

INVERNESS MEDICAL INNOVATIONS INC

Form DEF 14A

April 30, 2009

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SCHEDULE 14A
(Rule 14a-101)
INFORMATION REQUIRED IN PROXY STATEMENT
SCHEDULE 14A INFORMATION
Proxy Statement pursuant to Section 14(a) of the Securities
Exchange Act of 1934

Filed by the Registrant x

Filed by a party other than the Registrant o

Check the appropriate box:

- Preliminary Proxy Statement Confidential, For Use of the Commission
 Definitive Proxy Statement Only (as permitted by Rule 14a-6(e)(2))
 Definitive Additional Materials
 Soliciting Material Pursuant to Rule 14a-11(c) or Rule 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:

(2) Aggregate number of securities to which transaction applies:

(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):

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Check box if any part of the fee is offset as provided by Exchange Act Rule 0-11(a)(2) and identify the filing for which the offsetting fee was paid previously. Identify the previous filing by registration statement number of the Form or Schedule and the date of its filing.

(1) Amount Previously paid:

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

(3) Filing Party:

(4) Date Filed:

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May 6, 2009

Dear Fellow Stockholder:

You are cordially invited to attend Inverness Medical Innovations' Annual Meeting of Stockholders on Thursday, June 18, 2009, at 12:30 p.m., local time, at our corporate headquarters located at 51 Sawyer Road, Suite 200, Waltham, MA 02453.

In addition to the matters described in the attached proxy statement, we will report on our activities for our fiscal year ended December 31, 2008. You will have an opportunity to ask questions and to meet your directors and executives.

We are pleased to be able to offer to our stockholders the option to access our proxy materials on the Internet. We believe this option will be preferred by many of our stockholders, as it allows us to provide our stockholders the information they need.

Whether or not you plan to attend the meeting in person, it is important that your shares be represented and voted. Accordingly, please review our proxy materials and request a proxy card to sign, date, and return or submit your proxy or voting instruction card, as applicable, by telephone or through the Internet. Instructions for each type of voting are included in the Notice of Internet Availability of Proxy Materials that you received and on the proxy card. If you attend the meeting and prefer to vote at that time, you may do so.

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

Cordially,

Ron Zwanziger
Chairman, Chief Executive Officer and President

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**INVERNESS MEDICAL INNOVATIONS, INC.
51 Sawyer Road, Suite 200
Waltham, Massachusetts 02453**

NOTICE OF ANNUAL MEETING OF STOCKHOLDERS

Date: Thursday, June 18, 2009

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

Place: Inverness Medical Innovations, Inc.
51 Sawyer Road, Suite 200
Waltham, MA 02453

Purpose:

1. Elect three Class II Directors to serve until the 2012 annual meeting of stockholders;
2. Approve an increase to the number of shares of common stock available for issuance under the Inverness Medical Innovations, Inc. 2001 Stock Option and Incentive Plan by 1,000,000, from 11,074,081 to 12,074,081;
3. Approve an increase to the number of shares of common stock available for issuance under the Inverness Medical Innovations, Inc. 2001 Employee Stock Purchase Plan by 1,000,000, from 1,000,000 to 2,000,000;
4. Ratify the appointment of BDO Seidman, LLP as our independent registered public accountants for our fiscal year ending December 31, 2009; and
5. Conduct such other business as may properly come before the annual meeting and at any adjournment or postponement thereof.

Only stockholders of record on April 27, 2009 may vote at the annual meeting and at any adjournment or postponement thereof. We will begin mailing the Notice of Internet Availability of Proxy Materials on or about May 6, 2009. Our proxy materials, including this proxy statement and our 2008 Annual Report, which includes financial statements for the period ended December 31, 2008, will also be available on or about May 6, 2009 on the website referred to in the Notice of Internet Availability of Proxy Materials.

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 included in the Notice of Internet Availability of Proxy Materials and on your proxy card.

Paul T. Hempel, Esq.
Secretary

May 6, 2009

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May 6, 2009

INVERNESS MEDICAL INNOVATIONS, INC.

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

PROXY STATEMENT

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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 2009 Annual Meeting of Stockholders to be held on Thursday, June 18, 2009, at 12:30 p.m., local time, at our corporate headquarters located at 51 Sawyer Road, Suite 200, Waltham, MA 02453, and at any adjournments or postponements of the annual meeting. References in this proxy statement to us, we, our and Company refer to Inverness Medical Innovations, Inc., except where otherwise indicated, such as in the Compensation Committee Report and the 2008 Audit Committee Report.

General Information

Delivery of Proxy Materials

We are providing access to our proxy materials (including this proxy statement, together with a notice of meeting and our annual report) on the Internet pursuant to rules adopted by the Securities and Exchange Commission. Accordingly, we are sending a Notice of Internet Availability of Proxy Materials (the Notice) to stockholders entitled to vote at the meeting. You may also request a printed copy of the proxy materials by mail. If you do so, these materials will also include the proxy card for the annual meeting. The Notice that you received via mail provides instruction for accessing the current proxy materials over the Internet, requesting a printed copy of the proxy materials, establishing your future preferences for proxy material delivery and casting your vote via the Internet. To facilitate timely delivery, all requests for a paper copy of the proxy materials must be received by June 8, 2009.

All stockholders will have the ability to access the proxy materials on a website referred to in the Notice or request to receive a printed copy of the proxy materials at no charge. If you request a printed copy of the proxy materials, we will mail them to you within three business days of your request. The Notice includes instructions on how to access the electronic proxy materials, as well as instructions for requesting a printed copy. In addition, stockholders may permanently elect to receive future proxy materials in either electronic form by email or printed form by mail. If you make such an election, we will continue to send you the materials pursuant to your election, until you notify us otherwise.

Who May Vote

Holders of our common stock, as recorded in our stock register at the close of business on April 27, 2009, may vote at the annual meeting on matters properly presented at the meeting. As of that date, there were 78,721,203 shares of our common stock outstanding and entitled to one vote per share. A list of stockholders will be available for inspection for at least ten days prior to the meeting at the principal executive offices of the Company at 51 Sawyer Road, Suite 200, Waltham, MA 02453.

Electronic Access to Proxy Materials and Annual Report

The Notice includes instructions regarding how to:

view your proxy materials for the annual meeting on the Internet; and

instruct us to send you all future proxy materials by email.

If you choose to receive future proxy materials by email, next year you will receive an email with a link to the proxy materials and proxy

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voting site. Your election to receive future proxy materials by email will remain in effect until you terminate your election. Choosing to receive your future proxy materials by email will save us the cost of producing and mailing these documents.

How to Vote

Your vote is important. Your shares can be voted at the annual meeting only if you are present in person or represented by proxy. Even if you plan to attend the meeting, we urge you to authorize your proxy in advance. We encourage you to authorize your proxy electronically by going to the website identified on the Notice or on your proxy card, or by calling the toll-free number (for residents of the United States and Canada) listed on your proxy card. Please have your proxy card in hand when going online or calling. ***If you authorize your proxy electronically, you do not need to return your proxy card.*** If you received proxy materials by mail and choose to authorize your proxy by mail, simply mark your proxy card, and then date, sign and return it in the postage-paid envelope provided.

If you hold your shares beneficially in street name, i.e., through a nominee (such as a bank or broker), you may be able to authorize your proxy by telephone or the Internet as well as by mail. You should follow the instructions you receive from your broker or other nominee to vote these shares.

How Proxies Work

Our Board of Directors (the Board) is asking for your proxy. Giving us your proxy means you authorize our designated proxy holders, Ron Zwanziger and Paul T. Hempel (or their substitutes), 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 other proposals, you may vote for or against the proposal or abstain from voting.

Your shares will be voted at the annual meeting as directed by your electronic proxy, the instructions on your proxy card or voting instructions if: (1) you are entitled to vote, (2) your proxy was properly executed or properly authorized electronically, (3) we received your proxy prior to the annual meeting and (4) you did not revoke your proxy prior to or at the meeting.

If you authorize your proxy electronically or send a properly executed proxy without specific voting instructions, the designated proxy holders will vote your shares in favor of our director candidates and in favor of the other proposals.

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 designated proxy holders will vote your shares according to their best judgment.

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. We have also engaged The Altman Group to assist us with the solicitation of proxies, and we expect to pay The Altman Group approximately \$6,000 for its services, plus out-of-pocket expenses incurred during the course of its work.

Revoking a Proxy

You may revoke your proxy at any time before it is voted at the meeting by:

voting again on the Internet or telephone (only the latest Internet or telephone proxy will be counted);

properly executing and delivering a later-dated proxy card;

voting by ballot at the meeting; or

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

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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.

Vote Required

Each proposal sets forth the vote required for approval of the matter.

Multiple Stockholders Sharing the Same Address

Please note that brokers may deliver only one Notice, annual report and proxy statement to multiple security holders sharing an address. This practice, known as householding is designed to reduce printing and postage costs. If any stockholder residing at such an address wishes to receive a separate Notice, annual report or proxy statement, we will promptly deliver a separate copy to any stockholder upon written or oral request to Doug Guarino at Inverness Medical Innovations, Inc., 51 Sawyer Road, Suite 200, Waltham, MA 02453, by telephone at (781) 647-3900 or by e-mail at doug.guarino@invmed.com.

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Corporate Governance

The Board of Directors

Our Board of Directors currently consists of ten members who are divided into three classes as follows: three Class I Directors (John F. Levy, Jerry McAleer, Ph.D. and John A. Quelch), three Class II Directors (Carol R. Goldberg, James Roosevelt, Jr. and Ron Zwanziger) and four Class III Directors (Robert P. Khederian, David Scott, Ph.D., Peter Townsend and Eli Y. Adashi, M.D.). Dr. Adashi and Mr. Roosevelt were elected to the Board in April 2009 and February 2009, respectively. 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 2010, 2008 and 2009, respectively. The Board has determined that the following directors are independent under the rules of the New York Stock Exchange: Dr. Adashi, Ms. Goldberg, Mr. Khederian, Mr. Levy, Mr. Quelch, Mr. Roosevelt and Mr. Townsend.

The Board held 12 meetings during the last fiscal year. We believe that it is important for, and we encourage, the members of the Board to attend annual meetings of stockholders. Last year, one (1) member of the Board attended our annual meeting of stockholders.

The Board has an Audit Committee, a Compensation Committee and a Nominating and Corporate Governance Committee, each composed solely of directors who satisfy the applicable independence requirements of the New York Stock Exchange's listing standards. All three committees operate pursuant to written charters which are posted on the *Corporate Governance* page on our website at www.invmed.com.

The Audit Committee

The Audit Committee consists of Mr. Levy, its Chairperson, Mr. Townsend and Mr. Khederian. Among other things, the Audit Committee oversees our accounting and financial reporting processes, including the selection, retention and oversight of our independent registered public accountant and the pre-approval of all auditing and non-auditing services provided by the independent registered public accountant. The Audit Committee's 2008 Audit Committee Report is included in this proxy statement beginning on page 33. The Board has determined that Mr. Levy is an audit committee financial expert, as defined by SEC rules adopted pursuant to the Sarbanes-Oxley Act. The Audit Committee held 11 meetings during fiscal year 2008.

The Compensation Committee

The Compensation Committee consists of Ms. Goldberg, its Chairperson, Dr. Adashi, who joined the Compensation Committee in April 2009, and Mr. Khederian. The Compensation Committee develops and implements executive officer and director compensation policies and plans that are appropriate for us in light of all relevant circumstances and which provide incentives that further our long-term strategic plans and are consistent with our culture and the overall goal of enhancing enduring stockholder value. Under its charter, the Compensation Committee may delegate any or all of its responsibilities to a subcommittee, but to date it has not chosen to do so. During fiscal year 2008, the Compensation Committee held nine (9) meetings. The Compensation Discussion and Analysis recommended by the Compensation Committee to be included in this proxy statement begins on page 22. Among other things, the Compensation Discussion and Analysis describes in greater detail the Compensation Committee's role in the executive compensation process. In addition, the Compensation Committee's role in establishing director compensation is described in more detail under *Compensation of Directors* beginning on page 30 of this proxy statement.

The Nominating and Corporate Governance Committee

Our Nominating and Corporate Governance Committee currently consists of Mr. Quelch, its Chairperson, Mr. Khederian, Mr. Levy and Mr. Roosevelt, who joined the Committee in April 2009. The Nominating and Corporate Governance Committee is charged with recommending nominees for election to the Board, overseeing the selection and composition of

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committees to the Board, developing and recommending corporate governance principles and overseeing our continuity planning process. The Nominating and Corporate Governance Committee conducts all necessary and appropriate inquiries into the backgrounds and qualifications of possible director candidates and has the authority to retain any search firm or other advisors to assist in identifying candidates to serve as directors. The Nominating and Corporate Governance Committee has established a policy with regard to the consideration of director candidates recommended by holders of our voting stock. The material elements of this policy are set forth and discussed below under *Stockholder Proposals* beginning on page 34 and the full policy can be viewed on the *Corporate Governance* page of our website at www.invmed.com. In identifying and evaluating director candidates, including candidates proposed or recommended by stockholders, the Nominating and Corporate Governance Committee takes into account all factors it considers appropriate, which may include strength of character, mature judgment, career specialization, relevant technical skills, diversity and the extent to which the candidate would fill a present need on the Board. During fiscal year 2008, the Nominating and Corporate Governance Committee held three (3) meetings.

Executive Sessions

The non-management directors meet at regularly scheduled executive sessions without management participation, generally in connection with regularly scheduled Board meetings. At each such session, the non-management directors will select a director to preside over such session.

Communications with the Board

Stockholders wishing to communicate with the Board or any director or group of directors (including only the non-management directors) should direct their communications to: Secretary, Inverness Medical Innovations, Inc., 51 Sawyer Road, Suite 200, Waltham, MA 02453. Stockholder communications must state the number of shares of our stock beneficially owned by the stockholder sending the communication. The Secretary will forward the communication to the Board or to any individual director or directors to whom the communication is directed; provided, however, that if the communication is unduly hostile, profane, threatening, illegal or otherwise inappropriate, the Secretary has the authority to discard the communication and take any appropriate legal action.

Code of Ethics

Our Board has adopted a code of ethics that applies to all of our employees and agents world-wide, including our chief executive officer, our chief financial officer, our other executive officers and the members of the Board. Known as The Inverness Medical Innovations Business Conduct Guidelines, this code of ethics is posted in its entirety on the *Corporate Governance* page of our website at www.invmed.com.

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Proposal 1

Election of Directors

At the 2009 annual meeting, the term of the Class II Directors will expire. The Board proposes, at the recommendation of the Nominating and Corporate Governance Committee, that at the 2009 annual meeting of stockholders the following nominees be elected as Class II Directors:

Carol R. Goldberg
James Roosevelt, Jr.
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 three nominees. In the event that Ms. Goldberg, Mr. Roosevelt 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. Roosevelt 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 beginning on page 15 of this proxy statement.

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 at their own discretion.

Recommendation

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

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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 and Incentive 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 11,074,081 shares to 12,074,081 shares. Of the 11,074,081 shares of common stock authorized for issuance in connection with grants made under the 2001 Stock Option and Incentive Plan, only 898,765 shares remained available for future grants or awards as of April 15, 2009. While some additional shares may become available under the 2001 Stock Option and Incentive Plan through employee terminations, this number is not expected to be significant.

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. The Board believes that stock options promote growth and provide a meaningful incentive to employees of successful companies.

As of April 15, 2009 there were 78,706,478 shares of our common stock outstanding. The increase of 1,000,000 shares of common stock available for grant under the 2001 Stock Option and Incentive Plan will result in additional potential dilution of our outstanding stock. Based solely on the closing price of our common stock as reported on the NYSE on April 15, 2009 of \$27.87 per share, the maximum aggregate market value of the additional 1,000,000 shares of common stock to be reserved for issuance under the 2001 Stock Option and Incentive Plan would be \$27,870,000.00.

The following is a summary of certain principal features of the 2001 Stock Option and Incentive Plan. The summary is qualified in its entirety by reference to the complete text of the 2001 Stock Option and Incentive Plan. Stockholders are urged to read the actual text of the 2001 Stock Option and Incentive Plan, as proposed to be amended, in its entirety which is set forth as Appendix A to this proxy statement.

Summary of the 2001 Stock Option and Incentive Plan, as Amended

Administration. The 2001 Stock Option and Incentive Plan provides for administration by the Board or by a committee of not fewer than two independent directors, referred to as the administrator, provided that, for purposes of awards to directors and Section 16 officers, the administrator shall be deemed to include only directors who are independent directors, as appointed by the Board from time to time. The Board of Directors is currently serving as the administrator of the 2001 Stock Option and Incentive 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 and Incentive 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 and Incentive Plan, subject to the discretion of the administrator. We currently have approximately 8,300 employees, including temporary and contract employees. 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. The number of shares of common stock that are available to be issued through grants or awards made under the 2001 Stock Option and Incentive Plan or through the exercise of options granted thereunder will be increased from 11,074,081 shares to 12,074,081 shares, but the 2001 Stock Option and incentive Plan, as amended, will continue to provide that different types of awards will count differently against the total number of shares available. Full value awards settled in stock, other than an award that is a stock

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option or other award that requires the grantee to purchase shares for their fair market value at the time of grant, will be counted against the overall share limitation as 3.0 shares. All other awards will continue to be counted against the overall share limitation as 1.0 share.

Stock Options. Options granted under the 2001 Stock Option and Incentive 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 and Incentive 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 and Incentive Plan. 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. In addition, the repricing of stock options shall not be permitted without shareholder approval.

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; provided that the administrator may not accelerate the exercisability of options, other than by reason of, or in connection with, death, disability, retirement, employment termination (without cause) or change of control, if the number of options so accelerated when combined with the number of unrestricted stock awards granted would exceed 10% of the maximum number of shares issuable under the plan. In general, unless otherwise permitted by the administrator, no option granted under the 2001 Stock Option and Incentive 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 and Incentive 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 and Incentive 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 and Incentive 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

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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 and Incentive 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. The aggregate number of unrestricted stock awards that may be granted under the plan, when combined with stock underlying options that were accelerated other than by reason of, or in connection with, death, disability, retirement, employment termination (without cause) or change of control, may not exceed 10% of the maximum number of shares issuable under the plan.

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. 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. 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. The periods during which performance is to be measured shall not be, in the aggregate, less than one year.

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 and Incentive Plan provides that in the event of a change of control as defined in the 2001 Stock Option and Incentive Plan, all stock options will automatically become fully exercisable and the restrictions and conditions on all other awards will automatically be deemed waived, unless otherwise provided in the applicable award agreement.

Adjustments for Stock Dividends, Mergers, etc. The 2001 Stock Option and Incentive Plan authorizes the administrator to make appropriate adjustments to the number of shares of common stock that are subject to the 2001 Stock Option and Incentive 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 our company, the 2001 Stock Option and Incentive 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. The administrator may adjust the number of shares subject to outstanding awards and the exercise price and the terms of outstanding awards to take into consideration material

changes in accounting practices or principles, extraordinary dividends, acquisitions or dispositions of stock or property or

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any other event if it is determined by the administrator that such adjustment is appropriate to avoid distortion in the operation of the 2001 Stock Option and Incentive Plan, provided that no such adjustment shall be made in the case of an incentive stock option, without the consent of the grantee, if it would constitute a modification, extension or renewal of the option within the meaning of Section 424(h) of the Code.

Amendments and Termination. Subject to requirements of law or the rules of any stock exchange, the Board may at any time amend or discontinue the 2001 Stock Option and Incentive 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 and Incentive Plan qualify as incentive options or that compensation earned under the options granted under the 2001 Stock Option and Incentive Plan qualifies as performance-based compensation under the Internal Revenue Code, plan amendments shall be subject to approval by our stockholders.

New Plan Benefits

No grants have been made with respect to the additional shares of common stock to be reserved for issuance under the 2001 Stock Option and Incentive Plan. The number of shares of common stock that may be granted to executive officers and all employees, including non-executive officers and directors who are employees, and to independent directors is indeterminable at this time, as such grants are subject to the discretion of the Compensation Committee and the Board. The Compensation Committee, voting together with the other independent directors, determines and approves the stock option compensation for the CEO and all other officers.

Material Federal Income Tax Consequences

The following discussion describes the material federal income tax consequences of transactions under the 2001 Stock Option and Incentive Plan. It does not describe all federal tax consequences under the 2001 Stock Option and Incentive 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 and Incentive 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

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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.

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 and Incentive 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, provided that, in accordance with the rules of the NYSE, the total votes cast on the proposal represent over 50% in interest of all securities entitled to vote on the proposal (the NYSE Voting Requirement). Under the rules of the NYSE, abstentions will count as votes cast with respect to this matter; accordingly, abstentions will be included in determining whether the NYSE Voting Requirement has been achieved, but will have the effect of a vote against the proposal. Broker non-votes will not be counted as votes cast on this matter; accordingly, broker non-votes will make it more difficult for the NYSE Voting Requirement to be achieved (as they will not be included), but if the NYSE Voting Requirement is achieved, they will have no effect on the outcome of the vote.

Recommendation

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

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Proposal 3

Approval of Increase in Number of Shares of Common Stock Available for Issuance Under the 2001 Employee Stock Purchase Plan

Introduction

The Board has adopted and is seeking stockholder approval of an amendment to our 2001 Employee Stock Purchase Plan (the Plan) to increase the number of shares of common stock that are available to be issued thereunder from 1,000,000 shares to 2,000,000 shares. Of the 1,000,000 shares of common stock authorized for issuance under the Plan, only 284,303 shares remained available for future issuance as of April 15, 2009. Based on historical activity under the Plan by our employees, we expect that all of the remaining shares will be utilized at the end of the expiration of the current offering period.

The Board recommends this action in order to enable us to continue to provide eligible employees the opportunity to purchase shares of our common stock at a discount through periodic payroll deductions. The Board believes that the Plan enhances our ability to attract and retain highly qualified personnel and provides a meaningful incentive to employees by enabling them to participate in our long-term success and growth.

The increase of 1,000,000 shares of common stock available for issuance under the Plan will result in additional potential dilution of our outstanding stock. Based solely on the closing price of our common stock as reported on the NYSE on April 15, 2009 of \$27.87 per share, the maximum aggregate market value of the additional 1,000,000 shares of common stock to be reserved for issuance under the Plan would be \$27,870,000.00.

The following is a summary of certain principal features of the Plan. The summary is qualified in its entirety by reference to the complete text of the Plan. Stockholders are urged to read the actual text of the Plan, as proposed to be amended, in its entirety which is set forth as Appendix B to this proxy statement.

Summary of the 2001 Employee Stock Purchase Plan

Administration. The Plan provides for administration by a person or persons appointed by the Board (the Administrator). The Administrator has authority to make rules and regulations for the administration of the Plan, and its interpretations and decisions with regard thereto shall be final and conclusive.

Offerings. To implement the benefits of the Plan, we make periodic offerings to eligible employees to purchase common stock under the Plan (Offerings). Each Offering begins on the first business day occurring on or after each January 1 and July 1 and ends on the last business day occurring on or before the following June 30 and December 31, respectively. The Administrator may, in its discretion, designate a different period for any Offering, provided that no Offering shall exceed one year in duration or overlap any other Offering.

The Board may also commence a special Offering for employees of designated subsidiaries who are eligible to participate in the Plan that will begin on the date that an acquired company is acquired or becomes a designated subsidiary, and will end on the last business day occurring on or before the next June 30 or December 31, whichever shall occur first.

Eligibility. All of our employees (including employees who are also directors) and all employees of each designated subsidiary are eligible to participate in any one or more of the Offerings under the Plan, provided that as of the first

day of the applicable Offering (the Offering Date) they are customarily employed by us or a designated subsidiary for more than 20 hours a week and have completed at least three (3) consecutive calendar months of employment with us or any designated subsidiary (including periods of employment with the designated subsidiary which pre-date such designation and/or the acquisition of the designated subsidiary by us or any subsidiary thereof). Designated subsidiaries under the plan currently have approximately 7,900 employees. To the extent that a subsidiary was made a designated subsidiary subsequent to an acquisition pursuant to which a substantial amount of assets was acquired by such designated subsidiary, whether via a merger, asset acquisition or otherwise, employment with any legal predecessor entity or any entity transferring assets to the designated subsidiary as part of such acquisition shall be counted as employment with the designated subsidiary.

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Employee Contributions. Each eligible employee may authorize payroll deductions at a minimum of two percent (2%) up to a maximum of ten percent (10%) of his or her compensation for each pay period. We will maintain book accounts showing the amount of payroll deductions made by each participating employee for each Offering. No interest will accrue or be paid on payroll deductions.

Grant of Options. On each Offering Date, we will grant to each eligible employee who is then a participant in the Plan an option (Option) to purchase on the last day of such Offering (the Exercise Date), at the Option Price, as defined below, (a) a number of shares of common stock, which number shall be the number of shares (rounded down to the nearest whole share) which is obtained by (i) multiplying \$25,000 by the quotient obtained by dividing the number of months in the Offering by 12, and (ii) dividing that product by the fair market value of the common stock on the Offering Date, or (b) such other lesser maximum number of shares as shall have been established by the Administrator in advance of the Offering; provided, however, that such Option shall be subject to the limitations set forth below. The purchase price for each share purchased under each Option (the Option Price) will be 85% of the fair market value of the common stock on the Offering Date or the Exercise Date, whichever is less. Each employee s Option shall be exercisable only to the extent of such employee s accumulated payroll deductions on the relevant Exercise Date.

Notwithstanding the foregoing, no employee may be granted an option under the Plan if such employee, immediately after the option was granted, would be treated as owning stock possessing five percent (5%) or more of the total combined voting power or value of all or our classes of stock or of any Parent or Subsidiary (as defined in the Plan). For purposes of the preceding sentence, the attribution rules of Section 424(d) of the Internal Revenue Code shall apply in determining the stock ownership of an employee, and all stock which the employee has a contractual right to purchase shall be treated as stock owned by the employee. In addition, no employee may be granted an Option which permits his rights to purchase stock under the Plan, and any other employee stock purchase plan of us and our Parents and Subsidiaries, to accrue at a rate which exceeds \$25,000 of the fair market value of such stock (determined on the option grant date or dates) for each calendar year in which the Option is outstanding at any time. The purpose of the limitation in the preceding sentence is to comply with Section 423(b)(8) of the Internal Revenue Code and shall be applied taking Options into account in the order in which they were granted.

Exercise of Option and Purchase of Shares. Each employee who continues to be a participant in the Plan on the Exercise Date shall be deemed to have exercised his Option on such date and shall acquire from us such number of whole shares of common stock reserved for the purpose of the Plan as his accumulated payroll deductions on such date will purchase at the Option Price, subject to any other limitations contained in the Plan. Any amount remaining in an employee s account at the end of an Offering solely by reason of the inability to purchase a fractional share will be carried forward to the next Offering; any other balance remaining in an employee s account at the end of an Offering will be refunded to the employee promptly.

Amendments and Termination. The Plan may be terminated at any time by the Board. Upon termination of the Plan, all amounts in the accounts of participating employees shall be promptly refunded.

New Plan Benefits

The number of shares that may be issued to executive officers and all employees, including non-executive officers and directors who are employees, is indeterminate at this time, as participation in any Offering under the Plan is completely discretionary on the part of each eligible employee.

Vote Required

The approval of the proposal to amend the 2001 Employee Stock Purchase 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 for and against the proposal. 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 Employee Stock Purchase Plan increasing the number of shares of common stock available thereunder.

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Proposal 4

Ratification of Selection of Independent Registered Public Accountants

A primary responsibility of the Audit Committee is to select an independent registered public accountant for the fiscal year. Several factors go into this selection process including: the firm's historical and recent performance on similar projects, the firm's experience, client service, responsiveness, leadership, management structure, client and employee retention, compliance and ethics programs, appropriateness of fees charged and the firm's overall technical expertise. Based on all of these factors, the Audit Committee selected BDO Seidman, LLP to serve as our independent registered public accountants for the fiscal year ending December 31, 2009. Pursuant to this proposal, we are asking our stockholders to ratify this selection. The firm of BDO Seidman, LLP has been our independent registered public accountants since April 2003. Although stockholder ratification is not required by our bylaws or otherwise, we are submitting the selection of BDO Seidman, LLP as our independent registered public accountants for the fiscal year ending December 31, 2009 to our stockholders for ratification as a matter of good corporate practice. If the selection is not ratified, the Audit Committee may consider whether another registered independent public accounting firm is appropriate. Even if this selection is ratified, the Audit Committee may, in its discretion, direct the appointment of a different independent public accountant at any time during the year if it determines that such a change would be in our best interest.

Vote Required

The ratification of the selection of BDO Seidman, LLP as our independent registered public accountants for the fiscal year ending December 31, 2009 requires an affirmative vote of a majority of the votes properly cast for and against this proposal. 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 ratification of the selection of BDO Seidman, LLP as our independent registered public accountants for the fiscal year ending December 31, 2009.

Table of Contents**Information Regarding Nominees, Other Directors and Executive Officers**

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

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

Nominees for Election as Class II Directors Term Expiring 2012

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.

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.

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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.

Incumbent Class III Directors Term Expiring 2010

Eli Y. Adashi, MD, MS, FACOG, 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.

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.

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.

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.

Incumbent Class I Directors Term Expiring 2011

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.

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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.

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 Ecossensors, Inc., an environmental research company.

Executive Officers Who Are Not Directors

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 Proctor & Gamble, 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

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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 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 was purchased in November 2007. Prior to our purchase of Alere, Dr. Geraty had served on the board and as Chief Executive Officer of Alere since late 2001. Prior to Alere, 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

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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.

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 Orgenics 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.

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The following table furnishes information as to shares of our common stock beneficially owned by:

each person or entity known by us to beneficially own more than five percent of our common stock;

each of our directors;

each of our named executive officers (as defined in Compensation of Executive Officers and Directors on page 27); and

all of our directors and executive officers as a group.

Unless otherwise stated, beneficial ownership is calculated as of February 1, 2009. For the purpose of this table, 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.

Security Ownership of Certain Beneficial Owners and Management

Name and Address of Beneficial (1)	Common Stock	
	Amount and Nature of Beneficial Ownership (2)	Percent of Class (3)
Brookside Capital Partners Fund, L.P.(4)	4,287,662	5.45%
Capital Research Global Investors(5)	9,081,420	11.55%
FMR LLC(6)	11,074,818	14.09%
Zwanziger Family Ventures, LLC(7)	1,806,696	2.30%
Ron Zwanziger(8)	3,436,513	4.36%
David Scott, Ph.D.(9)	724,493	*
Jerry McAleer, Ph.D.(10)	669,944	*
David Teitel(11)	39,630	*
Ron Geraty, M.D.(12)	114,921	*
Eli Y. Adashi, M.D.	0	*
Carol R. Goldberg(13)	116,746	*
Robert P. Khederian(14)	78,828	*
John F. Levy(15)	189,643	*
John A. Quelch(16)	58,068	*
James Roosevelt, Jr.	0	*
Peter Townsend(17)	13,784	*
All current executive officers and directors (22 persons)(18)	6,186,081	7.68%

* 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.
- (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 and warrants held by such person or group that were exercisable within 60 days from February 1, 2009, but excludes shares of stock underlying options and warrants held by any other person.

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- (4) This information is based on information contained in a Schedule 13G/A filed with the SEC on February 17, 2009 by Brookside Capital Partners Fund, L.P. The address provided therein for Brookside Capital Partners Fund, L.P. is 111 Huntington Avenue, Boston, MA 02199.
- (5) This information is based on information contained in a Schedule 13G/A filed with the SEC on February 13, 2009 by Capital Research Global Investors, a division of Capital Research and Management Company. Of this amount, Capital Research Global Investors has (i) sole voting power with respect to 6,368,460 shares and (ii) sole investment power with respect to 9,081,420 shares. The address provided therein for Capital Research Global Investors is 333 South Hope Street, Los Angeles, CA 90071.
- (6) This information is based on information contained in a Schedule 13G/A filed with the SEC on February 17, 2009 by FMR LLC. Of this amount, FMR LLC has (i) sole voting power with respect to 650,010 shares and (ii) sole investment power with respect to 11,074,818 shares. The address provided therein for FMR LLC is 82 Devonshire Street, Boston, MA 02109.
- (7) Consists of 1,769,902 shares of common stock and 36,794 shares of common stock underlying warrants exercisable within 60 days from February 1, 2009. 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.
- (8) Consists of 3,217,078 shares of common stock and 182,641 shares of common stock underlying options and warrants exercisable within 60 days from February 1, 2009. Of the shares attributed to Mr. Zwanziger, 664,142 shares of common stock are owned by Mr. Zwanziger as Trustee of the Zwanziger 2004 Annuity Trust, and 1,769,902 shares of common stock and 36,794 shares of common stock issuable upon the exercise of warrants 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 M. 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.
- (9) Consists of 405,766 shares of common stock and 318,727 shares of common stock underlying options exercisable within 60 days from February 1, 2009.
- (10) Consists of 257,114 shares of common stock and 412,830 shares of common stock underlying options exercisable within 60 days from February 1, 2009.
- (11) Consists of 2,130 shares of common stock and 37,500 shares of common stock underlying options exercisable within 60 days from February 1, 2009.
- (12) Consists of 97,421 shares of common stock and 17,500 shares of common stock underlying options exercisable within 60 days from February 1, 2009.
- (13) Consists of 74,645 shares of common stock and 42,101 shares of common stock underlying options exercisable within 60 days from February 1, 2009.
- (14) Consists of 20,000 shares of common stock and 58,828 shares of common stock underlying options exercisable within 60 days from February 1, 2009.

- (15) Consists of 121,118 shares of common stock, 4,391 shares of common stock issuable upon the exercise of warrants and 64,134 shares of common stock underlying warrants and options exercisable within 60 days from February 1, 2009. Mr. Levy disclaims beneficial ownership of 741 shares of common stock and 266 shares of common stock issuable upon the exercise of warrants owned by a charitable remainder unitrust.
- (16) Consists of 58,068 shares of common stock underlying options exercisable within 60 days from February 1, 2009.
- (17) Consists of 13,784 shares of common stock underlying options exercisable within 60 days from February 1, 2009.
- (18) Includes 1,868,842 shares of common stock underlying options or warrants exercisable within 60 days from February 1, 2009.

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Compensation Discussion and Analysis

This Compensation Discussion and Analysis discusses the compensation paid to our chief executive officer, or our CEO, our chief financial officer, or our CFO, and our three most highly-compensated executive officers other than our CEO and CFO. These officers are collectively referred to as the named executive officers. For the purpose of this discussion our key executives are Ron Zwanziger, CEO; David Scott, Ph.D., Chief Scientific Officer; and Jerry McAleer, Ph.D., Vice President, Research and Development, and Vice President, Cardiology.

Philosophy and Objectives

The objective of our executive compensation program is to attract, retain and motivate the talented and dedicated executives who are critical to our goals of continued growth, innovation, increasing profitability and ultimately maximizing shareholder value. Specifically, we seek to attract and reward executives who display certain fundamental leadership characteristics for hiring and promotion that we have identified as consistent with our Company goals and culture. We provide these executives with what we believe to be a competitive total compensation package consisting primarily of base salary, long-term equity incentive compensation and a broad-based benefits program. Our compensation program is designed to reward each executive's individual performance by considering generally their past and potential contribution to our achievement of key strategic goals such as revenue generation, margin improvement and the establishment and maintenance of key strategic relationships. Our executive compensation program aims to provide a compensation package which is competitive in our market sector and, more importantly, relevant to the individual executive.

Our policy for allocating between long-term and currently paid compensation is to ensure adequate base compensation to attract and retain personnel, while providing incentives to maximize long-term value for our Company and our stockholders. Accordingly, (i) we provide cash compensation in the form of base salary to meet competitive cash compensation norms and reward good performance on an annual basis and (ii) we provide non-cash compensation, primarily in the form of stock-based awards, to reward superior performance against long-term strategic goals. We currently do not provide a formal short-term incentive plan, as our strategic philosophy is to focus on the long-term goals discussed above.

Executive Compensation Process

The compensation of our named executive officers, as well as our other executive officers, is reviewed by our Compensation Committee at least annually for consistency with the objectives described above. Our management, including our CEO, participates in this review by making its own recommendations as to the compensation of our executive officers to the Compensation Committee. The Compensation Committee considers the recommendations of management in assessing executive compensation but also relies on other data and resources and may utilize the services of a compensation consultant in reviewing and determining executive compensation.

In reviewing executive compensation, the Compensation Committee and management also consider the practices of comparable companies of similar size, geographic location and market focus. Management and the Compensation Committee utilize the Radford Global Life Sciences Survey and other recognized subscription surveys that provide comprehensive baseline compensation data on positions at the executive, management and professional levels, including salary, total cash compensation, options and equity compensation, and occasionally collect and analyze publicly available compensation data and other subscription compensation survey data. While benchmarking may not always be appropriate as a standalone tool for setting compensation due to the aspects of our business and objectives that may be unique to us, we generally believe that gathering this compensation information is an important part of

our compensation-related decision making process.

During 2008, the Compensation Committee engaged a compensation consultant, Aon Consulting's Radford Surveys + Consulting, or Radford, to assist the committee in assessing executive compensation. Specifically, our consultant was engaged to select a new peer group to utilize in assessing the competitiveness of our executive compensation program. The peer group the Compensation Committee used in 2007 was considered out of date due to the fact that a

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number of the peer companies had been acquired, merged or no longer fit our peer criteria. The peer group used by Radford in evaluating proposed 2008 executive compensation consisted of sixteen publicly-traded companies in similar industry space and with similar revenues and market capitalizations, specifically the following companies:

Advanced Medical Optics

Amedisys, Inc.

Applied Biosystems, Inc.

Beckman Coulter, Inc.

Bio-Rad Laboratories, Inc.

C.R. Bard, Inc.

HealthExtras, Inc.

Healthways, Inc

Hologic, Inc.

IDEXX Laboratories, Inc.

Invitrogen Corp.

Kinetic Concepts, Inc.

Molina Healthcare, Inc.

PerkinElmer, Inc.

RehabCare Group, Inc.

Varian Medical Systems, Inc.

In connection with this engagement, Radford provided summary observations and considerations for our executive compensation, as well as a competitive assessment of our executive compensation based on base salary, actual total cash compensation, long-term incentives and actual total direct compensation. The Compensation Committee considered this analysis, or the 2008 Radford Report, in its assessment of each element of 2008 executive compensation, as well as overall compensation.

Radford was subsequently engaged by the Compensation Committee to advise on long-term incentive plans. The Compensation Committee has considered the results of this analysis but did not approve or recommend any changes to our policies or practices with respect to benefits and perquisites or short-term incentives.

In determining each component of an executive's compensation, numerous factors are considered, including:

The individual's particular background, including prior relevant work experience;

The demand for individuals with the executive's specific expertise and experience;

The individual's role with us and the compensation paid to similar persons determined through benchmark studies;

The individual's performance and contribution to our achievement of Company goals and objectives; and

Comparison to other executives within our Company.

Elements of Compensation

Executive compensation consists of the following elements:

Base Salary. Generally, annual base salary for a particular individual is established based on the factors discussed above and is intended to be near the average of the range of annual cash compensation (base salary plus cash bonus) for executives in similar positions with similar responsibilities at comparable companies, although other elements of compensation, including past and present grants of stock-based awards, may also be considered. However, because we do not currently have an annual cash bonus plan, as most companies within our peer group do, base salaries for our executives are generally designed to be moderately above the average of the range of base salaries for executives in similar positions with similar responsibilities at comparable companies. The Compensation Committee believes that a competitive base salary is necessary to attract and retain a management team with the requested skills to lead our Company. In 2008, based on their analysis of our salary objectives, the various factors discussed above, and the 2008 Radford Report, and considering the total compensation of the key executives, the Compensation Committee recommended that the salaries of Mr. Zwanziger, Dr. Scott and Dr. McAleer be increased from \$750,000, \$600,000 and \$500,000, respectively, to \$900,000, \$700,000, and \$650,000, respectively. Our Board of Directors (in the absence of the key

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executives who are also directors) approved these new salaries effective July 1, 2008. With respect to our other named executive officers, the salary of Ron Geraty, M.D. was increased to \$550,000 in July 2008. As with the key executives, the Compensation Committee considered the same factors and objectives and the 2008 Radford Report.

Bonuses. Cash bonuses are generally not a regular or important element of our executive compensation strategy and we focus instead on stock-based awards designed to reward long-term performance. None of our named executive officers received cash bonuses during 2008, except that Dr. Geraty was paid a bonus pursuant to a management incentive plan authorized by Alere Medical, Inc. prior to our acquisition of Alere in November 2007 (the plan is no longer in place). While our Compensation Committee reserves the right to grant cash or non-cash bonuses as a performance incentive or reward, it currently has no plans to grant bonuses to the named executive officers during 2009.

Stock Option and Stock-Based Awards. We believe long-term performance is best stimulated through an ownership culture that encourages such performance through the use of stock-based awards. The Inverness Medical Innovations, Inc. 2001 Stock Option and Incentive Plan, or the 2001 Option Plan, was established to provide certain of our employees, including our executive officers, with incentives to help align those employees' interests with the interests of stockholders and with our long-term success. The Compensation Committee believes that the use of stock options and other stock-based awards offers the best approach to achieving our long-term compensation goals. While the 2001 Option Plan allows our Compensation Committee to grant a number of different types of stock-based awards, other than one restricted stock grant made to Mr. Zwanziger in 2001, we have relied exclusively on stock options to provide equity incentive compensation. Stock options granted to our executive officers have an exercise price equal to the fair market value of our common stock on the grant date, except that the options granted in July 2008, discussed below, had a premium exercise price of \$61.49, typically vest 25% per annum based upon continued employment over a four-year period, and generally expire ten years after the date of grant. Stock option grants to our executive officers are made in connection with the commencement of employment, in conjunction with an annual review of total compensation and, occasionally, following a significant change in job responsibilities or to meet other special retention or performance objectives. Proposals to grant stock options to our executive officers are made by our CEO to the Compensation Committee. With respect to proposals for grants made to our executive officers, the Committee reviews competitive compensation survey data and, if applicable, consultant reports, as discussed above, individual performance, the executive's existing compensation and other retention considerations. The Compensation Committee considers the Black-Scholes valuation of each proposed stock option grant in determining the number of options subject to each grant. Generally, stock option grants for a particular individual are based on the factors discussed above and are intended to be valued near the average of the range of the value of long-term incentive awards for executives in similar positions with similar responsibilities at comparable companies, although other elements of compensation, including salary, may also be considered.

Generally, stock option grants to executive officers have been made in conjunction with meetings of the Board of Directors. During 2007, we adopted and currently have in force a stock option granting policy that includes the following elements:

Options to purchase shares of our common stock shall be granted effective as of the last calendar day of the following months: February, April, June, August, October and December (each such date a "Grant Date");

For each employee (or prospective employee) that is not (or, upon hire, will not be) subject to Section 16 of the Exchange Act, the CEO shall have the authority to grant, in his sole discretion, an option or options to purchase up to an aggregate of 5,000 shares of common stock (on an annual basis); provided, however, that total number of shares of common stock underlying such options grants shall not exceed 150,000 per calendar year.

The Compensation Committee must approve all other stock option grants. Grants by the Compensation Committee

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must be approved only at a meeting of the Compensation Committee with and in consultation with the independent directors and not by written consent.

Grants of options approved for existing employees, shall be effective as of, and the grant date thereof shall for all purposes be deemed to be, the Grant Date following the date of approval (except that any grants subject to stockholder approval shall be effective as of the date of stockholder approval).

Options approved for new hires, including those hired through acquisitions, shall be effective as of, and the grant date thereof shall for all purposes be deemed to be, the Grant Date following the later of (i) the date of such approval or (ii) the date on which the new hire's employment commences.

We have not adopted stock ownership guidelines.

During 2008, our Compensation Committee considered the fact that the performance-based awards under the 2001 compensation packages lapsed at the end of 2005 and, in July 2008, approved grants of stock options to purchase 150,000, 75,000 and 65,000 shares of common stock to Mr. Zwanziger, Dr. Scott and Dr. McAleer, respectively. While the closing price of our common stock on the date of grant was \$31.17, these options were granted with a premium exercise price of \$61.49, which was the November 2007 secondary offering price. In addition, during 2008, Dr. Geraty was granted options to purchase 60,000 shares of common stock. These grants were made consistent with our objectives for stock-based awards discussed above.

Other Compensation. Our named executive officers do not have employment agreements. The named executive officers are not eligible to participate in, and do not have any accrued benefits under, any Company-sponsored defined benefit pension plan. They are eligible to, and in some case do, participate in defined contributions plans, such as a 401(k) plan, on the same terms as other employees. The terms of these defined contribution plans vary depending on the jurisdiction of employment of the executive. In addition, consistent with our compensation philosophy, we intend to continue to maintain our current benefits and perquisites for our executive officers; however, the Compensation Committee in its discretion may revise, amend or add to the officer's executive benefits and perquisites if it deems it advisable. We believe these benefits and perquisites are currently lower than median competitive levels for comparable companies. Finally, all of our executives are eligible to participate in our other employee benefit plans, including, medical, dental, life and disability insurance.

Tax Implications

Section 162(m) of the Internal Revenue Code of 1986, as amended, limits the deductibility on our tax return of compensation of over \$1,000,000 to any of the named executive officers unless, in general, the compensation is paid pursuant to a plan which is performance-related, non-discretionary and has been approved by our stockholders. We periodically review the potential consequences of Section 162(m) and may structure the performance-based portion of our executive compensation to comply with the exemptions available under Section 162(m). However, we reserve the right to use our judgment to authorize compensation payments that do not comply with these exemptions when we believe that such payments are appropriate and in the best interest of the stockholders, after taking into consideration changing business conditions or the officer's performance.

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Compensation Committee Report

We, the Compensation Committee, have reviewed and discussed the Compensation and Discussion and Analysis beginning on page 22 of this proxy statement with management.

Based on this review and discussion, we recommended to the Board of Directors that the Compensation Discussion and Analysis be included in this proxy statement.

THE COMPENSATION COMMITTEE

Carol R. Goldberg, Chairperson

Eli Y. Adashi, Member

Robert P. Khederian, Member

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Set forth below is information regarding the compensation of our Chief Executive Officer, our Chief Financial Officer and our three other most highly compensated executive officers for the fiscal year 2008. Such officers are collectively referred to as the named executive officers.

Summary Compensation Table. The following table sets forth information regarding the named executive officers compensation for fiscal years 2008, 2007 and 2006.

Summary Compensation Table

Name and Principal Position	Year	Salary (\$)	Bonu (\$)	Stock Awards (\$)	Option Award (\$)(1)	Non-Qualified Non-Deferred Incentive Compensation (\$)	Change in Pension Value and Other Compensation (\$)(2)	All Other Compensation (\$)	Total (\$)
Ron Zwanziger	2008	\$ 824,423			\$ 1,659,478			\$ 778	\$ 2,445,170
<i>Chairman, Chief</i>	2007	\$ 750,000			\$				