidated Total Debt as of the last day of the most recent fiscal quarter of the Issuer for which financial statements are available ending on or prior to the date of the Health Management Joint Venture transaction giving rise to the need to calculate the Consolidated Total Leverage Ratio (the HMJV Transaction Date) to (y) Consolidated Cash Flow for the Four-Quarter Period ending on or prior to the HMJV Transaction Date. In addition to and without limitation of the foregoing, for purposes of this definition, (i) there shall be deducted from Consolidated Total Debt in the calculation thereof the amount of all cash and Cash Equivalents received by the Issuer or any of its Restricted Subsidiaries as consideration in connection with the relevant Health Management Joint Venture transaction and not applied by the Issuer or any of its Restricted Subsidiaries on the HMJV Transaction Date to repay Indebtedness of the Issuer or any of its Restricted Subsidiaries of any type included within the definition of Consolidated Total Debt , and (ii) Consolidated Total Debt and Consolidated Cash Flow shall be calculated after giving effect on a *pro forma* basis for the period of such calculation to:

(1) the incurrence of any Indebtedness or the issuance of any Preferred Stock of any Restricted Subsidiary (and the application of the proceeds thereof) and any repayment of other Indebtedness or the redemption of any Preferred Stock of any Restricted Subsidiary (and the application of the proceeds thereof), other than the incurrence or

repayment of Indebtedness in the ordinary course of business for working capital purposes pursuant to any revolving credit arrangement, occurring during the Four-Quarter Period or at any time subsequent to the last day of the Four-Quarter Period and on or prior to the HMJV Transaction Date, as if such incurrence, issuance, redemption or repayment, as the case may be (and the application of the proceeds thereof), occurred on the first day of the Four-Quarter Period; and

S-124

Table of Contents

Description of notes

(2) any Asset Sale or Asset Acquisition (including any Asset Sale constituting a Health Management Joint Venture transaction described in the last paragraph of the definition of **Change of Control** above giving rise to the need to make such calculation, also including any Asset Acquisition resulting in the Issuer or any Restricted Subsidiary incurring any Acquired Indebtedness, and also including any Consolidated Cash Flow (including any pro forma expense and cost reductions calculated on a basis consistent with Regulation S-X under the Exchange Act) associated with or attributable to any such Asset Sale or Asset Acquisition or the assets which are the subject of any such Asset Sale or Asset Acquisition) occurring during the Four-Quarter Period or at any time subsequent to the last day of the Four-Quarter Period and on or prior to the HMJV Transaction Date, as if such Asset Sale or Asset Acquisition (including the incurrence of, or assumption or liability for, any such Acquired Indebtedness) occurred on the first (1st) day of the Four-Quarter Period.

If the Issuer or any Restricted Subsidiary directly or indirectly guarantees Indebtedness of a third Person, the preceding sentence shall give effect to the incurrence of such guaranteed Indebtedness as if the Issuer or such Restricted Subsidiary had directly incurred or otherwise assumed such guaranteed Indebtedness.

Coverage Ratio Exception has the meaning set forth in the proviso in the first paragraph of the covenant described under **Certain Covenants Limitations on Additional Indebtedness**.

Credit Agreements means the First Lien Credit Agreement and the Second Lien Credit Agreement, and **Credit Agreement** means the First Lien Credit Agreement or the Second Lien Credit Agreement.

Credit Facilities means, with respect to the Issuer or any Subsidiary, one or more debt facilities (including any Credit Agreement) or commercial paper facilities with banks or institutional or other similar lenders providing for revolving credit loans, term loans, receivables financing (including through the sale of receivables to such lenders or to special purpose entities formed to borrow from such lenders against such receivables), letters of credit or other similar debt financing arrangements, in each case, as amended, restated, supplemented, modified, extended, renewed, refunded, replaced, refinanced or otherwise restructured (including any increase in the amount of borrowings or other Indebtedness outstanding or available to be borrowed thereunder) in whole or in part from time to time.

Custodian means any receiver, trustee, assignee, liquidator or similar official under any Bankruptcy Law.

Default means (1) any Event of Default or (2) any event, act or condition that, after notice or the passage of time or both, would be an Event of Default.

Depository means The Depository Trust Company, New York, New York, or a successor thereto that is a clearing agency registered under the Exchange Act or other applicable statute or regulation.

Designated Senior Debt means (1) Senior Debt under or in respect of any Credit Facility (including any Credit Agreement), and (2) any other Indebtedness constituting Senior Debt that, in the case of clause (2), at the time of determination, (x) has an aggregate principal amount of at least \$25.0 million and (y) is specifically designated in the instrument evidencing such Senior Debt as **Designated Senior Debt** for purposes of the Indenture.

Designation has the meaning given to this term in the covenant described under **Certain Covenants Limitations on Designation of Unrestricted Subsidiaries**.

Designation Amount has the meaning given to this term in the covenant described under Certain Covenants Limitations on Designation of Unrestricted Subsidiaries.

Disqualified Equity Interests of any Person means any class of Equity Interests of such Person that, by its terms, or by the terms of any related agreement or of any security into which it is convertible, puttable or exchangeable, is, or upon the happening of any event or the passage of time would be, required to be redeemed by such Person, whether or not at the option of the holder thereof (but excluding redemption at the option of such Person), or matures or is mandatorily redeemable, pursuant to a sinking fund obligation or

S-125

Table of Contents**Description of notes**

otherwise, in whole or in part, on or prior to the date which is 91 days after the final maturity date of the Notes; *provided, however*, that any class of Equity Interests of such Person that, by its terms, authorizes such Person to satisfy in full its obligations with respect to the payment of dividends or upon maturity, redemption (pursuant to a sinking fund or otherwise) or repurchase thereof or otherwise by the delivery of Equity Interests that are not Disqualified Equity Interests (other than the payment of cash in lieu of delivery of fractional shares of Equity Interests), and that is not convertible, puttable or exchangeable for Disqualified Equity Interests or Indebtedness, will not be deemed to be Disqualified Equity Interests so long as such Person satisfies its obligations with respect thereto solely by the delivery of Equity Interests that are not Disqualified Equity Interests (other than the payment of cash in lieu of delivery of fractional shares of Equity Interests); *provided further, however*, that any Equity Interests that would not constitute Disqualified Equity Interests but for provisions thereof giving holders thereof (or the holders of any security into or for which such Equity Interests is convertible, exchangeable or exercisable) the right to require the Issuer to redeem such Equity Interests upon the occurrence of a change of control or an asset disposition occurring prior to the final maturity date of the Notes shall not constitute Disqualified Equity Interests if the change in control or asset disposition provisions applicable to such Equity Interests are no more favorable to such holders than the provisions described under **Change of Control** and **Certain Covenants Limitations on Asset Sales**, respectively, and such Equity Interests specifically provide that the Issuer will not redeem any such Equity Interests pursuant to such provisions prior to the Issuer's purchase of the Notes as required pursuant to the provisions described under **Change of Control** and **Certain Covenants Limitations on Asset Sales**, respectively; *provided further, however*, in no event shall the Series B Preferred Stock on the terms thereof existing on the Issue Date (or any other Preferred Stock issued by the Issuer on substantially similar terms with regard to the foregoing matters in this definition) be deemed to be Disqualified Equity Interests.

Dollars and \$ means the currency of The United States of America.

Domestic Subsidiary means any Subsidiary of the Issuer that is not a Foreign Subsidiary; *provided, however*, that (without limiting the definition of Foreign Subsidiary below) each of Inverness Medical Investments, LLC, BBI Research, Inc. and Seravac USA Inc., respectively, shall not be a Domestic Subsidiary for so long as it is a Subsidiary of a Foreign Subsidiary.

Equity Interests of any Person means (1) any and all shares or other equity interests (including common stock, preferred stock, limited liability company interests and partnership interests) in such Person and (2) all rights to purchase, warrants or options (whether or not currently exercisable), participations or other equivalents of or interests in (however designated) such shares or other interests in such Person; *provided, however*, that no Indebtedness under the 2007 Convertible Notes or any other Indebtedness of the Issuer or any Subsidiary of the Issuer that is convertible into Equity Interests of such Person shall be deemed to be Equity Interests of such Person prior to conversion thereof into such Equity Interests.

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

Fair Market Value means, with respect to any asset, the price (after taking into account any liabilities relating to such assets) that would be negotiated in an arm's-length transaction for cash between a willing seller and a willing and able buyer, neither of which is under any compulsion to complete the transaction, as such price is determined in good faith by the Board of Directors of the Issuer or a duly authorized committee thereof, as evidenced by a resolution of such Board of Directors or committee.

First Lien Credit Agreement means that certain First Lien Credit Agreement dated as of June 26, 2007 among, *inter alia*, the Issuer, the lenders party thereto and General Electric Capital Corporation as administrative agent, including any notes, guarantees, collateral and security documents, instruments and agreements executed in connection therewith (including Hedging Obligations related to the Indebtedness incurred thereunder), and in each case as amended, restated, supplemented or otherwise modified from time to time before, on or after the date of the Indenture, including any agreement extending the maturity of, refinancing, refunding, replacing or otherwise restructuring (including increasing the amount of borrowings or other Indebtedness outstanding or available to be borrowed thereunder) all or any portion of the

S-126

Table of Contents

Description of notes

Indebtedness under such agreement, and any successor or replacement agreement or agreements with the same or any other agent or agents, creditor, lender or group of creditors or lenders.

Foreign Subsidiary means, with respect to any Person, any Subsidiary of such Person that is not organized or existing under the laws of the United States, any state thereof, the District of Columbia, or any territory thereof and any Subsidiary of such Foreign Subsidiary.

Four-Quarter Period means the most recent four consecutive full fiscal quarters of the Issuer for which financial statements are available.

GAAP means generally accepted accounting principles set forth in the opinions and pronouncements of the Accounting Principles Board of the American Institute of Certified Public Accountants and statements and pronouncements of the Financial Accounting Standards Board or in such other statements by such other entity as may be approved by a significant segment of the accounting profession of the United States, as in effect on the Issue Date.

guarantee means a direct or indirect guarantee by any Person of any Indebtedness of any other Person and includes any obligation, direct or indirect, contingent or otherwise, of such Person: (1) to purchase or pay (or advance or supply funds for the purchase or payment of) Indebtedness of such other Person (whether arising by virtue of partnership arrangements, or by agreements to keep-well, to purchase assets, goods, securities or services (unless such purchase arrangements are on arm's-length terms and are entered into in the ordinary course of business), to take-or-pay, or to maintain financial statement conditions or otherwise); or (2) entered into for purposes of assuring in any other manner the obligee of such Indebtedness of the payment thereof or to protect such obligee against loss in respect thereof (in whole or in part), and guarantee, when used as a verb, and guaranteed have correlative meanings.

Guarantee means the senior subordinated guarantee by each of the Guarantors of the Issuer's obligations under the Indenture and the Notes as provided under the section of the Indenture described under Guarantees of the Notes.

Guarantor Senior Debt means, with respect to any Guarantor, the principal of, premium, if any, and interest (including any interest accruing subsequent to the filing of a petition of bankruptcy at the rate provided for in the documentation with respect thereto, whether or not such interest is an allowed claim under applicable law) on any Indebtedness of such Guarantor, whether outstanding on the Issue Date or thereafter created, incurred or assumed, unless, in the case of any particular Indebtedness, the instrument creating or evidencing the same or pursuant to which the same is outstanding expressly provides that such Indebtedness shall not be senior in right of payment to the Guarantees and the Notes.

Without limiting the generality of the foregoing, Guarantor Senior Debt shall also include the principal of, premium, if any, interest (including any interest accruing subsequent to the filing of a petition of bankruptcy at the rate provided for in the documentation with respect thereto, whether or not such interest is an allowed claim under applicable law) on, and all other amounts owing in respect of:

(1) all obligations of every nature of such Guarantor under, or with respect to, any Credit Facility (including any Credit Agreement), including obligations to pay principal and interest, reimbursement obligations under letters of credit, fees, expenses and indemnities (and guarantees thereof), and including all obligations of each Guarantor under guarantees under or with respect to any of the foregoing or otherwise under or with respect to any Credit Facility (including any Credit Agreement); and

(2) all obligations of every nature of such Guarantor under or with respect to any Hedging Obligations in respect of any Credit Facility (including any Credit Agreement) (and guarantees thereof);

in each case whether outstanding on the Issue Date or thereafter incurred.

S-127

Table of Contents

Description of notes

Notwithstanding the foregoing, Guarantor Senior Debt shall not include:

- (1) any Indebtedness of such Guarantor to the Issuer or any of its Subsidiaries;
- (2) Indebtedness to, or guaranteed on behalf of, any director, officer or employee of the Issuer or any of its Subsidiaries (including amounts owed for compensation);
- (3) obligations to trade creditors and other amounts incurred (but not under any Credit Facility (including any Credit Agreement)) in connection with obtaining goods, materials or services;
- (4) Indebtedness represented by Disqualified Equity Interests;
- (5) any liability for taxes owed or owing by such Guarantor;
- (6) that portion of any Indebtedness incurred in violation of the Indenture (but, as to any such obligation, no such violation shall be deemed to exist for purposes of this clause (6) if the holder(s) of such obligation or their representative shall have received an Officers Certificate (and/or representation or warranty) of such Guarantor (any such Officers Certificate, notwithstanding the definition of such term, to be executed by analogous officers of the Guarantor rather than the Issuer) to the effect that the incurrence of such Indebtedness does not (or, in the case of revolving credit indebtedness, the incurrence of the entire committed amount thereof at the date on which the initial borrowing thereunder is made would not) violate the provisions of the Indenture);
- (7) Indebtedness which, when incurred and without respect to any election under Section 1111(b) of Title 11, United States Code, is without recourse to such Guarantor; and
- (8) any Indebtedness (including any Pari Passu Indebtedness or Subordinated Indebtedness) which is, by its express terms, subordinated in right of payment to any other Indebtedness of such Guarantor.

Guarantors means (1) each party named as such on the signature pages of the Indenture, which (subject to the proviso below), collectively, consist of each Domestic Subsidiary on the Issue Date that guarantees any Indebtedness or other Obligation under any Credit Agreement, and (2) each other Person that is required to, or at the election of the Issuer does, become a Guarantor by the terms of the Indenture after the Issue Date, in each case, until such Person is released from its Guarantee in accordance with the terms of the Indenture; *provided, however*, in each case, that in any event neither of the following Subsidiaries of the Issuer shall be a Guarantor unless the Issuer so elects by notice to the Trustee delivered in accordance with the Indenture (in which case such Subsidiary shall become a Guarantor as provided in the section of the Indenture described under Certain Covenants Additional Guarantees):

- (a) SPDH, Inc.; and
- (b) Diamics, Inc., until such time, if ever, that it becomes a Wholly-Owned Restricted Subsidiary of the Issuer.

Health Management Joint Venture means a single joint venture (which may be conducted through more than one joint venture entity) created by the Issuer or any of its Restricted Subsidiaries, on the one hand, and any joint venture partner or partners who are not Affiliates of the Issuer, on the other hand, for the purpose of developing or conducting any business within the fields of business described or otherwise included in the definition of Health Management

Business below.

Health Management Business means the businesses engaged in by the Issuer and its Subsidiaries on the Issue Date focused on wellness, disease and condition management, productivity enhancement or informatics, any businesses that are otherwise within any of such business fields (whether or not engaged in by the Issuer on the Issue Date), and any businesses that are a reasonable extension, development or expansion of, any of the foregoing (whether or not engaged in by the Issuer on the Issue Date).

S-128

Table of Contents

Description of notes

Hedging Obligations of any Person means the obligations of such Person pursuant to (1) any interest rate swap agreement, interest rate collar agreement or other similar agreement or arrangement designed to alter the risks to that Person arising from fluctuations in interest rates, (2) agreements or arrangements designed to alter the risks to that Person arising from fluctuations in foreign currency exchange rates in the conduct of its operations, or (3) any forward contract, commodity swap agreement, commodity option agreement or other similar agreement or arrangement designed to protect such Person against fluctuations in commodity prices, in each case entered into in the ordinary course of business for *bona fide* hedging purposes and not for the purpose of speculation.

Holder means any registered holder, from time to time, of the Notes.

incur means, with respect to any Indebtedness or Obligation, incur, create, issue, assume, guarantee or otherwise become directly or indirectly liable, contingently or otherwise, with respect to such Indebtedness or Obligation; *provided, however*, that (1) the Indebtedness of a Person existing at the time such Person became a Restricted Subsidiary shall be deemed to have been incurred by such Restricted Subsidiary at such time and (2) neither the accrual of interest nor the accretion of original issue discount shall be deemed to be an incurrence of Indebtedness.

Indebtedness of any Person at any date means, without duplication:

- (1) all liabilities, contingent or otherwise, of such Person for borrowed money (whether or not the recourse of the lender is to the whole of the assets of such Person or only to a portion thereof);
- (2) all obligations of such Person evidenced by bonds, debentures, notes or other similar instruments;
- (3) all reimbursement obligations of such Person in respect of letters of credit, letters of guaranty, bankers acceptances and similar credit transactions;
- (4) (i) all obligations of such Person to pay the deferred and unpaid purchase price of property or services, and (ii) all obligations of such Person under conditional sale or other title retention agreements relating to the assets purchased by such Person; *provided, however*, that in no event shall the following constitute Indebtedness under the Indenture:
 - (x) trade payables and other accrued liabilities incurred by such Person in the ordinary course of business and
 - (y) customary adjustments of purchase price, contingent payments, earnout payments or similar obligations of such Person arising under any of the documents pertaining to any acquisition of any Person or assets or Equity Interests of any Person or any sale, transfer or other disposition of assets to any Person, in each case to the extent not yet determined, due and payable;
- (5) the maximum fixed involuntary redemption or repurchase price of all Disqualified Equity Interests of such Person;
- (6) all Capitalized Lease Obligations of such Person;
- (7) all Indebtedness of others secured by a Lien on any asset of such Person, whether or not such Indebtedness is assumed by such Person;
- (8) all Indebtedness of others guaranteed by such Person to the extent of such guarantee; *provided, however*, that Indebtedness of the Issuer or its Subsidiaries that is guaranteed by the Issuer or the Issuer's Subsidiaries shall only be

counted once in the calculation of the amount of Indebtedness of the Issuer and its Subsidiaries on a consolidated basis;

(9) all Attributable Indebtedness; and

(10) to the extent not otherwise included in this definition, Hedging Obligations of such Person, determined as the net amount of all payments that would be required to be made in respect thereof in the event of a termination (including an early termination) on the date of determination.

Table of Contents

Description of notes

The amount of any Indebtedness which is incurred at a discount to the principal amount at maturity thereof as of any date shall be deemed to have been incurred at the accreted value thereof as of such date. The amount of Indebtedness of any Person at any date shall be the outstanding balance at such date of all unconditional obligations as described above, the maximum liability of such Person for any such contingent obligations at such date and, in the case of clause (7), the lesser of (a) the Fair Market Value of any asset subject to a Lien securing the Indebtedness of others on the date that the Lien attaches and (b) the amount of the Indebtedness secured. For purposes of clause (5), the maximum fixed involuntary redemption or repurchase price of any Disqualified Equity Interests that do not have a fixed involuntary redemption or repurchase price shall be calculated in accordance with the terms of such Disqualified Equity Interests as if such Disqualified Equity Interests were redeemed or repurchased on any date on which an amount of Indebtedness outstanding shall be required to be determined pursuant to the Indenture.

Independent Director means a director of the Issuer who:

- (1) is independent with respect to the transaction at issue;
- (2) does not have any material financial interest in the Issuer or any of its Affiliates (other than as a result of holding securities of the Issuer); and
- (3) has not and whose Affiliates or affiliated firm has not, at any time during the twelve months prior to the taking of any action hereunder, directly or indirectly, received, or entered into any understanding or agreement to receive, any compensation, payment or other benefit, of any type or form, from the Issuer or any of its Affiliates, other than customary directors' fees for serving on the Board of Directors of the Issuer or any Affiliate and reimbursement of out-of-pocket expenses for attendance at the Issuer's or Affiliate's board and board committee meetings.

Independent Financial Advisor means an accounting, appraisal or investment banking firm of recognized standing that is, in the reasonable judgment of the Issuer's Board of Directors, qualified to perform the task for which it has been engaged and disinterested and independent with respect to the Issuer and its Affiliates.

Investments of any Person means:

- (1) all direct or indirect investments by such Person in any other Person in the form of loans, advances or capital contributions or other credit extensions constituting Indebtedness of such other Person, and any guarantee of Indebtedness of any other Person;
- (2) all purchases (or other acquisitions for consideration) by such Person of Indebtedness, Equity Interests or other securities of any other Person (other than any such purchase that constitutes a Restricted Payment of the type described in clause (2) of the definition thereof);
- (3) all other items that would be classified as investments (including purchases of assets outside the ordinary course of business) on a balance sheet of such Person prepared in accordance with GAAP; and
- (4) the Designation after the Issue Date of any Subsidiary as an Unrestricted Subsidiary.

Except as otherwise expressly specified in this definition, the amount of any Investment (other than an Investment made in cash) shall be the Fair Market Value thereof on the date such Investment is made. The amount of any Investment pursuant to clause (4) shall be the Designation Amount determined in accordance with the covenant described under Certain Covenants Limitations on Designation of Unrestricted Subsidiaries. Notwithstanding the foregoing, neither (a) purchases or redemptions of Equity Interests of the Issuer nor (b) acquisitions of assets by any Person shall be deemed to be Investments.

Issue Date means the date on which the Notes being issued in this offering are originally issued.

Lien means, with respect to any asset, any mortgage, deed of trust, lien (statutory or other), pledge, lease, easement, restriction, charge, security interest or other similar encumbrance of any kind or nature in respect

S-130

Table of Contents

Description of notes

of such asset, whether or not filed, recorded or otherwise perfected under applicable law, including any conditional sale or other title retention agreement, and any lease in the nature thereof.

Major Foreign Exchange means an exchange which is the primary non-U.S. trading location for one or more stocks included in the Morgan Stanley Capital International Europe, Australasia and Far East Index (or if such index does not exist a comparable then existing index).

Moody's means Moody's Investors Service, Inc., and its successors.

Net Available Proceeds means, with respect to any Asset Sale, the proceeds thereof in the form of cash or Cash Equivalents, net of:

- (1) brokerage commissions and other fees and expenses (including fees and expenses of legal counsel, accountants and investment banks) incurred in connection with such Asset Sale;
- (2) provisions for taxes payable as a result of such Asset Sale (after taking into account any available tax credits or deductions and any tax sharing arrangements);
- (3) amounts required to be paid to any Person (other than the Issuer or any Restricted Subsidiary) owning a beneficial interest in the assets subject to the Asset Sale or having a Lien thereon;
- (4) payments of unassumed liabilities (not constituting Indebtedness) relating to the assets sold at the time of, or within 180 days after the date of, such Asset Sale; and
- (5) appropriate amounts to be provided by the Issuer or any Restricted Subsidiary, as the case may be, as a reserve required in accordance with GAAP against any adjustment in the sale price of such asset or assets or liabilities associated with such Asset Sale and retained by the Issuer or any Restricted Subsidiary, as the case may be, after such Asset Sale, including pensions and other post-employment benefit liabilities, liabilities related to environmental matters and liabilities under any indemnification obligations associated with such Asset Sale, all as reflected in an Officers Certificate delivered to the Trustee; *provided, however*, that any amounts remaining after adjustments, revaluations or liquidations of such reserves shall constitute Net Available Proceeds.

Non-Recourse Debt means Indebtedness of an Unrestricted Subsidiary:

- (1) as to which neither the Issuer nor any Restricted Subsidiary (a) provides credit support of any kind (including any undertaking, agreement or instrument that would constitute Indebtedness), (b) is directly or indirectly liable as a guarantor or otherwise, or (c) constitutes the lender; *provided, however*, that an intercompany loan from the Issuer or any Restricted Subsidiary to an Unrestricted Subsidiary shall be deemed Non-Recourse Debt if such loan at the time such Subsidiary is designated an Unrestricted Subsidiary or if made later, at the time such intercompany loan is made, was permitted under and made in compliance with the covenant described under Certain Covenants Limitations on Restricted Payments ; and
- (2) no default with respect to which (including any rights that the holders thereof may have to take enforcement action against an Unrestricted Subsidiary) would permit upon notice, lapse of time or both any holder or holders of any other Indebtedness (other than the Notes) of the Issuer or any Restricted Subsidiary in an aggregate principal

amount of \$50.0 million or more to declare a default on the other Indebtedness or cause the payment thereof to be accelerated or payable prior to its stated maturity.

Obligation means any principal, interest, penalties, fees, indemnification, reimbursements, costs, expenses, damages and other liabilities payable under the documentation governing any Indebtedness.

Officer means any of the following of the Issuer: the Chairman of the Board of Directors, the Chief Executive Officer, the President, any Vice President, the Chief Financial Officer, the Treasurer, any Assistant Treasurer, the Secretary or any Assistant Secretary.

Officers Certificate means a certificate signed by two Officers.

Table of Contents

Description of notes

Pari Passu Indebtedness means any Indebtedness of the Issuer or any Guarantor that ranks *pari passu* in right of payment with the Notes or the Guarantees, as applicable, including the 2007 Convertible Notes and any Indebtedness of the Issuer that ranks *pari passu* in right of payment with the 2007 Convertible Notes.

Permitted Business means the businesses engaged in by the Issuer and its Subsidiaries on the Issue Date as described in this prospectus supplement, businesses that are otherwise within the healthcare, life sciences or diagnostic industries, and businesses that are reasonably similar, ancillary or related to, or that are a reasonable extension, development or expansion of, any of the foregoing.

Permitted Indebtedness has the meaning given to such term in the second paragraph of the covenant described under Certain Covenants Limitations on Additional Indebtedness.

Permitted Investments means:

- (1) Investments by the Issuer or any Restricted Subsidiary (a) in any Restricted Subsidiary or (b) including the purchase price paid for and reasonable transaction costs related thereto, in any Person that is or will become immediately after or substantially concurrent with such Investment a Restricted Subsidiary or that will merge or consolidate into the Issuer or a Restricted Subsidiary (including the exercise or performance of any rights or obligations to acquire any equity or ownership interest in any joint venture under the terms of the agreements governing such joint venture);
- (2) Investments in the Issuer by any Restricted Subsidiary;
- (3) loans and advances to directors, employees and officers of the Issuer and the Restricted Subsidiaries for (a) *bona fide* business purposes and (b) to purchase Equity Interests of the Issuer not in excess of \$5.0 million at any one time outstanding, in each case, in addition to any such loans outstanding on the Issue Date;
- (4) Hedging Obligations incurred pursuant to clause (4) of the second paragraph under the covenant described under Certain Covenants Limitations on Additional Indebtedness ;
- (5) cash and Cash Equivalents;
- (6) receivables owing to the Issuer or any Restricted Subsidiary and payable or dischargeable in accordance with customary trade terms; *provided, however*, that such trade terms may include such concessionary trade terms as the Issuer or any such Restricted Subsidiary deems reasonable under the circumstances;
- (7) Investments in securities of trade creditors or customers received pursuant to any plan of reorganization or similar arrangement upon the bankruptcy or insolvency of such trade creditors or customers;
- (8) Investments made by the Issuer or any Restricted Subsidiary in compliance with the covenant described under Certain Covenants Limitations on Asset Sales using consideration received in connection with an Asset Sale;
- (9) lease, utility and other similar deposits in the ordinary course of business;

(10) Investments made by the Issuer or a Restricted Subsidiary for consideration consisting only of Qualified Equity Interests of the Issuer;

(11) stock, obligations or securities received in settlement of debts created in the ordinary course of business and owing to the Issuer or any Restricted Subsidiary or in satisfaction of judgments;

(12) Investments existing on the Issue Date;

(13) non-cash and non-Cash Equivalents Investments by the Issuer or any Restricted Subsidiary in a single Health Management Joint Venture (which may be conducted through more than one joint venture entity) in connection with the creation thereof;

S-132

Table of Contents

Description of notes

(14) acquisitions (including the purchase price paid for and reasonable transaction costs related thereto) by the Issuer or any Restricted Subsidiary of (i) Equity Interests of another Person engaged in the Permitted Business and who will thereafter become a Restricted Subsidiary (including the exercise or performance of any rights or obligations to acquire any equity or ownership interest in any joint venture under the terms of the agreements governing such joint venture), (ii) all or a substantial portion of the assets of a Person engaged in or of a line of business, in each case, within the Permitted Business, or (iii) any other assets within the Permitted Business; and

(15) other Investments having an aggregate Fair Market Value at any one time outstanding not to exceed 3.0% of Consolidated Total Assets (with the Fair Market Value of each Investment being determined as of the date made and without regard to subsequent changes in value) (it being understood that any Investment permitted under this clause (15) shall remain so permitted notwithstanding any decrease in Consolidated Total Assets). (For avoidance of doubt, in determining the amount of any Investments made and outstanding under this clause (15) in any joint venture in connection with any contribution, transfer or other disposition of assets by the Issuer or any of its Restricted Subsidiaries to such joint venture, the aggregate amount of cash and Cash Equivalents received by the Issuer and its Restricted Subsidiaries in consideration for such contribution, transfer or disposition shall be netted against the Fair Market Value of the assets so contributed, transferred or disposed of.)

The amount of Investments outstanding at any time pursuant to clause (15) above shall be deemed to be reduced:

- (a) upon the disposition or repayment of or return on any Investment made pursuant to clause (15) above, by an amount equal to the return of capital with respect to such Investment to the Issuer or any Restricted Subsidiary (to the extent not included in the computation of Consolidated Net Income), less the cost of the disposition of such Investment and net of taxes; and
- (b) upon a Redesignation of an Unrestricted Subsidiary as a Restricted Subsidiary, by an amount equal to the lesser of (x) the Fair Market Value of the Issuer's proportionate interest in such Subsidiary immediately following such Redesignation, and (y) the aggregate amount of Investments in such Subsidiary that increased (and did not previously decrease) the amount of Investments outstanding pursuant to clause (15) above.

Permitted Junior Securities means:

- (1) Equity Interests in the Issuer or any Guarantor; and
- (2) debt securities,

in the case of each of clauses (1) and (2), provided for by a plan of reorganization or readjustment and that are subordinated to (a) all Senior Debt and Guarantor Senior Debt and (b) any securities issued in exchange for Senior Debt, in each case, to substantially the same extent as, or to a greater extent than, the Notes and the Guarantees are subordinated to Senior Debt and Guarantor Senior Debt under the Indenture.

Permitted Liens means the following types of Liens:

- (1) Liens for taxes, assessments or governmental charges or claims either (a) not delinquent or payable without penalty or (b) contested in good faith by appropriate proceedings and as to which the Issuer or the Restricted

Subsidiaries shall have set aside on its books such reserves as may be required pursuant to GAAP;

(2) statutory, contractual or common law Liens of landlords and mortgagees of landlords and Liens of carriers, warehousemen, mechanics, suppliers, materialmen, repairmen or workmen and other Liens imposed by law or arising in the ordinary course of business for sums not yet delinquent or

Table of Contents

Description of notes

being contested in good faith, if such reserve or other appropriate provision, if any, as shall be required by GAAP shall have been made in respect thereof;

(3) Liens arising or pledges or deposits made in the ordinary course of business in connection with workers compensation, unemployment insurance, social security or other types of government insurance benefits, or made in lieu of, or to secure the performance of tenders, statutory obligations, surety, customs, reclamation, performance or appeal bonds, bids, leases, government, sales or other trade contracts, performance and return-of-money bonds and other similar obligations (exclusive of obligations for the payment of borrowed money);

(4) Liens upon specific items of inventory, equipment or other goods and proceeds of any Person securing such Person's obligations in respect of bankers' acceptances issued or created for the account of such Person to facilitate the purchase, shipment or storage of such inventory or other goods;

(5) attachment or judgment Liens not giving rise to a Default so long as any appropriate legal proceedings which may have been duly initiated for the review of such judgment have not been finally terminated or the period within which the proceedings may be initiated has not expired, and pledges or cash deposits made in lieu of, or to secure the performance of, judgment or appeal bonds in connection with the foregoing;

(6) easements, rights-of-way, zoning restrictions and other similar charges, restrictions, licenses, reservations, covenants, encroachments or other similar encumbrances in respect of real property or immaterial imperfections of title which are customary or do not, in the aggregate, impair in any material respect the ordinary conduct of the business of the Issuer and the Restricted Subsidiaries taken as a whole;

(7) (i) Liens securing reimbursement obligations with respect to commercial letters of credit which encumber documents, goods covered thereby, and other assets relating to such letters of credit and products and proceeds thereof and (ii) Liens securing reimbursement obligations with respect to letters of credit issued to landlords in an aggregate face amount not exceeding \$10.0 million at any time;

(8) Liens encumbering deposits made to secure obligations arising from statutory, regulatory, contractual or warranty requirements of the Issuer or any Restricted Subsidiary, including rights of offset and setoff;

(9) bankers' Liens, rights of setoff and other similar Liens existing solely with respect to cash and Cash Equivalents on deposit in one or more of accounts maintained by the Issuer or any Restricted Subsidiary, in each case granted in the ordinary course of business in favor of the bank or banks with which such accounts are maintained, securing amounts owing to such bank with respect to cash management and operating account arrangements, including those involving pooled accounts and netting arrangements (including any Liens securing Permitted Indebtedness incurred in reliance on clause (8) of the definition thereof in the covenant described under Certain Covenants Limitations on Additional Indebtedness above); *provided, however*, that in no case shall any such Liens secure (either directly or indirectly) the repayment of any Indebtedness (except such Permitted Indebtedness expressly referenced above);

(10) leases or subleases (or any Liens on the property related thereto) granted to others that do not materially interfere with the ordinary course of business of the Issuer or any Restricted Subsidiary;

(11) licenses and sublicenses of intellectual property granted to third parties in the ordinary course of business;

(12) Liens arising from filing Uniform Commercial Code financing statements regarding leases or other transactions that are not secured transactions;

(13) Liens securing all of the Notes and Liens securing any Guarantee;

S-134

Table of Contents

Description of notes

(14) (i) Liens securing Senior Debt or Guarantor Senior Debt (including, in each case, Indebtedness under any Credit Facility or Credit Agreement (including with respect to letters of credit or bankers' acceptances issued thereunder)); and (ii) Liens securing Hedging Obligations permitted under clause (4)(i) in Certain Covenants Limitations on Additional Indebtedness with respect to Indebtedness under any Credit Facility or Credit Agreement, which Liens in this clause (ii) extend only to assets securing such Indebtedness under such Credit Facility or Credit Agreement;

(15) Liens securing Indebtedness of any Domestic Subsidiary that is not a Guarantor (other than Indebtedness that is Subordinated Indebtedness or that ranks *pari passu* in right of payment with the Notes or any Guarantee), provided that such Liens do not extend to the assets of a Person who is not liable for such Indebtedness, whether as a borrower, a guarantor or otherwise;

(16) Liens securing Indebtedness of Foreign Subsidiaries that relate solely to the Equity Interests or assets of Foreign Subsidiaries;

(17) Liens existing on the Issue Date securing Indebtedness outstanding on the Issue Date;

(18) Liens in favor of the Issuer or a Restricted Subsidiary;

(19) Liens securing Purchase Money Indebtedness;

(20) Liens securing Acquired Indebtedness permitted to be incurred under the Indenture; *provided, however*, that the Liens do not extend to assets not subject to such Lien at the time of acquisition (other than improvements thereon) and are no more favorable to the lienholders than those securing such Acquired Indebtedness prior to the incurrence of such Acquired Indebtedness by the Issuer or a Restricted Subsidiary;

(21) Liens on assets of a Person existing at the time such Person is acquired or merged with or into or consolidated with the Issuer or any such Restricted Subsidiary (and not created in anticipation or contemplation thereof);

(22) Liens to secure Refinancing Indebtedness of Indebtedness secured by Liens referred to in the foregoing clauses (17), (20) and (21) and this clause (22); *provided, however*, that in each case such Liens do not extend to any additional assets (other than improvements thereon and replacements thereof);

(23) Liens to secure Attributable Indebtedness and/or that are incurred pursuant to the covenant described under Certain Covenants Limitations on Sale and Leaseback Transactions ; *provided, however*, that any such Lien shall not extend to or cover any assets of the Issuer or any Restricted Subsidiary other than the assets which are the subject of the Sale and Leaseback Transaction in which the Attributable Indebtedness is incurred;

(24) Liens in favor of customs and revenue authorities arising as a matter of law to secure payment of customs duties in connection with the importation of goods;

(25) Liens securing Permitted Indebtedness incurred in reliance on clause (16) in the Limitations on Additional Indebtedness covenant; *provided, however*, that this clause (25) shall not permit Liens on the assets of any Domestic Subsidiary to secure Indebtedness of any Foreign Subsidiary; and

(26) Liens incurred in the ordinary course of business of the Issuer or any Restricted Subsidiary with respect to obligations (other than Indebtedness) that do not in the aggregate exceed \$25.0 million at any one time outstanding.

Person means any individual, corporation, partnership, limited liability company, joint venture, incorporated or unincorporated association, joint-stock company, trust, unincorporated organization or government or other agency or political subdivision thereof or other entity of any kind.

P&G Joint Venture means the joint venture between the Issuer and The Proctor & Gamble Company conducted through the P&G JV Companies pursuant to the P&G JV Agreements for the purpose of

Table of Contents

Description of notes

developing, acquiring and marketing consumer diagnostic and monitoring products (excluding products in the cardiology, diabetes and oral care fields).

P&G JV Agreements means the various joint venture, limited liability company, asset transfer and contribution agreements dated on or about May 17, 2007 among the Issuer and certain of its Subsidiaries and Procter & Gamble RHD, Inc., Procter & Gamble International Operations, SA and certain of their Affiliates, and the other agreements, instruments and documents executed or delivered in connection therewith on or after such date.

P&G JV Companies means US CD LLC, a Delaware limited liability company, and SPD Swiss Precision Diagnostics GmbH, a company organized under the laws of Switzerland, and any subsidiaries of either of them.

Plan of Liquidation with respect to any Person, means a plan that provides for, contemplates or the effectuation of which is preceded or accompanied by (whether or not substantially contemporaneously, in phases or otherwise): (1) the sale, lease, conveyance or other disposition of all or substantially all of the assets of such Person otherwise than as an entirety or substantially as an entirety; and (2) the distribution of all or substantially all of the proceeds of such sale, lease, conveyance or other disposition of all or substantially all of the remaining assets of such Person to holders of Equity Interests of such Person.

Preferred Stock means, with respect to any Person, any and all preferred or preference stock or other equity interests (however designated) of such Person whether now outstanding or issued after the Issue Date.

principal of a Note means the principal of the Note *plus*, when appropriate, the premium, if any, on the Note.

Purchase Money Indebtedness means Indebtedness, including Capitalized Lease Obligations, of the Issuer or any Restricted Subsidiary incurred for the purpose of financing all or any part of the purchase price of property, plant or equipment used in the business of the Issuer or any Restricted Subsidiary or the cost of installation, construction or improvement thereof; *provided, however*, that (1) the amount of such Indebtedness shall not exceed such purchase price or cost, (2) such Indebtedness shall not be secured by any asset other than the specified asset being financed or, in the case of real property or fixtures, including additions and improvements, the real property to which such asset is attached and (3) such Indebtedness shall be incurred within 180 days before or after such acquisition of such asset by the Issuer or such Restricted Subsidiary or such installation, construction or improvement.

Qualified Equity Interests means Equity Interests of the Issuer other than Disqualified Equity Interests.

Qualified Equity Offering means the issuance and sale of Qualified Equity Interests of the Issuer.

redeem means to redeem, repurchase, purchase, defease, discharge or otherwise acquire or retire for value, and **redemption** has a correlative meaning; *provided, however*, that this definition shall not apply for purposes of the provisions described under **Redemption** **Optional Redemption**.

Redesignation has the meaning given to such term in the covenant described under **Certain Covenants** **Limitations on Designation of Unrestricted Subsidiaries**.

refinance means to refinance, repay, prepay, replace, renew or refund.

Refinancing Indebtedness means Indebtedness of the Issuer or a Restricted Subsidiary issued in exchange for, or the proceeds from the issuance and sale or disbursement of which are used substantially concurrently to redeem or refinance in whole or in part, or constituting an amendment of, any Indebtedness of the Issuer or any Restricted Subsidiary (the Refinanced Indebtedness); *provided, however*, that:

(1) the principal amount (or accreted value, in the case of Indebtedness issued at a discount) of the Refinancing Indebtedness does not exceed the principal amount (or accreted value, as the case may be) of the Refinanced Indebtedness *plus* the amount of accrued and unpaid interest on the

S-136

Table of Contents

Description of notes

Refinanced Indebtedness, any premium paid to the holders of the Refinanced Indebtedness and reasonable expenses incurred in connection with the incurrence of the Refinancing Indebtedness;

(2) the Refinancing Indebtedness is the obligation of the same Person as that of the Refinanced Indebtedness;

(3) if the Refinanced Indebtedness was subordinated to the Notes or the Guarantees, as the case may be, then such Refinancing Indebtedness, by its terms, is subordinate in right of payment to the Notes or the Guarantees, as the case may be, at least to the same extent as the Refinanced Indebtedness, and if the Refinanced Indebtedness was *pari passu* with the Notes or the Guarantees, as the case may be, then the Refinancing Indebtedness ranks *pari passu* with, or is subordinated to, the Notes or the Guarantees, as the case may be;

(4) the Refinancing Indebtedness is scheduled to mature either (a) no earlier than the Refinanced Indebtedness being repaid or amended or (b) after the maturity date of the Notes;

(5) the portion, if any, of the Refinancing Indebtedness that is scheduled to mature on or prior to the maturity date of the Notes has a Weighted Average Life to Maturity at the time such Refinancing Indebtedness is incurred that is equal to or greater than the Weighted Average Life to Maturity of the portion of the Refinanced Indebtedness being repaid that is scheduled to mature on or prior to the maturity date of the Notes; and

(6) the Refinancing Indebtedness is secured only to the extent, if at all, and by the assets, that the Refinanced Indebtedness being repaid or amended is secured.

Representative means any agent or representative in respect of any Designated Senior Debt; *provided, however*, that if, and for so long as, any Designated Senior Debt lacks such representative, then the Representative for such Designated Senior Debt shall at all times constitute the holders of a majority in outstanding principal amount of such Designated Senior Debt.

Restricted Payment means any of the following:

(1) the declaration or payment of any dividend or any other distribution on Equity Interests of the Issuer or any Restricted Subsidiary or any payment made to the direct or indirect holders (in their capacities as such) of Equity Interests of the Issuer or any Restricted Subsidiary (in respect of such Equity Interests) by the Issuer or any Restricted Subsidiary, including any payment in connection with any merger or consolidation involving the Issuer, but excluding (a) dividends, distributions or payments payable or paid solely in Qualified Equity Interests (and payments of cash in lieu of delivering fractional shares in connection therewith) and (b) in the case of Restricted Subsidiaries, dividends, distributions or payments payable or paid to the Issuer or to a Restricted Subsidiary and *pro rata* dividends or distributions payable to minority stockholders of any Restricted Subsidiary;

(2) the redemption of any Equity Interests of the Issuer or any Restricted Subsidiary, including any payment by the Issuer or any Restricted Subsidiary in connection with any merger or consolidation involving the Issuer, but excluding (i) any such Equity Interests held by the Issuer or any Restricted Subsidiary and (ii) any redemptions to the extent payable or paid in Equity Interests of the Issuer or of an acquiror of the Issuer (and payments of cash in lieu of delivering fractional shares in connection therewith), in either case in this clause (ii) other than Disqualified Equity Interests;

(3) any Investment other than a Permitted Investment; or

(4) any redemption prior to the scheduled maturity or prior to any scheduled repayment of principal or sinking fund payment, as the case may be, in respect of Subordinated Indebtedness, but excluding (i) any redemptions to the extent payable or paid in Qualified Equity Interests (and payments of cash in lieu of delivering fractional shares in connection therewith), (ii) any redemptions of any Indebtedness the incurrence of which is permitted pursuant to clause (5) of the definition of

S-137

Table of Contents

Description of notes

Permitted Indebtedness, or (iii) any redemption of Indebtedness of the Issuer or any Restricted Subsidiary purchased in anticipation of satisfying a sinking fund obligation, principal installment or final maturity, in each case due within one year of such redemption.

Restricted Payments Basket has the meaning given to such term in the first paragraph of the covenant described under Certain Covenants Limitations on Restricted Payments.

Restricted Subsidiary means any Subsidiary of the Issuer other than an Unrestricted Subsidiary.

S&P means Standard & Poor's Ratings Services, a division of The McGraw-Hill Companies, Inc., and its successors.

Sale and Leaseback Transactions means with respect to any Person an arrangement with any bank, insurance company or other lender or investor or to which such lender or investor is a party, providing for the leasing by such Person of any asset of such Person which has been or is being sold or transferred by such Person to such lender or investor or to any Person to whom funds have been or are to be advanced by such lender or investor on the security of such asset.

SEC means the U.S. Securities and Exchange Commission.

Secretary's Certificate means a certificate signed by the Secretary or Assistant Secretary of the Issuer.

Second Lien Credit Agreement means that certain Second Lien Credit Agreement dated as of June 26, 2007 among, *inter alia*, the Issuer, the lenders party thereto and General Electric Capital Corporation as administrative agent, including any notes, guarantees, collateral and security documents, instruments and agreements executed in connection therewith (including Hedging Obligations related to the Indebtedness incurred thereunder), and in each case as amended, restated, supplemented or otherwise modified from time to time before, on or after the date of the Indenture, including any agreement extending the maturity of, refinancing, refunding, replacing or otherwise restructuring (including increasing the amount of borrowings or other Indebtedness outstanding or available to be borrowed thereunder) all or any portion of the Indebtedness under such agreement, and any successor or replacement agreement or agreements with the same or any other agent or agents, creditor, lender or group of creditors or lenders.

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

Senior Debt means the principal of, premium, if any, and interest (including any interest accruing subsequent to the filing of a petition of bankruptcy at the rate provided for in the documentation with respect thereto, whether or not such interest is an allowed claim under applicable law) on any Indebtedness of the Issuer, whether outstanding on the Issue Date or thereafter created, incurred or assumed, unless, in the case of any particular Indebtedness, the instrument creating or evidencing the same or pursuant to which the same is outstanding expressly provides that such Indebtedness shall not be senior in right of payment to the Notes.

Without limiting the generality of the foregoing, Senior Debt shall also include the principal of, premium, if any, interest (including any interest accruing subsequent to the filing of a petition of bankruptcy at the rate provided for in the documentation with respect thereto, whether or not such interest is an allowed claim under applicable law) on, and all other amounts owing in respect of:

(1) all obligations of every nature of the Issuer under, or with respect to, any Credit Facility (including any Credit Agreement), including obligations to pay principal and interest, reimbursement obligations under letters of credit, fees, expenses and indemnities (and guarantees thereof), and including all obligations under guarantees of the Issuer under or with respect to any of the foregoing or otherwise under or with respect to any Credit Facility (including any Credit Agreement); and

(2) all obligations of every nature of the Issuer under, or with respect to, any Hedging Obligations in respect of any Credit Facility (including any Credit Agreement);

S-138

Table of Contents

Description of notes

in each case whether outstanding on the Issue Date or thereafter incurred.

Notwithstanding the foregoing, Senior Debt shall not include:

- (1) any Indebtedness of the Issuer to any of its Subsidiaries;
- (2) Indebtedness to, or guaranteed on behalf of, any director, officer or employee of the Issuer or any of its Subsidiaries (including amounts owed for compensation);
- (3) obligations to trade creditors and other amounts incurred (but not under any Credit Facility (including any Credit Agreement)) in connection with obtaining goods, materials or services;
- (4) Indebtedness represented by Disqualified Equity Interests;
- (5) any liability for taxes owed or owing by the Issuer;
- (6) that portion of any Indebtedness incurred in violation of the Indenture (but, as to any such obligation, no such violation shall be deemed to exist for purposes of this clause (6) if the holder(s) of such obligation or their representative shall have received an Officers Certificate (and/or representation or warranty) of the Issuer to the effect that the incurrence of such Indebtedness does not (or, in the case of revolving credit indebtedness, the incurrence of the entire committed amount thereof at the date on which the initial borrowing thereunder is made would not) violate the provisions of the Indenture);
- (7) Indebtedness which, when incurred and without respect to any election under Section 1111(b) of Title 11, United States Code, is without recourse to the Issuer;
- (8) Indebtedness under or evidenced by the 2007 Convertible Notes and any Indebtedness that expressly provides that it ranks *pari passu* in right of payment to the 2007 Convertible Notes; and
- (9) any Indebtedness (including any *Pari Passu* Indebtedness or Subordinated Indebtedness) which is, by its express terms, subordinated in right of payment to any other Indebtedness of the Issuer.

Series B Preferred Stock means the Series B Convertible Perpetual Preferred Stock, par value \$0.001 per share, of the Issuer.

Significant Subsidiary means (1) any Restricted Subsidiary that would be a significant subsidiary as defined in Regulation S-X promulgated pursuant to the Securities Act as such Regulation is in effect on the Issue Date and (2) any Restricted Subsidiary that, when aggregated with all other Restricted Subsidiaries that are not otherwise Significant Subsidiaries and as to which any event described in clause (6) or (7) under Events of Default has occurred and is continuing, would constitute a Significant Subsidiary under clause (1) of this definition.

Subordinated Indebtedness means Indebtedness of the Issuer or any Restricted Subsidiary that is subordinated in right of payment to the Notes or the Guarantees, respectively.

Subsidiary means, with respect to any Person:

(1) any corporation, limited liability company, association or other business entity of which more than 50% of the total voting power of the Equity Interests entitled (without regard to the occurrence of any contingency) to vote in the election of the Board of Directors thereof are at the time owned or controlled, directly or indirectly, by such Person or one or more of the other Subsidiaries of that Person (or a combination thereof); and

(2) any partnership (a) the sole general partner or the managing general partner of which is such Person or a Subsidiary of such Person or (b) the only general partners of which are such Person or of one or more Subsidiaries of such Person (or any combination thereof).

S-139

Table of Contents

Description of notes

Unless otherwise specified, **Subsidiary** refers to a Subsidiary of the Issuer. Based on the capital structure and ownership of the P&G JV Companies as of the Issue Date, the P&G JV Companies are not Subsidiaries of the Issuer.

Treasury Rate means, as of any redemption date, the yield to maturity as of such redemption date of United States Treasury securities with a constant maturity (as compiled and published in the most recent Federal Reserve Statistical Release H.15 (519) that has become publicly available at least two Business Days prior to the redemption date (or, if such Statistical Release is no longer published, any publicly available source of similar market data)) most nearly equal to the period from the redemption date to May 15, 2013; *provided, however*, that if the period from the redemption date to May 15, 2013 is less than one year, the weekly average yield on actually traded United States Treasury securities adjusted to a constant maturity of one year will be used.

Trust Indenture Act means the Trust Indenture Act of 1939, as amended.

Trustee means U.S. Bank National Association until a successor Trustee shall have become such pursuant to the applicable provisions of the Indenture, and thereafter **Trustee** shall mean such Person who is then a Trustee under the Indenture.

Unrestricted Subsidiary means, (1) any Subsidiary that at the time of determination shall be designated an Unrestricted Subsidiary by the Board of Directors of the Issuer in accordance with the covenant described under **Certain Covenants Limitations on Designation of Unrestricted Subsidiaries** and (2) any Subsidiary of an Unrestricted Subsidiary. As of the Issue Date, no Subsidiary has been designated by the Board of Directors of the Issuer as an Unrestricted Subsidiary.

U.S. Government Obligations means direct non-callable obligations of, or obligations guaranteed by, the United States of America, and the payment for which the United States pledges its full faith and credit.

Voting Stock with respect to any Person, means securities of any class of Equity Interests of such Person entitling the holders thereof (whether at all times or only so long as no senior class of stock or other relevant equity interest has voting power by reason of any contingency) to vote in the election of members of the Board of Directors of such Person.

Weighted Average Life to Maturity when applied to any Indebtedness at any date, means the number of years obtained by dividing (1) the sum of the products obtained by multiplying (a) the amount of each then remaining installment, sinking fund, serial maturity or other required payment of principal, including payment at final maturity, in respect thereof by (b) the number of years (calculated to the nearest one-twelfth) that will elapse between such date and the making of such payment by (2) the then outstanding principal amount of such Indebtedness.

Wholly-Owned Restricted Subsidiary means a Restricted Subsidiary of which 100% of the Equity Interests (except for directors qualifying shares or certain minority interests owned by other Persons solely due to local law requirements that there be more than one stockholder, but which interest is not in excess of what is required for such purpose) are owned directly by the Issuer or through one or more Wholly-Owned Restricted Subsidiaries.

BOOK-ENTRY, DELIVERY AND FORM OF SECURITIES

The Notes will be represented by one or more global notes (the Global Notes) in definitive form. The Global Notes will be deposited on the Issue Date with, or on behalf of, the Depository Trust Company, or DTC, and registered in the name of Cede & Co., as nominee of DTC (such nominee being referred to herein as the Global Note Holder). DTC will maintain the Notes in minimum denominations of \$2,000 and integral multiples of \$1,000 through its book-entry facilities.

S-140

Table of Contents**Description of notes**

DTC has advised the Issuer as follows:

DTC is a limited-purpose trust company that was created to hold securities for its participating organizations, including Euroclear and Clearstream (collectively, the Participants or the Depository's Participants), and to facilitate the clearance and settlement of transactions in these securities between Participants through electronic book-entry changes in accounts of its Participants. The Depository's Participants include securities brokers and dealers (including the initial purchasers), banks and trust companies, clearing corporations and certain other organizations. Access to DTC's system is also available to other entities such as banks, brokers, dealers and trust companies (collectively, the Indirect Participants or the Depository's Indirect Participants) that clear through or maintain a custodial relationship with a Participant, either directly or indirectly. Persons who are not Participants may beneficially own securities held by or on behalf of DTC only through the Depository's Participants or the Depository's Indirect Participants. Pursuant to procedures established by DTC, ownership of the Notes will be shown on, and the transfer of ownership thereof will be effected only through, records maintained by DTC (with respect to the interests of the Depository's Participants) and the records of the Depository's Participants (with respect to the interests of the Depository's Indirect Participants).

The laws of some states require that certain persons take physical delivery in definitive form of securities that they own. Consequently, the ability to transfer the Notes will be limited to such extent.

So long as the Global Note Holder is the registered owner of any Notes, the Global Note Holder will be considered the sole Holder of outstanding Notes represented by such Global Notes under the Indenture. Except as provided below, owners of Notes will not be entitled to have Notes registered in their names and will not be considered the owners or holders thereof under the Indenture for any purpose, including with respect to the giving of any directions, instructions, or approvals to the Trustee thereunder. None of the Issuer, the Guarantors or the Trustee will have any responsibility or liability for any aspect of the records relating to or payments made on account of Notes by DTC, or for maintaining, supervising or reviewing any records of DTC relating to such Notes.

Payments in respect of the principal of, premium, if any, and interest on any Notes registered in the name of a Global Note Holder on the applicable record date will be payable by the Trustee to or at the direction of such Global Note Holder in its capacity as the registered holder under the Indenture. Under the terms of the Indenture, the Issuer and the Trustee may treat the persons in whose names any Notes, including the Global Notes, are registered as the owners thereof for the purpose of receiving such payments and for any and all other purposes whatsoever. Consequently, neither the Issuer or the Trustee has or will have any responsibility or liability for the payment of such amounts to beneficial owners of Notes (including principal, premium, if any, and interest). The Issuer believes, however, that it is currently the policy of DTC to immediately credit the accounts of the relevant Participants with such payments, in amounts proportionate to their respective beneficial interests in the relevant security as shown on the records of DTC. Payments by the Depository's Participants and the Depository's Indirect Participants to the beneficial owners of Notes will be governed by standing instructions and customary practice and will be the responsibility of the Depository's Participants or the Depository's Indirect Participants.

Subject to certain conditions, any person having a beneficial interest in the Global Notes may, upon request to the Trustee and confirmation of such beneficial interest by the Depository or its Participants or Indirect Participants, exchange such beneficial interest for Notes in definitive form. Upon any such issuance, the Trustee is required to register such Notes in the name of and cause the same to be delivered to, such person or persons (or the nominee of any thereof). In addition, if the Depository notifies the Issuer in writing that DTC is no longer willing or able to act as a depository and the Issuer is unable to locate a qualified successor within 90 days, then, upon surrender by the

relevant Global Note Holder of its Global Note, Notes in such form will be issued to each person that such Global Note Holder and DTC identifies as being the beneficial owner of the related Notes.

Table of Contents

Description of notes

Neither the Issuer nor the Trustee will be liable for any delay by the Global Note Holder or DTC in identifying the beneficial owners of Notes and the Issuer and the Trustee may conclusively rely on, and will be protected in relying on, instructions from the Global Note Holder or DTC for all purposes.

S-142

Table of Contents

Underwriting

We and the underwriters named in the following table have entered into an underwriting agreement with respect to the notes. Subject to the terms and conditions of the underwriting agreement, each underwriter has severally agreed to purchase the principal amount of notes indicated in the following table.

Principal