

INVERNESS MEDICAL INNOVATIONS INC
Form DEF 14A
April 11, 2003

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SCHEDULE 14A INFORMATION

Proxy Statement Pursuant to Section 14(a) of
the Securities Exchange Act of 1934 (Amendment No.)

Filed by the Registrant

Filed by a Party other than the Registrant

Check the appropriate box:

- Preliminary Proxy Statement
- Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))**
- Definitive Proxy Statement
- Definitive Additional Materials
- Soliciting Material Pursuant to §240.14a-12

INVERNESS MEDICAL INNOVATIONS, INC.

(Name of Registrant as Specified In Its Charter)

(Name of Person(s) Filing Proxy Statement, if other than the Registrant)

Payment of Filing Fee (Check the appropriate box):

- No fee required
- Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11

(1) Title of each class of securities to which transaction applies:

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(3) Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (set forth the amount on which the filing fee is calculated and state how it was determined):

(4) Proposed maximum aggregate value of transaction:

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 - (1) Amount Previously Paid:

(2) Form, Schedule or Registration Statement No.:

(3) Filing Party:

(4) Date Filed:

April 11, 2003

Dear Fellow Stockholder:

You are cordially invited to attend Inverness Medical Innovations' Annual Meeting of Stockholders on Wednesday, May 21, 2003, at 12:30 p.m., local time, at the offices of Goodwin Procter LLP, Exchange Place, 53 State Street, Boston, MA 02109.

In addition to the matters described in the attached proxy statement, we will report on our activities for our fiscal year ended December 31, 2002. You will have an opportunity to ask questions and to meet your directors and executives.

Whether or not you plan to attend the meeting in person, it is important that your shares be represented and voted. Therefore, after reading the enclosed proxy statement, please complete, sign, date and return the enclosed proxy card promptly. You may also vote by telephone, or electronically over the Internet, by following the instructions on your proxy card.

We look forward to seeing you at the meeting. Your vote is important to us.

Cordially,

Ron Zwanziger
Chairman, Chief Executive Officer
and President

INVERNESS MEDICAL INNOVATIONS, INC.

51 Sawyer Road, Suite 200
Waltham, Massachusetts 02453

NOTICE OF ANNUAL MEETING OF STOCKHOLDERS

Date: Wednesday, May 21, 2003

Time: 12:30 p.m., local time

Place: Goodwin Procter LLP
Exchange Place
53 State Street
Boston, MA 02109

Purpose:

1. Elect three Class II Directors to serve until the 2006 annual meeting of stockholders;
2. Approve an increase in the number of shares of common stock available for issuance under the Inverness Medical Innovations, Inc. 2001 Stock Option and Incentive Plan; and
3. Conduct such other business as may properly come before the annual meeting and at any adjournment or postponement thereof.

Only stockholders of record on March 31, 2003, may vote at the annual meeting and at any adjournment or postponement thereof. This proxy solicitation material is being mailed to stockholders on or about April 11, 2003, and includes a copy of our 2002 Annual Report, which includes financial statements for the period ended December 31, 2002.

Our Board of Directors unanimously recommends you vote "FOR" each of the proposals presented to you in this proxy statement.

Your vote is important. Please cast your vote by mail, telephone or over the Internet by following the instructions on your proxy card.

Paul T. Hempel, Esq.
Secretary

April 11, 2003

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April 11, 2003

INVERNESS MEDICAL INNOVATIONS, INC.

**51 Sawyer Road, Suite 200
Waltham, Massachusetts 02453**

PROXY STATEMENT

This proxy statement is furnished in connection with the solicitation of proxies by the Board of Directors of Inverness Medical Innovations, Inc. for use at our 2003 Annual Meeting of Stockholders to be held on Wednesday, May 21, 2003 at 12:30 p.m., local time, at the offices of Goodwin Procter LLP, Exchange Place, 53 State Street, Boston, MA, and at any adjournments or postponements of the annual meeting. References in this proxy statement to "us," "we," "our" and the "Company" refer to Inverness Medical Innovations, Inc., except where otherwise indicated, such as in the "Compensation Committee Report of Executive Compensation" and the "Audit Committee Report."

General Information

Who May Vote

Holders of our common stock or our Series A Convertible Preferred Stock (the "Series A Preferred Stock"), as recorded in our stock register at the close of business on March 31, 2003, may vote at the annual meeting on matters properly presented at the meeting. As of that date, there were 15,007,336 shares of our common stock outstanding and entitled to one vote per share and 323,060 shares of our Series A Preferred Stock outstanding and entitled to two votes per share (the number of shares of common stock into which each share of Series A Preferred Stock was convertible as of the record date). A list of stockholders will be available for inspection for at least ten days prior to the meeting at the

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principal executive offices of the Company at 51 Sawyer Road, Suite 200, Waltham, MA 02453-3448.

How to Vote

You may vote in person at the meeting or by proxy. We recommend you vote by proxy even if you plan to attend the meeting. You can always change your vote at the meeting.

Most stockholders have a choice of voting by using a toll free number, by submitting their vote over the Internet or by completing a proxy card and mailing it in the postage-paid envelope provided. Please refer to your proxy card or the information forwarded by your bank, broker or other holder of record to see which options are available to you.

How Proxies Work

Our Board of Directors (the "Board") is asking for your proxy. Giving us your proxy means you authorize us to vote your shares at the meeting, or at any adjournment or postponement thereof, in the manner you direct. With respect to the election of directors, you may vote for all, some or none of our director candidates. With respect to the amendment to our 2001 Stock Option and Incentive Plan (the "2001 Stock Option Plan"), you may vote for or against the proposal or abstain from voting.

If you sign and return the enclosed proxy card but do not specify how to vote, we will vote your shares in favor of our director candidates and in favor of the amendment to the 2001 Stock Option Plan.

As of the date hereof, we do not know of any other business that will be presented at the meeting. If other business shall properly come before the meeting, including any proposal submitted by a stockholder which was omitted from this proxy statement in accordance with applicable federal securities laws, the persons named in the proxy will vote your shares according to their best judgment.

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Solicitation

In addition to this mailing, our employees may solicit proxies personally, electronically or by telephone. We pay all of the costs of soliciting this proxy. We also reimburse brokers, banks, nominees and other fiduciaries for their expenses in sending these materials to you and getting your voting instructions.

Revoking a Proxy

You may revoke your proxy before it is voted by submitting a new proxy with a later date, by voting in person at the meeting, or by notifying the Company's Secretary in writing.

Quorum

In order to carry on the business of the meeting, we must have a quorum. Under our bylaws, this means at least a majority of the voting power of all outstanding shares entitled to vote must be represented at the meeting, either by proxy or in person. Proxies marked as abstaining or withheld, limited proxies and proxies containing broker non-votes with respect to any matter to be acted upon by stockholders will be treated as present at the meeting for purposes of determining a quorum, but will not be counted as votes cast on such matter. A "broker non-vote" is a proxy submitted by a broker or other nominee holding shares on behalf of a client in which the broker or other nominee indicates that it does not have discretionary authority to vote such shares on a particular matter.

Votes Required

Each proposal sets forth the vote required for election of directors or approval of the matter, as applicable.

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Proposal 1

Election Of Directors

Introduction

Our Board of Directors is currently comprised of ten members. The ten directors are divided into three classes as follows: three Class I Directors (Ernest A. Carabillo, Jr., John F. Levy and Jerry McAleer, Ph. D.), three Class II Directors (Carol R. Goldberg, Alfred M. Zeien and Ron Zwanziger) and four Class III Directors (Robert P. Khederian, David Scott, Ph. D., Peter Townsend and John A. Quelch). The members of each class serve for a staggered three-year term and, at each annual meeting of stockholders, a class of directors is elected for a three-year term to succeed the directors of the same class whose terms are expiring. The current terms of the Class I Directors, Class II Directors and Class III Directors will expire at the annual meetings of stockholders held following the end of calendar years 2004, 2002 and 2003, respectively.

At the 2003 annual meeting, the Board proposes the election of the following nominees as Class II Directors:

Carol R. Goldberg
Alfred M. Zeien
Ron Zwanziger

As noted above, each of these nominees is currently serving as a member of the Board. The proxies granted by stockholders will be voted individually at the annual meeting for the election of these two nominees. In the event that Ms. Goldberg, Mr. Zeien or Mr. Zwanziger shall be unable to serve, it is intended that the proxy will be voted for any replacements nominated by the Board. Ms. Goldberg, Mr. Zeien and Mr. Zwanziger have indicated that they will serve on the Board if elected. For information regarding these nominees, see "Information Regarding Nominees, Other Directors and Executive Officers."

Vote Required

The Class II Directors must be elected by a plurality of the votes properly cast at the annual meeting. This means that the three nominees receiving the highest number of FOR votes will be elected as Class II Directors. Votes may be cast FOR or WITHHELD FROM each nominee. Votes that are WITHHELD FROM the nominees will be excluded entirely from the vote and will have no effect. Furthermore, if you hold your shares in your own name as a holder of record, and you fail to vote your shares, either in person or by proxy, the votes represented by your shares will be excluded entirely from the vote and will have no effect. If, however, your shares are held by a broker, bank or other nominee (i.e., in "street name") and you fail to give instructions as to how you want your shares voted, the broker, bank or other nominee may vote the shares in their own discretion. With respect to this proposal, shares of common stock (representing one vote per share) and shares of Series A Preferred Stock (representing two votes per share) will be voted together as a single class.

Recommendation

The Board unanimously recommends a vote FOR the election of the nominees listed above.

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Information Regarding Nominees, Other Directors And Executive Officers

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The following biographical descriptions set forth certain information with respect to the three nominees for re-election as Class II Directors, the incumbent directors who are not up for election at this annual meeting and the executive officers and other key employees who are not directors. This information has been furnished by the respective individuals.

Name	Age	Position
Ron Zwanziger	49	Chairman of the Board, President and Chief Executive Officer
David Scott, Ph.D	46	Director and Chief Scientific Officer
Jerry McAleer, Ph.D.	48	Director and Vice President, Research and Development
Anthony J. Bernardo	51	Vice President and Chief Operating Officer President of Inverness Medical, Inc.
David Toohey	46	Vice President, Professional Diagnostics
John B. Wilkens	55	Vice President, Consumer Diagnostics Managing Director of Unipath Ltd.
Duane L. James	43	Vice President, Finance and Treasurer
John Yonkin	43	Vice President, U.S. Sales & Marketing
Doug Shaffer	45	Vice President, U.S. Operations
Paul T. Hempel	54	General Counsel and Secretary
Ernest A. Carabillo, Jr.	64	Director
Carol R. Goldberg	72	Director
Robert P. Khederian	50	Director
John F. Levy	56	Director
Peter Townsend	68	Director
John A. Quelch	51	Director
Alfred M. Zeien	73	Director

Nominees for Election as Class II Directors Term Expiring 2006

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 a director and serves on the compensation committee of the board of directors of America Service Group, Inc., a managed healthcare company. Ms. Goldberg is a member of the Board's Compensation Committee and Nominating Committee.

Alfred M. Zeien has served on the Board since July 31, 2001. From 1991 until his retirement in 1999, Mr. Zeien served as Chairman and Chief Executive Officer of The Gillette Company, a consumer products company. Mr. Zeien currently serves on the boards of EMC Corporation, a publicly traded company, Primary PDC and Bernard Technologies. Mr. Zeien is a member of the Board's Compensation Committee and Nominating Committee.

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.

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Incumbent Class III Directors Term Expiring 2004

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 currently known as Theratase plc. Mr. Townsend is a member of the Board's Audit Committee and Nominating 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.

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Mr. Khederian is also a director of Cambridge Heart, Inc., where he also serves on the audit and compensation committees. Mr. Khederian is a member of the Board's Audit Committee and Nominating Committee.

John A. Quelch joined the Board on March 10, 2003. Since June, 2001, Mr. Quelch has been a professor and Senior Associate Dean for International Development 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 Group plc, one of the world's largest communications groups, and Chairman of the Massachusetts Port Authority. He is a member of the Board's Nominating Committee.

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.

Incumbent Class I Directors Term Expiring 2005

Ernest A. Carabillo, Jr. has served on the Board since May 30, 2001. Mr. Carabillo served as a director of our predecessor company, Inverness Medical Technology from May 2000 through November 2001, when that company was acquired Johnson & Johnson. He is the founder and President of EXPERTech Associates, Inc., which provides regulatory, clinical and quality management consulting services to medical device companies, where he has served as president since 1990. He has also served in management positions at Baxter Healthcare, C.R. Bard and the medical device/pharmaceutical division of Union Carbide. Mr. Carabillo has served as the head of three different divisions of the Food and Drug Administration and Department of Justice and as Associate Director of Regulatory Affairs for the President's Office of Drug Abuse Policy. Mr. Carabillo is a member of our Nominating Committee.

John F. Levy has served on the Board since May 30, 2001. Mr. Levy served as a director of Inverness Medical Technology from August 1996 through November 2001, when that company was acquired 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 a member of the Board's Audit Committee and Nominating Committee.

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. Dr. McAleer served as

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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 from 1985 to 1993 and more recently, at Ecosensors, Inc., an environmental research company, where he was responsible for the development of electrochemically based assay systems.

Executive Officers Who Are Not Directors

Anthony J. Bernardo has served as a Vice President since November 2001 and as Vice President and Chief Operating Officer since February 2002. Mr. Bernardo served as Vice President of New Business Development of our predecessor company, Inverness Medical Technology from April 2000 through November 2001, when that company was acquired by Johnson & Johnson. From April 1997 to April 2000, Mr. Bernardo served as Vice President and Senior Director of Operations for a division of Polaroid Corporation from April 1997. From 1991 to 1997, he held several executive management positions with Dade International Inc., most recently as Vice President of Site Operations for the Paramax Chemistry unit where he was responsible for the integration of the in-vitro diagnostics business unit acquired from DuPont.

David Toohey has served as our Vice President, Professional Diagnostics since October 2002. Prior to that time he served as our Vice President, European Operations since February 2002, as our Vice President, New Products from November 2001 through February 2002, and 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, Boston Scientific's largest and most complex manufacturing facility with

2,500 employees. Between 1995 and 2001 he oversaw the growth of that facility from a 100 person start-up, initially serving as general manager, later as managing director and finally as vice president of operations. Prior to that time he held various executive positions at Bausch & Lomb, Inc., Digital Equipment Corp. and Mars, Inc.

Duane L. James has served as our Vice President, Finance since November 2001 and as our Treasurer since the Company's inception in May 2001. Mr. James served as Vice President, Finance and Treasurer of our predecessor company, Inverness Medical Technology, from October 2000 through November 2001, when that company was acquired by Johnson & Johnson. Prior to October 2000, Mr. James served as Inverness Medical Technology's Chief Accounting Officer since August 1998 and as its Corporate Controller from February 1996 until August 1998.

John Yonkin has served as our Vice President, U.S. Sales & Marketing since November 2001. 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.

Douglas Shaffer has served as our Vice President, U.S. Operations since November 2001. Mr. Schaffer served as Vice President, U.S. Operations of our predecessor company, Inverness Medical Technology, from January 2001 through November 2001, when that company was acquired by

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Johnson & Johnson. Prior to January 2001, he served as Inverness Medical Technology's Controller, U.S. operations since December 1996. Before joining Inverness Medical Technology, Mr. Shaffer served as a division controller for several different divisions of MKS Instruments, Inc., a leading producer of gas management instrumentation.

Paul T. Hempel has served as General Counsel and Secretary since the inception of the Company in May 2001. 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.

John B. Wilkens joined us in October 2002 as Vice President, Consumer Diagnostics and Managing Director of our Unipath Limited subsidiary. Mr. Wilkens was employed by our predecessor company, Inverness Medical Technology, from January 2001 through November 2001, when that company was acquired by Johnson & Johnson. From March 2001 through November 2001 he served as Managing Director of Inverness Medical Limited, Inverness Medical Technology's European diabetes products manufacturing operation. Mr. Wilkens remained as managing director of the European diabetes manufacturing operations acquired by Johnson & Johnson before rejoining us in October 2002. Prior to joining Inverness Medical Technology, Mr. Wilkens served as Vice President of Business Development for Sterling Diagnostic Imaging, where he lead the post-merger integration of Sterling's product lines and marketing organization into AGFA Corporation. From 1996 to 1999 he served as Sterling Diagnostic's Vice President of Imaging Media. From 1983 to 1996, Mr. Wilkens held a series of executive positions at Polaroid Corporation, most recently Senior Director of Manufacturing and Development, High Resolution Imaging.

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Board Committees And Meetings

The Board has a Compensation Committee, an Audit Committee and a Nominating Committee. The Compensation Committee, consisting of Ms. Goldberg and Mr. Zeien, makes recommendations concerning salaries and incentive compensation for our employees and consultants, establishes and approves salaries and incentive compensation for certain senior officers and employees, and administers the 2001 Stock Option Plan. The Audit Committee, consisting of Mr. Levy, Mr. Townsend and Mr. Khederian, among other things, reviews the results and scope of the financial audit and other services provided by the Company's independent public accountants. Each member of the Audit Committee is "independent" as defined in Section 121(A) of the American Stock Exchange's listing standards. The Nominating Committee consists of all of the Company's non-employee directors, namely Ms. Goldberg, Mr. Zeien, Mr. Levy, Mr. Townsend, Mr. Khederian, Mr. Carabillo and Mr. Quelch, and is charged with recommending to the Board all nominees for election to the Board.

The Board held 17 meetings during the last fiscal year. The Compensation Committee held 11 meetings and the Audit Committee held 6 meetings during the last fiscal year. The Nominating Committee was formed on March 10, 2003. The Nominating Committee will consider nominees for director recommended by holders of our voting stock properly submitted to the Nominating Committee. See "Stockholder Proposals" below for a summary of the requirements and procedures for submitting stockholder proposals.

Proposal 2:

Approval Of Increase In Option Shares

Introduction

The Board has adopted and is seeking stockholder approval of an amendment to the 2001 Stock Option Plan to increase the number of shares of common stock that are available to be issued through grants or awards made thereunder or through the exercise of options granted thereunder from 4,824,081 shares to 5,324,081 shares. Of the 4,824,081 shares of common stock authorized for issuance in connection with grants made under the 2001 Stock Option Plan, only 383,840 shares remained available for future grants or awards as of March 31, 2003. While some additional shares may become available under the 2001 Stock Option Plan through employee terminations, this number is expected to be inconsequential.

The Board has also adopted compensation plans that obligate the Company to grant options under the 2001 Stock Option Plan to executives and management in certain circumstances. Under our Executive Bonus Plan options will be automatically granted to three key executives, namely Ron Zwanziger, David Scott, Ph.D. and Jerry McAleer, Ph.D., if the Company's common stock achieves specified stock price targets by specified target dates. The Company could be obligated to grant options to purchase an aggregate of 712,600 shares of common stock under the Executive Bonus Plan over the next four years, or, if all stock price targets were achieved during fiscal year 2003, the Company could be obligated to grant options to purchase all 712,600 shares during 2003. For further discussion of the Executive Bonus Plan, see the "Compensation Committee Report on Executive Compensation" beginning on page 20.

The Board recommends this action in order to enable the Company to continue to provide a source of stock to attract and retain talented personnel, especially in the event of future acquisitions and anticipated future growth, and to ensure that the Company can meet its obligations under the Executive Bonus Plan. The Board believes that stock options promote growth and provide a meaningful incentive to employees of successful companies.

The increase of 500,000 shares of common stock available for grant under the 2001 Stock Option Plan will result in additional potential dilution of our outstanding stock. Based solely on the closing price of our common stock as reported on AMEX on March 31, 2003 of \$20.01 per share, the maximum aggregate market value of the additional 500,000 shares of common stock to be reserved for issuance under the 2001 Stock Option Plan would be \$10,005,000.

Summary of the 2001 Stock Option Plan

Administration. The 2001 Stock Option Plan provides for administration by the Board or by a committee of not fewer than two independent directors, referred to as the "administrator," as appointed by the Board from time to time. The Compensation Committee is currently serving as the administrator of the 2001 Stock Option Plan.

The administrator has full power to select, from among the individuals eligible for awards, the individuals to whom awards will be granted, to make any combination of awards to participants, and to determine the specific terms and conditions of each award, subject to the provisions of the 2001 Stock Option Plan. The administrator may permit common stock, and other amounts payable pursuant to an award, to be deferred. In such instances, the administrator may permit interest, dividends or deemed dividends to be credited to the amount of deferrals.

Eligibility and Limitations on Grants. All of our officers, employees, directors, consultants and other key persons are eligible to participate in the 2001 Stock Option Plan, subject to the discretion of the administrator. In no event may any one participant receive options to purchase more than 1,529,632 shares of common stock,

subject to adjustment for stock splits and similar events, during any one calendar year.

Stock Options. Options granted under the 2001 Stock Option Plan may be either incentive stock options, referred to as "incentive options," within the definition of Section 422 of the Internal Revenue Code, or non-qualified stock options, referred to as "non-qualified options." Options granted under the 2001 Stock Option Plan will be non-qualified options if they fail to meet the Internal Revenue Code definition of incentive options, are granted to a person not eligible to receive incentive options under the Internal Revenue Code, or otherwise so provide. Incentive options may be granted only to officers or other employees of the Company or its subsidiaries. Non-qualified options may be granted to persons eligible to receive incentive options and to non-employee directors and other key persons.

Other Option Terms. The administrator has authority to determine the terms of options granted under the 2001 Stock Option Plan. Generally, options are granted with an exercise price that is not less than the fair market value of our common stock on the date of the option grant.

The life of each option will be fixed by the administrator and may not exceed ten years from the date of grant. The administrator will determine at what time or times each option may be exercised and the period of time, if any, after retirement, death, disability or termination of employment during which options may be exercised. Options may be made exercisable in installments, and the exercisability of options may be accelerated by the administrator. In general, unless otherwise permitted by the administrator, no option granted under the 2001 Stock Option Plan is transferable by the optionee other than by will or by the laws of descent and distribution, and options may be exercised during the optionee's lifetime only by the optionee, or by the optionee's legal representative or guardian in the case of the optionee's incapacity.

Options granted under the 2001 Stock Option Plan may be exercised for cash or by the transfer to us of shares of common stock which are not then subject to restrictions under the 2001 Stock Option Plan or any other stock plan that we maintain, which have been held by the optionee for at least six months or were purchased on the open market, and which have a fair market value equivalent to the option exercise price of the shares being purchased. Such options may also be exercised by compliance with certain provisions pursuant to which a securities broker delivers the purchase price for the shares to us.

At the discretion of the administrator, stock options granted under the 2001 Stock Option Plan may include a "reload" feature pursuant to which an optionee exercising an option by the delivery of shares of common stock would automatically be granted an additional stock option to purchase that number of shares of common stock equal to the number delivered to exercise the original stock option. This additional stock option would have an exercise price equal to the fair market value of the common stock on the date the additional stock option is granted. The purpose of this reload feature is to enable participants to maintain an equity interest in us without causing dilution.

To qualify as incentive options, options must meet additional federal tax requirements, including a \$100,000 limit on the value of shares subject to incentive options which first become exercisable in any one calendar year, and a shorter term and higher minimum exercise price in the case of certain large stockholders.

Restricted Stock Awards. The administrator may grant or sell shares of common stock to any participant subject to such conditions and restrictions as the administrator may determine. The shares may be sold at par value or for a higher purchase price determined by the administrator. These conditions and restrictions may include the achievement of pre-established performance goals and/or continued employment with us through a specified vesting period. The vesting period shall be determined by the administrator but shall be at least one year for attainment of pre-established performance goals or at least three years for other conditions and restrictions. If the applicable performance goals and other restrictions are not attained, the

participant will forfeit his or her award of restricted stock.

Unrestricted Stock Awards. The administrator may also grant shares of common stock which are free from any restrictions under the 2001 Stock Option Plan. Unrestricted stock may be granted to any participant in recognition of past services or other valid consideration, and may be issued in lieu of cash compensation due to such participant.

Deferred Stock Awards. The administrator may also award phantom stock units as deferred stock awards to participants. The deferred stock awards are ultimately payable in the form of shares of common stock and may be subject to such conditions and restrictions as the

administrator may determine. These conditions and restrictions may include the achievement of certain performance goals and/or continued employment with us through a specified vesting period. During the deferral period, subject to terms and conditions imposed by the administrator, the deferred stock awards may be credited with dividend equivalent rights. Subject to the consent of the administrator, a participant may make an advance election to receive a portion of his compensation or restricted stock award otherwise due in the form of a deferred stock award.

Performance Share Awards. The administrator may grant performance share awards to any participant which entitle the recipient to receive shares of common stock upon the achievement of individual or company performance goals and such other conditions as the administrator shall determine.

Dividend Equivalent Rights. The administrator may grant dividend equivalent rights, which entitle the recipient to receive credits for dividends that would be paid if the grantee held specified shares of common stock. Dividend equivalent rights may be granted as a component of another award or as a freestanding award.

Change of Control Provisions. The 2001 Stock Option Plan provides that in the event of a "change of control" as defined in the 2001 Stock Option Plan, all stock options will automatically become fully exercisable and the restrictions and conditions on all other awards will automatically be deemed waived.

Adjustments for Stock Dividends, Mergers, etc. The 2001 Stock Option Plan authorizes the administrator to make appropriate adjustments to the number of shares of common stock that are subject to the 2001 Stock Option Plan and to any outstanding awards to reflect stock dividends, stock splits and similar events. In the event of certain transactions, such as a merger, consolidation, dissolution or liquidation of the Company, the 2001 Stock Option Plan and all awards will terminate unless the parties to the transaction, in their discretion, provide for appropriate substitutions or adjustments of outstanding stock options or awards. Before any outstanding stock options and awards terminate, the option holder will have an opportunity to exercise all outstanding options, and holders of other awards will receive a cash or in kind payment of such appropriate consideration as determined by the administrator in its sole discretion after taking into account the consideration payable per share of common stock pursuant to the business combination.

Repricing Awards. The exercise price of an award may be reduced only upon a finding by the administrator that the value of such award has been jeopardized by extreme circumstances beyond the control of management, and, in such a case, not more than 10% of the shares authorized for grant under the 2001 Stock Option Plan may be repriced.

Amendments and Termination. The Board may at any time amend or discontinue the 2001 Stock Option Plan and the administrator may at any time amend or cancel any outstanding award for the purpose of satisfying changes in law or for any other lawful purpose, but no such action shall adversely affect the rights under any outstanding awards without the holder's consent. To the extent required by the Internal Revenue Code to ensure that options granted under the 2001 Stock Option Plan qualify as incentive options or that compensation earned under the options granted under the 2001 Stock Option Plan qualifies as performance-based compensation under the Internal Revenue Code,

plan amendments shall be subject to approval by our stockholders.

Grants of Options

No grants have been made with respect to the additional 500,000 shares of common stock proposed to be available for issuance under the stock option plan. However, as noted above, we could be required to grant options to purchase up to 712,600 shares (including a portion of these additional shares) under our Executive Bonus Plan. However, as the issuance of options under the Executive Bonus Plan is dependent upon the achievement of certain stock performance goals, the actual number of shares of common stock that will be granted, or subject to options granted, to the executive officers who participate in this plan cannot be determined at this time. Otherwise grants under the 2001 Stock Option Plan are generally made at the discretion of the administrator and the number of shares of common stock that may ultimately be granted, or subject to options granted, to executive officers, directors and other employees under the 2001 Stock Option Plan cannot be determined at this time.

Material Federal Income Tax Consequences

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The following discussion describes the material federal income tax consequences of transactions under the 2001 Stock Option Plan. It does not describe all federal tax consequences under the 2001 Stock Option Plan, nor does it describe state or local tax consequences.

Incentive Options. No taxable income is generally realized by the optionee upon the grant or exercise of an incentive option. If shares of common stock issued to an optionee pursuant to the exercise of an incentive option are sold or transferred after two years from the date of grant and after one year from the date of exercise, then upon sale of such shares, any amount realized in excess of the option price will be taxed to the optionee as a long-term capital gain, and any loss sustained will be a long-term capital loss, and we will not have a deduction for federal corporate income tax purposes. The exercise of an incentive option will give rise to an item of tax preference that may result in alternative minimum tax liability for the optionee.

If shares of common stock acquired upon the exercise of an incentive option are disposed of prior to the expiration of the two-year and one-year holding periods described above, a "disqualifying disposition," generally the optionee will realize ordinary income in the year of disposition in an amount equal to the excess, if any, of the fair market value of the shares of common stock at exercise (or, if less, the amount realized on a sale of such shares of common stock) over the option price thereof, and we will be entitled to deduct such amount. Special rules will apply where all or a portion of the exercise price of the incentive option is paid by tendering shares of common stock.

If an incentive option is exercised at a time when it no longer qualifies for the tax treatment described above, the option is treated as a non-qualified option. Generally, an incentive option will not be eligible for the tax treatment described above if it is exercised more than three months following termination of employment, or one year in the case of termination of employment by reason of disability. In the case of termination of employment by reason of death, the three-month rule does not apply.

Non-Qualified Options. With respect to non-qualified options under the 2001 Stock Option Plan, no income is realized by the optionee at the time the option is granted. Generally,

at exercise, ordinary income is realized by the optionee in an amount equal to the difference between the option price and the fair market value of the shares of common stock on the date of exercise, and we receive a tax deduction for the same amount, and

at disposition, appreciation or depreciation after the date of exercise is treated as either short-term or long-term capital gain or loss depending on how long the shares of common stock have been held.

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Special rules will apply where all or a portion of the exercise price of the non-qualified option is paid by tendering shares of common stock.

Parachute Payments. The vesting or exercisability of any portion of any option or other award that is accelerated due to the occurrence of a change of control may cause a portion of the payments with respect to such accelerated awards to be treated as "parachute payments" as defined in the Internal Revenue Code. Any such parachute payments may be non-deductible to us, in whole or in part, and may subject the recipient to a non-deductible 20% federal excise tax on all or a portion of such payment in addition to other taxes ordinarily payable.

Limitation on our Deductions. As a result of Section 162(m) of the Internal Revenue Code, our deduction for certain awards under the stock option plan may be limited to the extent that a covered employee receives compensation in excess of \$1,000,000 in such taxable year, other than performance-based compensation that otherwise meets the requirements of Section 162(m) of the Internal Revenue Code.

Vote Required

The approval of the proposal to amend the 2001 Stock Option Plan to increase the number of shares of common stock available for issuance thereunder requires the affirmative vote of a majority of the votes properly cast on the proposal. With respect to this proposal, shares of common stock (representing one vote per share) and shares of Series A Preferred Stock (representing two votes per share) will be voted together as a single class. In accordance with Delaware law and our bylaws, abstentions and broker non-votes will not be counted as votes cast on this matter and, accordingly, will have no effect.

Recommendation

The Board unanimously recommends a vote FOR the approval of the amendment to the 2001 Stock Option Plan increasing the number of shares of common stock available thereunder.

Principal Stockholders

The following tables furnish information as to shares of our common stock and Series A Preferred Stock beneficially owned by:

each person or entity known by us to beneficially own more than five percent of either our common stock or the Series A Preferred Stock;

each of our directors;

each of our "named executive officers" (as defined in "Compensation of Directors and Executive Officers Executive Compensation" on page 17); and

all of our directors and executive officers as a group.

Unless otherwise stated, beneficial ownership is calculated as of February 1, 2003. For the purpose of these tables, a person, group or entity is deemed to have "beneficial ownership" of any shares that such person, group or entity has the right to acquire within 60 days after such date through the exercise of options or warrants or the conversion of convertible securities.

Security Ownership of Beneficial Owners of More Than 5% of Any Class of Stock

Name and Address of Beneficial Owner(1)	Common Stock		Series A Preferred Stock(4)	
	Amount and Nature of Beneficial Ownership(2)	Percent of Class(3)	Amount and Nature of Beneficial Ownership(2)	Percent of Class(3)
Perry Corp.(5)	1,159,769	7.74%		
Richard C. Perry(5)	1,159,769	7.74%		
Zwanziger Family Ventures, LLC(6)	1,968,702	12.63%		
Orit Goldstein(7)	909,832	5.23%		
The Willard L. Umphrey 1996 Revocable Trust(9)	89,720	*	44,860	13.89%
J. Alexander Bodkin(10)	33,334	*	16,667	5.16%
Goldman, Sachs & Co(11)	333,332	2.18%	166,666	51.59%
Oxford Bioscience Partners(12)	171,068	1.13%	85,534	26.48%
Ron Zwanziger(8)	3,515,943	22.41%		
David Scott, Ph.D.(13)	617,402	4.06%		
Jerry McAleer, Ph.D.(14)	465,521	3.06%		
David Toohey(15)	34,242	*		
Paul T. Hempel(16)	18,642	*		
Ernest A. Carabillo, Jr.(17)	34,683	*		
Carol R. Goldberg(18)	90,239	*	8,333	2.58%
Robert P. Khederian(19)	228,334	1.52%		
John F. Levy(20)	122,027	*		
Peter Townsend	8,334	*		

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	Common Stock		Series A Preferred Stock(4)	
Alfred M. Zeien	8,334	*		
John Quelch				
All current executive officers and directors (17 persons)(21)	5,255,928	32.19%	8,333	2.58%

* Represents less than 1%

(1) The address of each director or executive officer (and any related persons or entities) is c/o the Company at its principal office.

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(2) Unless otherwise indicated, the stockholders identified in this table have sole voting and investment power with respect to the shares beneficially owned by them.

(3) The number of shares outstanding used in calculating the percentage for each person, group or entity listed includes the number of shares underlying options, warrants and convertible securities held by such person or group that were exercisable or convertible within 60 days from February 1, 2003, but excludes shares of stock underlying options, warrants or convertible securities held by any other person. Each share of Series A Preferred Stock is currently convertible into two shares of common stock. Holders of the Company's subordinated convertible promissory notes have the option to convert outstanding principal and accrued interest into common stock at a conversion price of \$17.45 per share.

(4) Each share of Series A Preferred Stock is currently convertible into two shares of common stock.

(5) The address of Perry Corp. and Richard C. Perry is 599 Lexington Avenue, New York, New York 10022. The information for Perry Corp. and Richard C. Perry contained herein is based upon information contained in a Schedule 13G filed with the Securities and Exchange Commission on February 10, 2003.

(6) Consists of 1,373,689 shares of common stock, 421,794 shares of common stock underlying warrants exercisable within 60 days from February 1, 2003, and 173,219 shares of common stock issuable upon conversion of outstanding principal and accrued interest under a \$3,000,000 subordinated convertible promissory note issued in connection with our private placement of subordinated promissory notes and subordinated convertible promissory notes (See Certain Relationships and Related Transactions "Sale of Notes and Warrants" beginning on page 27). Ron Zwanziger, our Chairman, Chief Executive Officer and President, and Janet M. Zwanziger, his spouse, are the managers of Zwanziger Family Ventures, LLC and each have shared voting and investment power over these securities.

(7) Orit Goldstein is the sister of Ron Zwanziger, our Chairman, Chief Executive Officer and President. Of the shares of common stock attributed to her, Ms. Goldstein disclaims beneficial ownership of (i) 4,894 shares owned by her husband, (ii) 900 shares held in her husband's IRA, (iii) 100,230 shares owned by the Zwanziger Family Trust, of which Ms. Goldstein is a trustee, and (iv) 9,450 shares owned by the Zwanziger Goldstein Foundation, a charitable foundation for which Ms. Goldstein and her spouse, along with Ron Zwanziger, his spouse and one other, serve as directors.

(8) Consists of 2,816,380 shares of common stock, 526,344 shares of common stock underlying options and warrants exercisable within 60 days from February 1, 2003, and 173,219 shares of common stock issuable upon conversion of outstanding principal and accrued interest under a \$3,000,000 subordinated convertible promissory note issued in connection with our private placement of subordinated promissory notes and subordinated convertible promissory notes (See "Certain Relationships and Related Transactions Sale of Notes and Warrants" beginning on page 27). Of the shares attributed to Mr. Zwanziger, 1,256,263 shares of common stock, 421,794 shares

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of common stock issuable upon the exercise of warrants, and all of 173,219 shares of common stock issuable upon conversion of the \$3,000,000 subordinated convertible promissory note are owned by Zwanziger Family Ventures, LLC, a limited liability company managed by Mr. Zwanziger and his spouse. Of the other shares attributed to him, Mr. Zwanziger disclaims beneficial ownership of (i) 2,600 shares owned by his wife, Janet Zwanziger and (ii) 9,450 shares owned by the Zwanziger Goldstein Foundation, a charitable foundation for which Mr. Zwanziger and his spouse, along with three others, serve as directors.

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- (9) Consists of 44,860 shares of Series A Preferred Stock which are currently convertible into 89,720 shares of common stock. The address of the trust is c/o Willard L. Umphrey, Trustee, 10 Florio Drive, Concord, MA 01742.
- (10) Consists of 16,667 shares of Series A Preferred Stock which are currently convertible into 33,334 shares of common stock. The address of J. Alexander Bodkin is 39 Waban Avenue, Newton, MA 02468.
- (11) Consists of 166,666 shares of Series A Preferred Stock which are currently convertible into 333,332 shares of common stock held in the name of several private investment funds managed by Goldman, Sachs & Co.'s Private Equity Group. The address of Goldman, Sachs & Co. is 32 Old Slip, 21st Floor, New York, NY 10005.
- (12) Consists of 85,534 shares of Series A Preferred Stock which are currently convertible into 171,068 shares of common stock held in the name of two private investment funds managed by Oxford Bioscience Partners. The address of Oxford Bioscience Partners is 31 St. James Avenue, #905, Boston, MA 02116.
- (13) Consists of 411,554 shares of common stock and 205,848 shares of common stock underlying options or warrants exercisable within 60 days from February 1, 2003.
- (14) Consists of 250,059 shares of common stock and 215,462 shares of common stock underlying options or warrants exercisable within 60 days from February 1, 2003.
- (15) Consists of 1,861 shares of common stock and 32,381 shares of common stock underlying options exercisable within 60 days from February 1, 2003.
- (16) Consists of 1,823 shares of common stock and 16,819 shares of common stock underlying warrants and options exercisable within 60 days from February 1, 2003.
- (17) Consists of 25,549 shares of common stock and 9,134 shares of common stock underlying warrants and options exercisable within 60 days from February 1, 2003.
- (18) Consists of 62,839 shares of common stock, 10,734 shares of common stock underlying options or warrants exercisable within 60 days from February 1, 2003, and 8,333 shares of Series A Preferred Stock which are currently convertible into 16,666 shares of common stock. Ms. Goldberg disclaims beneficial ownership of the 8,333 shares of Series A Preferred Stock owned by the Avram J. Goldberg and Carol R. Goldberg Charitable Remainder Unitrust.
- (19) Consists of 220,000 shares of common stock and 8,334 shares of common stock underlying options exercisable within 60 days from February 1, 2003.
- (20) Consists of 100,977 shares of common stock and 21,050 shares of common stock underlying warrants and options exercisable within 60 days from February 1, 2003. Mr. Levy disclaims beneficial ownership of warrants to purchase 1,007 shares of common stock owned by a charitable remainder unitrust.

(21)

Includes 1,149,954 shares of common stock underlying options or warrants exercisable within 60 days from February 1, 2003, 8,333 shares of Series A Preferred Stock which are currently convertible into 16,666 shares of common stock and 173,219 shares of common stock issuable upon conversion of outstanding principal and accrued interest under a \$3,000,000 subordinated convertible promissory note issued in connection with our private placement of subordinated promissory notes and subordinated convertible promissory notes (See "Certain Relationships and Related Transactions - Sale of Wampole Notes and Warrants" beginning on 27).

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Compensation Of Directors And Executive Officers

Director Compensation

Our directors currently receive no additional cash compensation for their services as directors, although they are reimbursed for expenses incurred in connection with their attendance at board and committee meetings. In addition, options and other awards may be granted to directors in the sole discretion of the administrator of the 2001 Stock Option Plan. No options or awards were granted to directors for their services as directors during 2002.

Executive Compensation

Set forth below is information regarding the compensation of the Chief Executive Officer and the four other most highly compensated executive officers for fiscal year 2002. Such officers are collectively referred to as the "named executive officers." The information set forth below for fiscal year 2001 includes only compensation paid or accrued by us and does not include any compensation paid or accrued by our predecessor company, Inverness Medical Technology, prior to our split-off from that company in November 2001.

Summary Compensation Table. The following summary compensation table contains information regarding the named executive officers' compensation from us for the two completed fiscal years since we became a reporting company in November 2001.

Summary Compensation Table

Name and Principal Position	Year	Annual Compensation		Long-Term Compensation		All Other Compensation
		Salary	Bonus	Restricted Stock Awards (\$)	Securities Underlying Options (#)	
Ron Zwanziger	2002	\$ 323,750	\$ 550,000		5,065	
Chairman, Chief Executive Officer and President	2001	\$ 53,846	\$ 225,000	\$ 0(1)	115,000(2)	
David Scott, Ph.D.	2002	\$ 216,042(3)	\$ 125,000		2,284	
Chief Scientific Officer	2001	\$ 23,033(3)	\$ 55,000		599,072(4)	
Jerry McAleer, Ph.D.	2002	\$ 187,863(3)	\$ 120,000		1,805	
Vice President, R&D	2001	\$ 20,028(3)	\$ 50,000		569,119(5)	
David Toohey	2002	\$ 231,062(6)			3,631	
Vice President, Professional Diagnostics	2001	\$ 33,533(7)			75,000	
Paul T. Hempel	2002	\$ 190,650			12,769	
General Counsel and Secretary	2001	\$ 18,135			37,000	

(1)

On August 15, 2001, Mr. Zwanziger purchased 1,168,191 shares of restricted stock from us for an aggregate purchase price of \$10,665,583.84, or approximately \$9.13 per share. The amount shown represents the dollar value of 1,168,191 shares of common stock on the date of grant (\$10,665,583.84), as determined by the Board, net of the aggregate consideration paid by Mr. Zwanziger for such shares (\$10,665,583.84) for a total of approximately \$0. Mr. Zwanziger purchased these shares for aggregate consideration

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consisting of cash in their par value, \$0.16, and a promissory note in the principal amount of \$10,665,583.68, as described in "Certain

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Relationships and Related Transactions Indebtedness of Certain Executive Officers and Directors" beginning on page 26. Two-thirds of these shares of restricted stock, or 778,794 shares, vest in 36 equal monthly installments beginning on November 30, 2001. Vesting on these 778,794 shares will also accelerate in the event of death, disability or actual or constructive termination without cause. One-third of these shares of restricted stock, or 389,397 shares, vest in 48 equal monthly installments beginning on November 30, 2001. Any non-vested shares forfeited by Mr. Zwanziger will be subject to repurchase by us at fair market value on the date of repurchase. For purposes of dividends, the restricted stock will be treated as if it was unrestricted common stock. As of December 31, 2002, the value of these shares of restricted stock was \$4,696,127.81 calculated by subtracting the aggregate consideration paid by Mr. Zwanziger for such shares (\$10,665,583.84) from the value of such shares based on the closing price of the common stock on the American Stock Exchange on December 31, 2002 (\$15,361,711.65).

- (2) Mr. Zwanziger voluntarily waived his rights to purchase 50,000 shares of common stock under this option in consideration of an agreement to amend the terms of his restricted stock (discussed in footnote 1 above) to require us to repurchase the stock at fair market value rather than at cost in the event Mr. Zwanziger forfeits any non-vested shares in the future.
- (3) Salary paid in British pounds. 2001 salary reported in U.S. dollars using the average exchange rate for December 2001. 2002 salary reported in U.S. dollars using the average exchange rate for 2002.
- (4) Includes an option to purchase up to 399,381 shares of restricted stock from us at a purchase price of \$6.20 per share which was to expire on January 31, 2002, as described in "Certain Relationships and Related Transactions Indebtedness of Certain Executive Officers and Directors" beginning on page 26. That option was exercised on December 3, 2001 for 399,381 shares of restricted stock. These shares of restricted stock vest in 36 equal monthly installments beginning on December 31, 2001. Vesting on these shares will also accelerate in the event of death, disability or actual or constructive termination without cause. Upon termination of employment, any non-vested shares will be subject to repurchase by us at their then fair market value. For purposes of dividends, the restricted stock will be treated as if it was unrestricted common stock. As of December 31, 2002, the value of these shares of restricted stock was \$2,775,697.95 calculated by subtracting the consideration paid by Dr. Scott for such shares (\$2,476,162.20) from the value of such shares based on the closing price of the common stock on the American Stock Exchange on December 31, 2002 (\$5,251,860.15).
- (5) Includes an option to purchase up to 370,413 shares of restricted stock from us at a purchase price of \$6.20 per share which was to expire on January 31, 2002, as described in "Certain Relationships and Related Transactions Indebtedness of Certain Executive Officers and Directors" beginning on 26. That option was exercised on December 3, 2001 for 250,000 shares of restricted stock. These shares of restricted stock vest in 36 equal monthly installments beginning on December 31, 2001. Vesting on these shares will also accelerate in the event of death, disability or actual or constructive termination without cause. Upon termination of employment, any non-vested shares will be subject to repurchase by us at their then fair market value. For purposes of dividends, the restricted stock will be treated as if it was unrestricted common stock. As of December 31, 2002, the value of these shares of restricted stock was \$1,737,500 calculated by subtracting the consideration paid by Dr. McAleer for such shares (\$1,550,000) from the value of such shares based on the closing price of the common stock on the American Stock Exchange on December 31, 2002 (\$3,287,500). Pursuant to the terms of the original option, upon exercise of that option Dr. McAleer received a new option for 120,413 shares of unrestricted common stock (representing the number of unpurchased shares underlying the original option) with an exercise price of \$16.76 per share.
- (6) Salary paid in Euros and reported in U.S. dollars using the average exchange rate for 2002.
- (7) Salary paid in Irish pounds and reported in U.S. dollars using the average exchange rate for December 2001.

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Option Grants. The following table sets forth certain information concerning grants of stock options made to the named executive officers by us during fiscal year 2002:

Option/SAR Grants In Last Fiscal Year

Name	Number of Securities Underlying Options Granted	Percent of Total Options Granted to Employees In Fiscal Year	Exercise Price per Share	Expiration Date (1)	Potential Realizable Value at Assumed Annual Rate of Stock Price Appreciation for Option Term	
					5%	10%
Ron Zwanziger	5,065(2)	*	\$ 15.55	8/22/12	\$ 49,532	\$ 125,524
David Scott, Ph.D.	2,284(2)	*	\$ 15.60	9/2/12	\$ 22,408	\$ 56,786
Jerry McAleer, Ph.D.	1,805(2)	*				