SCHERER HEALTHCARE INC
Form PRER14A
November 04, 2002

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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
(Amendment No. 1)

Filed by the Registrant ý

Filed by a Party other than the Registrant o

Check the appropriate box:
ý Preliminary Proxy Statement
o Confidential, For Use of the Commission Only (as permitted by Rule 14a-6(e)(2))
o Definitive Proxy Statement
o Definitive Additional Materials
o Soliciting Material Under Rule 14a-12

SCHERER HEALTHCARE, 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):
o No fee required.
o Fee computed on table below per Exchange Act Rules 14a-6(i)(4) and 0-11.

(1) Title of each class of securities to which transaction applies: Common Stock, par value $0.01 per share (the "Common Stock").

(2) Aggregate number of securities to which transaction applies: (a) 4,750,264 shares of Common Stock, which includes 360,000 shares underlying the outstanding "in-the-money" stock options of the Registrant, and (b) 17,666 shares of Series A Cumulative Convertible Preferred Stock, par value $0.01 per share.

(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): The filing fee is determined based upon the sum of: (a) the product of 4,390,264 shares of Common Stock and the merger consideration of $8.57 per share; (b) the product of (i) 360,000 shares of Common Stock underlying the outstanding "in-the-money" stock options of the Registrant and (ii) $8.57 less the aggregate exercise price payable for all such options; and (c) the product of 17,666 shares of Preferred Stock and the merger consideration of $100.00 per share. In accordance with 14(g) of the 34 Act, the filing fee was determined by calculating a fee of $92 per $1,000,000 of the amount calculated pursuant to the preceding sentence.

(4) Proposed maximum aggregate value of transaction: $41,496,123

(5) Total fee paid: $3,818

ý Fee paid previously with preliminary materials.

o 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, or the Form or Schedule and the date of its filing.

(1) Amount Previously Paid: N/A

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

(3) Filing Party: N/A

(4) Date Filed: N/A

SCHERER HEALTHCARE, INC.

120 Interstate North Parkway, S.E.
Suite 305
Atlanta, Georgia 30339

, 2002

Dear Stockholder:

You are cordially invited to attend a Special Meeting of Stockholders of Scherer Healthcare, Inc. to be held in the Princeton Hall Room at 4403 Northside Parkway, Atlanta, Georgia 30327, on , , 2002, at 10:00 a.m., local time.

At the special meeting, you will be asked to consider and vote upon a proposal to adopt the agreement and plan of merger, dated as of October 19, 2002, by and among Scherer Healthcare, Inc., Stericycle, Inc. and Stericycle's wholly-owned subsidiary, Sharps Acquisition Corporation. If the merger contemplated by the agreement and plan of merger is completed, we will become a wholly-owned subsidiary of Stericycle. At the effective time of the merger, the following will take place:

(1) each outstanding share of our common stock will be converted into the right to receive $8.57 in cash; and

(2) each outstanding share of our series A cumulative convertible preferred stock will be converted into the right to receive in cash $100.00, plus an amount equal to the cumulative dividends accrued and unpaid on the share to the effective date of the merger.

In connection with the merger, our outstanding common stock options will be canceled, and each canceled option thereafter will represent the right to receive, at the effective time of the merger, cash equal to the product of (a) the number of shares of stock issuable upon exercise of the option multiplied by (b) the amount by which $8.57 exceeds the exercise price per share payable under the option.

After careful consideration and based on the recommendation of a special committee comprised of independent and disinterested members of our board of directors, our board of directors has approved the agreement and plan of merger and has determined that the agreement and plan

of merger and the transactions contemplated thereby are fair to, and in the best interests of, our stockholders. Our board of directors recommends that you vote "FOR" the proposal to approve the agreement and plan of merger and the transactions contemplated thereby.

This proxy statement gives you detailed information about the special meeting, the agreement and plan of merger and the merger, and it includes the agreement and plan of merger as ***Annex A***. We encourage you to read the proxy statement and the agreement and plan of merger carefully. In particular, please note that if the agreement and plan of merger is terminated under specified circumstances, we will be required to pay Stericycle a termination fee of $1.5 million.

We cannot complete the merger unless holders of a majority of all of the outstanding shares of our common stock vote to adopt the agreement and plan of merger and the transactions contemplated thereby. Robert P. Scherer, Jr., our Chairman, President and Chief Executive Officer, individually holds or shares voting power over approximately 60.2% of the total number of outstanding shares of our common stock entitled to vote at the special meeting. As a condition to the signing of the agreement and plan of merger, Stericycle required Mr. Scherer to enter into a voting agreement with regard to the common stock over which he has voting power to vote such shares in favor of the agreement and plan of merger and the transactions contemplated thereby. As a result, stockholder approval of the agreement and plan of merger and the transactions contemplated thereby is assured. The voting agreement between Stericycle and Mr. Scherer automatically terminates upon the occurrence of certain events, including if we terminate the merger agreement or enter into a definitive agreement for a transaction financially superior to our stockholders than the merger with Stericycle. Whether or not you plan to attend the special meeting in person, it is important that your shares be represented and voted

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at the meeting. Please date, sign, and return your proxy card promptly in the enclosed envelope to assure that your shares will be represented and voted at the meeting, even if you cannot attend. If you attend the special meeting, you may vote your shares in person even though you have previously signed and returned your proxy card.

Sincerely,

/s/ Donald P. Zima
Donald P. Zima
Vice President and
Chief Financial Officer

SCHERER HEALTHCARE, INC.

NOTICE OF SPECIAL MEETING OF STOCKHOLDERS
To Be Held , 2002

NOTICE IS HEREBY GIVEN that a Special Meeting of Stockholders of Scherer Healthcare, Inc. will be held in the Princeton Hall Room at 4403 Northside Parkway, Atlanta, Georgia 30327, on , , 2002, at 10:00 a.m., local time, for the purpose of considering and voting upon a proposal recommended by our board of directors to approve the agreement and plan of merger, dated October 19, 2002, by and among Scherer Healthcare, Inc., Stericycle, Inc. and Sharps Acquisition Corporation, a wholly-owned subsidiary of Stericycle, and the transactions contemplated thereby. Under the agreement and plan of merger, Sharps Acquisition will be merged with and into Scherer, and Scherer will become a wholly-owned subsidiary of Stericycle. At the effective time of the merger each share of our common stock outstanding immediately prior to the merger (other than shares held by stockholders who properly dissent from the merger) will be converted into the right to receive $8.57 in cash and each share of our series A cumulative convertible preferred stock (other than shares held by stockholders who properly dissent from the merger) will be converted into the right to receive in cash $100.00, plus an amount equal to the cumulative dividends accrued and unpaid on the share to the effective date of the merger. In connection with the merger, our outstanding common stock options will be canceled, and each canceled option thereafter will represent the right to receive, at the effective time of the merger, cash equal to the product of (a) the number of shares of stock issuable upon exercise of the option multiplied by (b) the amount by which $8.57 exceeds the exercise price per share payable under the option.

Only the holders of record of our common stock at the close of business on , 2002, are entitled to notice of and to vote at the special meeting and any adjournment thereof. The holders of record of our series A cumulative convertible preferred stock at the close of business on , 2002, are entitled to notice of the special meeting; however, such holders are not entitled to vote at such meeting. A list of stockholders as of the close of business on , 2002, will be available at the special meeting for examination by any stockholder.

Under Delaware law, stockholders who do not vote in favor of the agreement and plan of merger will have the right to seek appraisal of the fair value of their shares if the merger is completed, but only if they submit a written demand for such an appraisal prior to the vote on the agreement and plan of merger and they comply with the other Delaware law procedures explained in the accompanying proxy statement. A copy of Section 262 of the Delaware General Corporation Law is attached as ***Annex D*** to the proxy statement.

We urge you to read the accompanying proxy statement carefully as it contains details of the proposed merger and other important information related to the merger.

By Order of the Board of Directors,

/s/ DONALD P. ZIMA
Donald P. Zima
Vice President and
Chief Financial Officer

Atlanta, Georgia
, 2002

IMPORTANT

WHETHER OR NOT YOU EXPECT TO BE PRESENT AT THE MEETING, PLEASE MARK, DATE AND SIGN THE ENCLOSED PROXY CARD AND RETURN IT IN THE ENVELOPE THAT HAS BEEN PROVIDED. NO POSTAGE IS REQUIRED FOR MAILING IN THE UNITED STATES. IN THE EVENT YOU ARE ABLE TO ATTEND THE MEETING, YOU MAY REVOKE YOUR PROXY AND VOTE YOUR SHARES IN PERSON.

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SCHERER HEALTHCARE, INC.
120 Interstate North Parkway, S.E.
Suite 305
Atlanta, Georgia 30339

PROXY STATEMENT

FOR A SPECIAL MEETING OF STOCKHOLDERS
To Be Held

A Special Meeting of Stockholders of Scherer Healthcare, Inc. will be held in the Princeton Hall Room at 4403 Northside Parkway, Atlanta, Georgia 30327, on , at 10:00 a.m., local time. Our board of directors is soliciting the enclosed proxy. It is anticipated that this proxy statement and the accompanying proxy card will first be mailed to holders of our common stock and series A cumulative convertible preferred stock (the "series A preferred stock") on or about .

Except as otherwise specifically noted, "Scherer," "we," "our," "us" and similar words in this proxy statement refer to Scherer Healthcare, Inc. and its subsidiaries including, in some cases, after giving effect to the proposed merger.

SUMMARY TERM SHEET

The following summary, together with the question and answer section that follows, provides an overview of the transaction discussed in this proxy statement and presented in the attached annexes. The summary also contains cross-references to the more detailed discussions elsewhere in the proxy statement. You should carefully read this entire proxy statement and the attached annexes in their entirety.

The Companies (page 15)

Scherer Healthcare, Inc.

We operate in two business segments through our subsidiaries. Our waste management services segment, which is operated by our BioWaste Systems, Inc. and Medical Waste Systems, Inc. subsidiaries, assists hospitals, clinics, doctors, and other healthcare facilities with the containment, control, collection and processing of sharp-edged medical waste such as needles, syringes, razors, scissors and scalpels. The consumer healthcare products segment, which is operated by our Scherer Laboratories, Inc. subsidiary, distributes brand name and generic over-the-counter healthcare products.

Stericycle, Inc.

Stericycle is the largest regulated medical waste management company in North America. It provides a broad range of medical waste services, including medical waste collection, transportation and treatment and related consulting, training and education services and products. Stericycle's treatment technologies include its proprietary electro-thermal-deactivation system as well as traditional methods such as autoclaving and incineration.

Merger Subsidiary

Sharps Acquisition Corporation is a Delaware corporation and wholly-owned subsidiary of Stericycle, incorporated by Stericycle in October 2002 solely for the purpose of merging into Scherer.

Overview of the Transaction (page 35)

We have entered into a definitive agreement and plan of merger, dated October 19, 2002 (the "merger agreement"), by and among Stericycle, Inc., Sharps Acquisition Corporation, a wholly-owned

subsidiary of Stericycle, and Scherer Healthcare, Inc. Under the agreement, Sharps Acquisition will be merged with and into Scherer and Stericycle will own all of our capital stock. We will be the surviving legal entity in the merger with Sharps Acquisition.

Recommendation of the Board of Directors (pages 26 through 28)

Our board of directors has determined that the merger agreement and the transactions contemplated thereby, including the merger and the merger consideration, are fair to, and in the best interests of, us and our stockholders, and recommends that our stockholders vote FOR the merger agreement and the transactions contemplated thereby. To review the background and reasons for the transactions in detail, see "The

Merger Recommendations of the Special Committee and Our Board of Directors; Our Purpose and Reasons for the Merger" beginning on page 26.

Opinion of Our Financial Advisor (pages 28 through 30)

When it approved the merger agreement and the transactions contemplated thereby, our special committee and board of directors received the oral opinion of Houlihan Lokey Howard & Zukin Financial Advisors, Inc. ("Houlihan Lokey"), our financial advisor, which was later confirmed in writing that, as of the date of that opinion, and based upon and subject to the matters and various assumptions stated in that opinion, the $8.57 per share in cash to be received by our common stockholders pursuant to the merger agreement was fair to our common stockholders from a financial point of view.

Houlihan Lokey provided its advisory services and its opinion for the information and assistance of our board of directors in connection with its consideration of the merger. Houlihan Lokey's opinion is not a recommendation as to how any stockholder should vote at the special meeting. The full text of Houlihan Lokey's written opinion is attached to this proxy statement as ***Annex C***. You are encouraged to read this opinion carefully in its entirety for a description of the assumptions made, matters considered and limitations on the review undertaken.

Terms of the Merger Agreement (pages 35 through 44)

The merger agreement is attached to this proxy statement as ***Annex A***. You should read the merger agreement carefully. Our board of directors has approved the merger agreement, and it is the binding legal agreement that governs the terms of the merger.

Structure

Pursuant to the terms of the merger agreement, Sharps Acquisition will be merged with and into Scherer. Following the merger, the separate existence of Sharps Acquisition will cease and we will continue as the surviving corporation and will be a wholly-owned subsidiary of Stericycle.

At the effective time of the merger, each issued and outstanding share of our common stock (other than shares held by stockholders who properly dissent from the merger) will be converted automatically into the right to receive in cash $8.57, and each issued and outstanding share of our series A preferred stock (other than shares held by stockholders who properly dissent from the merger) will be converted automatically into the right to receive in cash $100.00, plus an amount equal to the cumulative dividends accrued and unpaid on the share to the effective date of the merger.

In connection with the merger, our outstanding options to purchase common stock will be canceled, and each canceled option thereafter will represent the right to receive, at the effective time of the merger, cash equal to the product of (a) the number of shares of stock issuable upon exercise of the option multiplied by (b) the amount by which $8.57 exceeds the exercise price per share payable under the option.

Conditions Precedent

The completion of the merger depends on the satisfaction of a number of conditions, including conditions relating to:

- approval by a majority of our common stockholders;
- the number of dissenting stockholders not to exceeding 5% of the outstanding shares of common stock;
- absence of legal prohibitions to the completion of the merger and receipt of required consents;
- accuracy of our and Stericycle's representations and warranties and compliance by both parties with their covenants; and

receipt of approval of the merger by the New York City Business Integrity Commission.

Termination

In addition to terminating upon mutual consent, the merger agreement may be terminated and the merger may be abandoned at any time prior to the completion of the merger:

by us, if (1) we enter into a definitive agreement for a transaction financially superior to our stockholders than the merger or (2) our common stockholders do not approve the merger;

by Stericycle, if (1) our board of directors or the special committee withdraws or modifies its approval of the merger agreement and the merger or its recommendations to our stockholders (other than as a result of (i) a breach by Stericycle or Sharps Acquisition of a material representation, warranty or obligation under the merger agreement or (ii) the failure of any of our conditions to complete the merger), (2) we enter into a definitive agreement with respect to an alternative business combination proposal, or (3) our common stockholders do not approve the merger;

by either party if the merger is not completed on or before the outside date of February 28, 2003 (but (i) a party may not terminate the merger agreement if its failure to fulfill any of its obligations under the merger agreement has been the cause of the merger not being completed by the outside date, and (ii) if all of the conditions to completing the merger other than approval of the merger by the New York City Business Integrity Commission have been satisfied or are capable of being satisfied on or before February 28, 2003, we, but not Stericycle, have the right to extend the outside date for completion of the merger one or more times to any date through May 29, 2003); or

by either party if any governmental authority has taken any action prohibiting the transactions contemplated by the merger agreement (but a party may not terminate the merger agreement unless it has used its best efforts to oppose the action taken by the governmental authority).

We must pay a termination fee of $1.5 million to Stericycle if:

Stericycle terminates the merger agreement pursuant to its right to do so if (1) our board of directors or the special committee withdraws or modifies its approval of the merger agreement and the merger or its recommendations to our stockholders (other than as a result of (i) a breach by Stericycle or Sharps Acquisition of a material representation, warranty or obligation under the merger agreement or (ii) the failure of any of our conditions to complete the merger), or (2) we enter into a definitive agreement with respect to an alternative business combination proposal; or

we terminate the merger agreement pursuant to our right to do so if we enter into a definitive agreement for a transaction financially superior to our stockholders than the merger.

Stericycle must pay us a termination fee of $1.5 million if we terminate the merger pursuant to our right to do so if the merger has not been completed on or before the outside date of February 28, 2003, as we may extend the outside date, and (i) all of the conditions to Stericycle and Sharps Acquisition completing the merger have been satisfied or are capable of being satisfied on or before the outside date, as it may have been extended, or (ii) the failure to satisfy those conditions was a result of the failure of Stericycle or Sharps Acquisition to fulfill any of its obligations under the merger agreement.

Survival of Representations and Warranties

None of our or Stericycle's representations, warranties and indemnities made in the merger agreement will survive the closing of the merger.

Agreement Not to Solicit Other Offers

We have agreed not to solicit, initiate, knowingly encourage or facilitate any inquiries or proposals with respect to any recapitalization, merger, consolidation, or other business combination; provided, however, that if we receive a bona fide written proposal or offer that our board of directors and the special committee determine in good faith is or would reasonably be expected to result in a third party making a superior proposal, we may (A) furnish information with respect to our company to the person or entity making the proposal or offer (subject to the execution of a confidentiality agreement), and (B) participate in discussions or negotiations with such person or entity regarding such proposal or offer.

If we receive a superior transaction proposal, the merger agreement does not prevent our board of directors, the special committee or an authorized officer from executing or entering into an agreement relating to such proposal and recommending it to our stockholders, if our board of directors and the special committee determine in good faith that it is appropriate to do so. In such case, our board of directors may withdraw or modify its recommendation of the merger, and we may refrain from holding the special meeting and may terminate the merger agreement. If we do, however, we must pay Stericycle a termination fee of $1.5 million.

Voting Agreement (page 43)

Robert P. Scherer, Jr., our Chairman, President and Chief Executive Officer who controls the voting power over a majority of the shares of our common stock, is a party to a voting agreement, dated October 19, 2002, pursuant to which he has agreed, subject to the terms and conditions of the voting agreement, to vote the shares of our common stock over which he has voting power in favor of the merger agreement and the merger. The shares subject to the voting agreement consist of 2,280,958 shares, representing approximately 52.0% of the outstanding voting power of the common stock entitled to vote at the special meeting, over which Mr. Scherer has sole voting power, and 340,212 shares, representing approximately 7.7% of the outstanding voting power of the common stock entitled to vote at the special meeting, over which Mr. Scherer shares voting power with SunTrust Bank, which is not a party to or bound by the voting agreement. The voting agreement between Stericycle and Mr. Scherer automatically terminates upon the occurrence of certain events, including if we terminate the merger agreement or enter into a definitive agreement for a transaction financially superior to our stockholders than the merger with Stericycle. A copy of the voting agreement is included in this proxy statement as ***Annex B***.

Interests of Certain Persons in the Merger (pages 30 through 31)

Some members of our board of directors and certain of our key employees have interests in the merger that may differ from your interests as a holder of our common stock, and that may present, or

appear to present, a conflict of interest. For example, certain of our key employees will receive consulting agreements with Stericycle, severance arrangements and "stay bonuses" upon completion of the merger.

Material Federal Income Tax Consequences (page 31)

The merger will be a taxable transaction to our stockholders. For United States federal income tax purposes, our stockholders will generally recognize gain or loss in the merger in an amount determined by the difference between the cash they receive for their shares of our stock and their tax basis in our stock. Because determining the tax consequences of the merger can be complicated, we advise that our stockholders should consult their own tax advisors in order to understand fully how the merger will affect them.

Anticipated Accounting Treatment (pages 32)

The merger will be accounted for under the purchase method of accounting in accordance with accounting principles generally accepted in the United States. Under this method of accounting, the purchase price will be allocated to assets acquired and liabilities assumed based on their estimated fair values.

Regulatory Approvals (page 32)

We are not aware of any federal or state regulatory requirements that must be complied with or approvals that must be obtained to consummate the merger, other than (1) approval of the merger by the New York City Business Integrity Commission, (2) filing of a certificate of merger with the Secretary of State of the State of Delaware, and (3) filing of this proxy statement with the Securities and Exchange Commission (the "SEC").

Dissenters' Rights (pages 11 through 14)

Our stockholders are legally entitled to have the value of their shares judicially determined in lieu of receipt of the merger consideration. To exercise such appraisal rights, dissenting stockholders must follow certain procedures under Delaware law. If such dissenting stockholders do not follow these procedures exactly, they will lose their dissenters' appraisal rights.

QUESTIONS ABOUT THE MERGER

Why am I receiving this proxy statement and proxy card?

You are receiving a proxy statement and proxy card because you own shares of common stock of Scherer Healthcare, Inc. This proxy statement describes the issues on which we would like you, as a stockholder, to vote. It also gives you information on these issues so that you can make an informed decision. Although the holders of our series A preferred stock are not entitled to vote on any of the matters to be voted on at the special meeting, and thus are not being mailed a proxy card, we are providing such holders with a copy of this proxy statement in accordance with Section 251(c) of the Delaware General Corporation Law.

What am I voting on?

You are being asked to consider and vote to approve the merger agreement we entered into with Stericycle and Sharps Acquisition to combine the companies. As a result of the merger, Sharps Acquisition will be merged with and into Scherer, Stericycle will own all of our capital stock and our common stock will no longer be traded on The Nasdaq National Market System or registered under the Securities Exchange Act of 1934, as amended.

What will I received for my shares of Scherer common stock if the merger is completed?

You will receive $8.57 in cash, without interest, for each share of our common stock that you own immediately before the merger.

What will I receive for my shares of Scherer series A preferred stock if the merger is completed?

Each share of our series A preferred stock issued and outstanding immediately prior to the merger will be converted into the right to receive, in cash, without interest, $100.00 plus an amount equal to the cumulative dividends accrued and unpaid on the share to the effective date of the merger.

What will I receive for my stock options if the merger is completed?

In connection with the merger, our outstanding common stock options will be canceled, and each canceled option thereafter will represent the right to receive, at the effective time of the merger, cash equal to the product of (a) the number of shares of stock issuable upon exercise of the option multiplied by (b) the amount by which $8.57 exceeds the exercise price per share payable under the option to the effective date of the merger, which will result in the holders of our series A preferred stock receiving $100.00 per share in the merger.

What vote is required to approve the merger?

For the merger to occur the merger agreement must be adopted and the merger approved by the holders of a majority of the outstanding shares of our common stock entitled to vote on the merger. The holders of our series A preferred stock are not entitled to vote on the merger. Robert P. Scherer, Jr., our Chairman, President and Chief Executive Officer, individually holds or shares voting power over approximately 60.2% of our outstanding common stock. As a condition to the signing of the merger agreement, Stericycle required Mr. Scherer to enter into a voting agreement with regard to the common stock over which he has voting power to vote such shares in favor of adoption of the merger agreement and approval of the transactions contemplated thereby, including the merger. Therefore, you should expect that the merger will be approved at the special meeting regardless of the votes of any other stockholders. The voting agreement between Stericycle and Mr. Scherer automatically terminates upon the occurrence of certain events, including if we terminate the merger agreement or enter into a

definitive agreement for a transaction financially superior to our stockholders than the merger with Stericycle. For additional information regarding the voting agreement, please see page 43.

When do you expect the merger to be completed?

We plan to complete the merger as soon as possible after the special meeting, subject to the satisfaction or waiver of certain conditions to the transactions, which are described in this proxy statement. We cannot predict when, or if, these conditions will be satisfied or waived.

What are the U.S. federal income tax consequences of the merger?

Your receipt of cash in exchange for your shares of our capital stock will be a taxable transaction to you. We urge you to consult your own tax advisors to determine the effect of the merger on you under federal law, and under your own state and local tax laws.

Why is the board of directors recommending approval of the merger?

A special committee consisting of two independent members of our board of directors considered the merger agreement and the merger. Following its consideration of a number of factors, including the opinion of Houlihan Lokey as to the fairness of the merger, from a financial point of view, to our common stockholders, the special committee unanimously recommended that our board of directors approve the merger agreement and the transactions contemplated thereby. The board of directors also considered the various factors considered by our special committee and determined that the merger agreement and the transactions contemplated thereby are advisable and fair to and in the best interests of our stockholders, and therefore recommends that you vote "FOR" approval and adoption of the merger agreement and the transactions contemplated thereby.

Why was the special committee formed?

Because Robert P. Scherer, Jr., the Chairman of our board of directors, also is the President and Chief Executive Officer of Scherer and holds or shares voting power over a majority of our common stock, our board of directors formed the special committee of two independent directors to represent the interests of our stockholders in evaluating and negotiating the merger agreement. The members of the special committee are Stephen L. Lukas, Sr. and Joel M. Segal. These directors are neither our employees nor affiliated with Stericycle. The special committee independently selected and retained legal and financial advisors to assist it in its consideration of the proposed merger and the merger agreement.

Does Stericycle have the financial resources to pay for the common stock?

The aggregate consideration payable to our stockholders in the merger is approximately $41.5 million, (exclusive of $1.2 million to be paid to Mr. Scherer by Stericycle under a noncompetition agreement and consulting agreement with Mr. Scherer that will each become effective upon completion of the merger). Stericycle has advised us that it has the resources to fund the consideration to be paid to the holders of common and preferred stock and holders of stock options in the merger. There is no financing condition to the consummation of the merger.

What can I do if I am not satisfied with the payment I will receive for my shares?

Under Delaware law, if you are not satisfied with the amount you are receiving in the merger, you are legally entitled to have the value of your shares judicially determined. Any consideration that you receive for your shares of capital stock pursuant to such judicial valuation could be more or less than you would have received pursuant to the merger. To exercise your dissenters' appraisal rights, you must

follow certain procedures under Delaware law. If you do not follow these procedures exactly, you will lose your dissenters' appraisal rights.

How do I vote?

You may cast your vote in either of the following ways:

by completing the accompanying proxy card and returning it in the enclosed envelope; or

by appearing and voting in person at the special meeting.

If your shares are held in "street name," which means that your shares are held in the name of a bank, broker or other financial institution instead of in your own name, you must either direct the financial institution as to how to vote your shares or obtain a proxy from the financial institution to vote at the special meeting.

May I change my vote?

You may change your vote by following any of these procedures. If you are a stockholder "of record," meaning that your shares are registered in your name, then in order for you to revoke your proxy, you must do one of the following before the vote is taken at the special meeting:

send written notice revoking your proxy to our Corporate Secretary at 120 Interstate North Parkway, S.E., Suite 305, Atlanta, Georgia 30339;

sign and return another proxy with a later date; or

vote in person at the special meeting.

If you are not a holder of record but you are a "beneficial holder," meaning that your shares are registered in another name (for example, in "street name"), you must follow the procedures required by the holder of record, which is usually a brokerage firm, bank or other financial institutions, to revoke a proxy. You should contact the holder of record directly for more information on these procedures. In any event, you may not change your vote or revoke your proxy after the vote is taken at the special meeting.

How do I vote in person?

If you plan to attend the special meeting and wish to vote in person, we will give you a ballot when you arrive. If your shares are held in "street name," you must bring an account statement or letter from the brokerage firm or bank showing that you were the beneficial owner of the shares on November , 2002, the record date for determining which of our stockholders are entitled to notice of, and to vote at, the special meeting, in order to be admitted to the special meeting. In addition, if you want to vote your shares that are held in street name, you must obtain a "legal proxy" from the holder of record and present it at the special meeting.

Should I send in my stock certificates now?

No, you should not send us your stock certificates prior to the merger. If the merger is completed, you will receive written instructions for exchanging your stock certificates for cash.

Who can help answer my questions about the transactions?

If you have additional questions about these transactions, you should contact Donald P. Zima, our Vice President and Chief Financial Officer, at (770) 933-1800, extension 222.

THE SPECIAL MEETING

General

This proxy statement is furnished in connection with the solicitation of proxies from the holders of our common stock by our board of directors for use at a special meeting of our stockholders and any adjournment or postponement of that meeting.

This proxy statement is first being mailed to our stockholders on or about , 2002.

Date, Time and Place

Our special meeting will be held in the Princeton Hall Room at 4403 Northside Parkway, Atlanta, Georgia 30327, on , , 2002, at 10:00 a.m., local time.

Matters to be Considered at the Special Meeting

At the special meeting, the holders of our common stock will be asked to consider and vote upon a proposal recommended by our board of directors to adopt the agreement and plan of merger, dated October 19, 2002, by and among Scherer, Stericycle, and Sharps Acquisition.

Record Date

The special committee of our board of directors has fixed the close of business on , 2002, as the record date for the special meeting. Only persons who are stockholders as of the record date are entitled to vote. As of the record date, 4,390,264 shares of common stock were issued, outstanding, and entitled to vote at the special meeting.

Quorum, Abstentions and Broker Non-Votes

A majority of our outstanding shares of common stock as of the record date, equal to 2,199,523 shares, must be present at the meeting either in person or by proxy in order to hold the meeting and conduct business. This is called a quorum. Abstentions and broker non-votes (meaning proxies submitted by brokers as holders of record on behalf of their customers that do not indicate how to vote on the proposal) are also considered part of the quorum.

Voting Rights; Votes Required for Approval

Each share of our common stock is entitled to one vote on each matter considered at the meeting. The approval of the merger agreement and the transactions contemplated thereby requires the affirmative vote of a majority of the outstanding shares of our common stock entitled to vote at the special meeting. As a result, abstentions and broker non-votes will have the same affect as a vote against the merger agreement and the transactions contemplated thereby. The holders of our series A preferred stock are not entitled to vote at the meeting.

Robert P. Scherer, Jr., who controls the voting power over a majority of the shares of our common stock, is a party to a voting agreement, dated October 19, 2002, pursuant to which he has agreed, subject to the terms and conditions of the voting agreement, to vote all of the shares of common stock over which he has voting power in favor of the merger agreement and the merger. The shares of common stock subject to the voting agreement consist of 2,280,958 shares, representing approximately 52.0% of the outstanding voting power of the common stock entitled to vote at the special meeting, over which Mr. Scherer has sole voting power, and 340,212 shares, representing approximately 7.7% of the outstanding voting power of the common stock entitled to vote at the special meeting, over which Mr. Scherer shares voting power with SunTrust Bank, which is not a party to or bound by the voting agreement. The voting agreement automatically terminates upon the occurrence of certain events,

including if we terminate the merger agreement or enter into a definitive agreement for a transaction financially superior to our stockholders than the merger with Stericycle. As a result of the voting agreement, stockholder approval of the agreement and plan of merger and the transactions contemplated thereby is assured. A copy of the voting agreement is included in this proxy statement as ***Annex B***.

Proxies

We request that our stockholders complete, date and sign the accompanying proxy card and promptly return it in the accompanying envelope. If you receive more than one proxy card, it means that you have multiple accounts at the transfer agent and/or with brokers. Please sign and return all proxy cards to ensure that all your shares are voted.

If your shares are held in street name, your brokerage firm may vote your shares under certain circumstances. These circumstances include certain "routine" matters, such as the election of directors, but do not include other matters, including approval of the merger agreement and the transactions contemplated thereby. Accordingly, it is important that you provide voting instructions to your broker if your shares are held in street name. Brokers will provide instructions to beneficial owners on how to direct the broker to vote the shares. Broker non-votes (meaning proxies submitted by brokers as holders of record on behalf of their customers that do not indicate how to vote on the proposal) are counted for purposes of establishing a quorum but will not be deemed to be a vote cast for purposes of determining the number of votes cast for or against the proposal.

All properly executed proxies that we receive prior to the vote at the special meeting, and that are not revoked, will be voted in accordance with the instructions indicated on the proxies. If no direction is indicated (other than broker non-votes), your proxy will be voted FOR the proposal described in this proxy statement. Our board of directors does not currently intend to bring any other business before the special meeting and our board of directors is not aware of any other matters to be brought before the special meeting. If other business properly comes before the special meeting, the proxies will be voted in accordance with the judgment of the proxy holders.

You may revoke your proxy and change your vote at any time before the polls close at the special meeting. You may do this by:

- sending written notice revoking your proxy to our Corporate Secretary at 120 Interstate North Parkway, S.E., Suite 305, Atlanta, Georgia 30339;
- signing and returning another proxy with a later date; or
- voting in person at the special meeting.

How to Vote

You may vote by mail. You do this by signing your proxy card and mailing it in the enclosed, prepaid and addressed envelope. If you mark your voting instructions on the proxy card, your shares will be voted as you instruct. You may vote "FOR," "AGAINST" or "ABSTAIN" with respect to the merger proposal. A properly executed proxy marked "ABSTAIN" will not be voted, although it will be counted for purposes of determining whether there is a quorum. If you just sign your proxy card with no further instructions, your shares will be counted as a vote "FOR" the merger proposal.

You may vote in person at the special meeting. Written ballots will be passed out to stockholders who wish to vote at the meeting. If you hold your shares in "street name" (through a broker or other nominee), you must request a legal proxy from your stockbroker in order to vote at the meeting.

Dissenters' Rights

Scherer is a Delaware corporation. Section 262 of the Delaware General Corporation Law provides appraisal rights (sometimes referred to as "dissenters' rights") under some circumstances to stockholders of a Delaware corporation that is involved in a merger.

Record holders of our common stock and/or our series A preferred stock who follow the appropriate procedures are entitled to appraisal rights under Section 262 in connection with the merger.

THE FOLLOWING DISCUSSION IS NOT A COMPLETE STATEMENT OF THE LAW PERTAINING TO APPRAISAL RIGHTS UNDER THE DELAWARE GENERAL CORPORATION LAW AND IS QUALIFIED IN ITS ENTIRETY BY THE FULL TEXT OF SECTION 262, WHICH IS REPRINTED IN ITS ENTIRETY AS ANNEX D TO THIS DOCUMENT. ALL REFERENCES IN SECTION 262 AND IN THIS DISCUSSION TO A "STOCKHOLDER" OR "RECORD HOLDER" ARE TO THE HOLDERS OF RECORD OF OUR COMMON STOCK AND SERIES A PREFERRED STOCK IMMEDIATELY BEFORE THE EFFECTIVE TIME OF THE MERGER AS TO

WHICH APPRAISAL RIGHTS ARE ASSERTED.

Eligible Stockholders. If the merger proposal is approved by the required vote of our stockholders and the merger agreement is not abandoned or terminated, stockholders who did not vote in favor of the merger agreement may, by complying with Section 262 of the Delaware General Corporation Law, be entitled to appraisal rights as described in Section 262. Failure to vote against the merger will not constitute a waiver of your appraisal rights. If a stockholder has a beneficial interest in shares of common stock or series A preferred stock that are held of record in the name of another person, such as a broker or nominee, and the beneficial stockholder desires to perfect whatever appraisal rights the stockholder may have, the beneficial stockholder must act promptly to cause the holder of record to timely and properly follow the steps summarized below. A VOTE IN FAVOR OF THE MERGER BY A STOCKHOLDER WILL RESULT IN A WAIVER OF THE STOCKHOLDER'S APPRAISAL RIGHTS WITH RESPECT TO THE SHARES OF COMMON STOCK AND, IF APPLICABLE, SHARES OF SERIES A PREFERRED STOCK HELD BY SUCH STOCKHOLDER.

Exercising Procedures. Under the Delaware General Corporation Law, record holders of our common stock and series A preferred stock that follow the procedures set forth in Section 262 and that have neither voted in favor of the approval and adoption of the merger agreement, nor consented to it in writing, will be entitled to have their shares of common stock or series A preferred stock appraised by the Delaware Court of Chancery and to receive payment of the "fair value" of their shares, exclusive of any element of value arising from the accomplishment or expectation of the merger, together with a fair rate of interest, if any, as determined by the Delaware Court of Chancery.

Under Section 262, where a merger is to be submitted for approval and adoption at a meeting of stockholders, as in the case of the special meeting of our stockholders, not less than 20 days prior to the meeting, we must notify each of our stockholders as of the record date who are entitled to appraisal rights that appraisal rights are available and include in the notice a copy of Section 262. THIS DOCUMENT CONSTITUTES SUCH NOTICE TO OUR STOCKHOLDERS. Any stockholder who wishes to exercise appraisal rights or wishes to preserve the holder's right to do so should review the following discussion and ***Annex D*** carefully. Failure to timely and properly comply with the procedures specified in Section 262 will result in the loss of appraisal rights under the Delaware General Corporation Law.

A stockholder wishing to exercise appraisal rights must deliver to us, before the vote on the approval and adoption of the merger agreement at the special meeting, a written demand for appraisal of the stockholder's common stock or series A preferred stock, which must reasonably inform us of the identity of the holder of record, as well as the intention of the holder to demand an appraisal of the

fair value of the shares held. In addition, a stockholder wishing to exercise appraisal rights or wishing to preserve the stockholder's right to do so must hold of record the shares on the date the written demand for appraisal is made, must continue to hold the shares through the effective time of the merger, and must either vote against or abstain from voting for the approval and adoption of the merger agreement.

Only a record holder of our common stock or series A preferred stock is entitled to assert appraisal rights for the common stock or series A preferred stock registered in the holder's name. A demand for appraisal should be executed by or on behalf of the holder of record, fully and correctly, as the holder's name appears on the holder's stock certificates, and must state that the holder intends to demand appraisal of the holder's shares of our common stock or series A preferred stock. A PROXY OR VOTE AGAINST THE APPROVAL AND ADOPTION OF THE MERGER AGREEMENT WILL NOT CONSTITUTE A DEMAND FOR APPRAISAL.

If the shares of our common stock or series A preferred stock are owned of record in a fiduciary capacity, such as by a trustee, guardian or custodian, execution of the demand should be made in that capacity, and, if the shares of common stock or series A preferred stock are owned of record by more than one person, as in a joint tenancy or tenancy in common, the demand should be executed by or on behalf of all joint owners. An authorized agent, including one or more joint owners, may execute a demand for appraisal on behalf of all joint owners. An authorized agent, including one or more joint owners, may execute a demand for appraisal on behalf of a holder of record; however, the agent must identify the record owner or owners and expressly disclose the fact that, in executing the demand, the agent is agent for the owner or owners. A record holder, such as a broker who holds our common stock or series A preferred stock as nominee for several beneficial owners, may exercise appraisal rights with respect to the shares of our common stock or series A preferred stock held for one or more beneficial owners while not exercising appraisal rights with respect to the shares of common stock or series A preferred stock held for other beneficial owners. In such case, however, the written demand should set forth the number of shares of common stock or series A preferred stock as to which appraisal is sought. If no number of shares of common stock or series A preferred stock is expressly mentioned, the demand will be presumed to cover all common stock or series A preferred stock held in the name of the record holder. Holders of our common stock or series A preferred stock who hold their shares in brokerage accounts or other nominee forms and who wish to exercise appraisal rights are urged to consult with their brokers to determine the appropriate procedures for the making of a demand for appraisal by the nominee.

All written demands for appraisal of our common stock or series A preferred stock should be mailed or delivered to us at 120 Interstate North Parkway, S.E., Suite 305, Atlanta, Georgia 30339, Attention: Corporate Secretary, so as to be received before the vote on the approval and adoption of the merger agreement at the special meeting. The method of delivery, including any risk of delay or loss of the notice, is borne solely by you.

Within ten days after the effective time of the merger, we, as the surviving corporation in the merger, must send a notice of the effective date of the merger to each person that satisfied the appropriate provisions of Section 262. Within 120 days after the effective time of the merger, but not after that date, we, or any stockholder entitled to appraisal rights under Section 262 and who has complied with the foregoing procedures, may file a petition in the Delaware Court of Chancery demanding a determination of the fair value of all such shares. We are not under any obligation, and have no present intention, to file a petition with respect to the appraisal of the fair value of our common stock or series A preferred stock. Accordingly, it is the obligation of the stockholder to initiate all necessary action to perfect the stockholder's appraisal rights within the time prescribed in Section 262.

Within 120 days after the effective time of the merger, any record holder of our common stock or series A preferred stock that has complied with the requirements for exercise of appraisal rights will be entitled to request in writing a statement from us, setting forth the aggregate number of shares of our common stock or series A preferred stock not voted in favor of the merger with respect to which demands for appraisal have been received and the aggregate number of holders of the shares. The statement must be mailed within ten days after the written request has been received by us, or within ten days after expiration of the period for delivery of demands for appraisal, whichever is later.

If a holder of our common stock or series A preferred stock timely files a petition for appraisal and serves a copy of the petition upon us, we will then be obligated, within 20 days, to file with the Delaware Register in Chancery a duly verified list containing the names and addresses of all stockholders who have demanded an appraisal of their shares and with whom agreements as to the value of their shares have not been reached. After notice to our stockholders as required by the Delaware Court of Chancery, the Delaware Court of Chancery is empowered to conduct a hearing on the petition to determine those stockholders that have complied with Section 262 and that have become entitled to appraisal rights. The Delaware Court of Chancery may require the holders of shares of our common stock or series A preferred stock that demanded payment for their shares to submit their stock certificates to the Delaware Register in Chancery for notation of the pendency of the appraisal proceeding. If any stockholder fails to comply with the direction, the Delaware Court of Chancery may dismiss the proceedings as to that stockholder.

Fair Value Determination. After determining the holders of our common stock or series A preferred stock entitled to appraisal, the Delaware Court of Chancery will appraise the fair value of their shares of common stock or series A preferred stock, as the case may be, exclusive of any element of value arising from the accomplishment or expectation of the merger, together with a fair rate of interest, if any, to be paid upon the amount determined to be the fair value. Our stockholders considering seeking appraisal should be aware that the fair value of their common stock as determined under Section 262 could be more than, the same as or less than the value of the merger consideration, and that investment banking opinions as to fairness from a financial point of view are not opinions as to fair value under Delaware law.

The Delaware Supreme Court has stated that "proof of value by any techniques or methods that are generally considered acceptable in the financial community and otherwise admissible in court" should be considered in the appraisal proceedings. More specifically, the Delaware Supreme Court has stated that: "Fair value, in an appraisal context, measures "that which has been taken from the stockholder, viz., his proportionate interest in a going concern." In the appraisal process the corporation is valued "as an entity," not merely as a collection of assets or by the sum of the market price of each share of its stock. Moreover, the corporation must be viewed as an on-going enterprise, occupying a particular market position in the light of future prospects." In addition, Delaware courts have decided that the statutory appraisal remedy, depending on factual circumstances, may or may not be a stockholder's exclusive remedy. The Delaware Court of Chancery will also determine the amount of interest, if any, to be paid upon the amounts to be received by persons whose shares of our common stock have been appraised.

The certificate of designation of our series A preferred stock establishes the consideration to which the holders of the series A preferred stock are entitled to in the event of a merger. The Delaware Court of Chancery has held that when a certificate of designation does so, the amount so fixed constitutes the fair value of the stock for the purposes of appraisal rights under Section 262. The certificate of designation of the series A preferred stock further provides that if we consolidate with or merge into any other corporation and, as a result of such transaction, the holders of series A preferred stock do not receive equivalent preferred stock in the surviving corporation, the holders of the series A preferred stock will be entitled to receive $100.00 per share of series A preferred stock, together with

an amount equal to the cumulative dividends accrued and unpaid thereon to the date of such transaction.

Costs. The costs of the action may be determined by the Delaware Court of Chancery and taxed upon the parties as the Delaware Court of Chancery deems equitable. The Delaware Court of Chancery may also order that all or a portion of the expenses incurred by any stockholder in connection with an appraisal, including reasonable attorneys' fees and the fees and expenses of experts utilized in the appraisal proceeding, be charged pro rata against the value of all of the shares of our common stock or series A preferred stock entitled to appraisal.

Voting Rights; Dividends. Any stockholder that has duly demanded an appraisal in compliance with Section 262 will not, from and after the effective time of the merger, be entitled to vote the stockholder's shares of our common stock or series A preferred stock subject to the demand for any purpose or be entitled to the payment of dividends or other distributions on those shares.

Withdrawal; Loss of Appraisal Rights. If any stockholder that demands appraisal of shares of our common stock or series A preferred stock under Section 262 fails to perfect, or effectively withdraws or loses the right to appraisal, as provided in the Delaware General Corporation Law, the common stock or series A preferred stock of the stockholder will be converted into the merger consideration in accordance with the merger agreement without interest. A stockholder will fail to perfect, or will effectively lose, the right to appraisal, if no petition for appraisal is filed within 120 days after the effective time of the merger. A stockholder may withdraw a demand for appraisal by delivering to us a written withdrawal of the demand for appraisal and acceptance of the terms of the merger. Any attempt to withdraw made more than 60 days after the effective time of the merger will, however, require our written approval. Further, once a petition for appraisal is filed, the appraisal proceeding may not be dismissed as to any stockholder absent court approval.

FAILURE TO FOLLOW THE STEPS REQUIRED BY SECTION 262 FOR PERFECTING APPRAISAL RIGHTS MAY RESULT IN THE LOSS OF SUCH RIGHTS, IN WHICH EVENT THE HOLDER OF OUR COMMON STOCK OR SERIES A PREFERRED STOCK WILL BE ENTITLED TO RECEIVE ONLY THE CONSIDERATION SET FORTH IN THE MERGER AGREEMENT FOR EACH SHARE OF COMMON STOCK OR SERIES A PREFERRED STOCK ISSUED AND OUTSTANDING IMMEDIATELY BEFORE THE EFFECTIVE TIME OF THE MERGER OWNED BY THE STOCKHOLDER.

THE COMPANIES

Scherer Healthcare, Inc.

Scherer Healthcare, Inc., through our subsidiaries, operates in two business segments. Our waste management services segment assists hospitals, clinics, doctors, and other healthcare facilities with the containment, control, collection and processing of sharp-edged medical waste such as needles, syringes, razors, scissors and scalpels. The consumer healthcare products segment distributes brand name and generic over-the-counter healthcare products.

We operate our waste management services segment through two wholly-owned subsidiaries, Bio Waste Systems, Inc. and Medical Waste Systems, Inc. (collectively, "Bio Systems"). Bio Systems provides special waste handling and logistical services to hospitals, doctors' offices, clinics and other healthcare facilities including the biotechnology industry. These services are principally focused on assisting these facilities with the proper containment, control, collection and processing of sharp-edged medical waste. Bio Systems provides its services in ten Northeastern and Mid-Atlantic states plus the District of Columbia. Bio Systems also provides medical waste management services designed for medical clinics, physicians' offices and other facilities that generate relatively small quantities of regulated medical waste. This service includes pick-up, removal and disposal of the medical waste.

Our subsidiary, Scherer Laboratories, Inc. ("Scherer Labs"), a Texas corporation incorporated in 1903, distributes its own brand name, over-the-counter, healthcare products. These products are primarily used for treatment of colds and coughs, eye and ear irritations and insect bites. Scherer Labs' products are manufactured by third party contractors using Scherer Labs' formulas.

Scherer Healthcare, Inc. is a Delaware corporation and was incorporated on December 18, 1981, as the successor to Aloe Creme Laboratories, Inc., incorporated on February 7, 1953. The mailing address of our principal executive offices is 120 Interstate North Parkway, S.E., Suite 305, Atlanta, Georgia 30339; telephone: (770) 933-1800.

Stericycle, Inc.

Stericycle, Inc. is the largest regulated medical waste management company in North America, serving over 279,000 customers throughout the United States, Canada, Puerto Rico and Mexico. Stericycle has the only fully integrated, national medical waste management network. Its network includes 39 treatment/collection centers and 97 additional transfer and collection sites. Stericycle uses this network to provide a broad range of services, including medical waste collection, transportation and treatment and related consulting, training and education services and products. Stericycle's treatment technologies include its proprietary electro-thermal-deactivation system as well as traditional methods such as autoclaving and incineration.

Stericycle benefits from significant customer diversification, with no single customer accounting for more than 1% of revenues, and its top ten customers accounting for less than 4% of revenues. Stericycle's two principal groups of customers include over 274,000 small medical waste generators such as outpatient clinics, medical and dental offices and long-term and sub-acute care facilities and over 4,700 large medical waste generators such as hospitals, blood banks and pharmaceutical manufacturers.

Stericycle, Inc. is a Delaware corporation incorporated in March 1989. The mailing address of Stericycle's principal executive offices is 28161 North Keith Drive, Lake Forest, Illinois 60045; telephone: (847) 367-5910.

Merger Subsidiary

Sharps Acquisition Corporation is a Delaware corporation and wholly-owned subsidiary of Stericycle, which was incorporated in October 2002 solely for the purpose of merging into Scherer. The mailing address of Sharps Acquisition's principal executive offices is c/o Stericycle, Inc., 28161 North Keith Drive, Lake Forest, Illinois 60045; telephone: (847) 367-5910.

THE MERGER

Background of the Merger

In the fall and winter of 2000, Stericycle expressed interest in making a proposal to acquire us. In order to facilitate Stericycle's consideration of a proposal and to protect the confidential information to be discussed and reviewed, we entered into a mutual confidentiality agreement with Stericycle on December 14, 2000.

After performing a limited amount of due diligence during late December 2000, Stericycle proposed to purchase all of our issued and outstanding shares of common stock for a purchase price equal to $6.00 per share. Other than the price per share, no additional terms were proposed by Stericycle at that time and the proposal was subject to a number of conditions. We were not satisfied with their proposal and did not proceed further.

Following termination of discussions with Stericycle, during 2001, our representatives contacted other parties regarding their interest in acquiring us but none of these contacts resulted in any definitive proposals.

In late January 2002, Stericycle proposed an aggregate equity valuation for us of between $32.0 million and $32.7 million. The acquisition consideration would be comprised of approximately $22.0 million of Stericycle's common stock and $10.0 million in cash. The proposal also provided for Robert P. Scherer, Jr. to enter into a non-compete agreement and a consulting agreement in connection with the proposed acquisition. Following receipt of Stericycle's proposal, we developed a counter proposal for discussion with Stericycle and sought clarification of the impact of the proposed non-compete and consulting arrangements on the consideration to be paid to our stockholders. The material terms we provided in our counter proposal included a tender offer for our common stock at a purchase price of $6.91 per share and a termination fee equal to 2% of the aggregate purchase price payable by us to Stericycle if we were to terminate the definitive acquisition agreement and accept a superior proposal.

On February 27, 2002, our representatives spoke with Stericycle's legal counsel regarding Stericycle's acquisition proposal and our counter proposal. At that time, Stericycle's legal counsel advised us that the aggregate acquisition consideration offered included the amount to be paid to Mr. Scherer for his non-compete and consulting agreements.

On March 8, 2002, our representatives met with an executive officer of Stericycle and Stericycle's legal counsel to discuss the terms of a further revised proposal from Stericycle. Stericycle delivered a written term sheet to our legal counsel shortly before the beginning of the meeting. That term sheet provided for Stericycle to acquire all of our issued and outstanding common and series A preferred stock for $6.90 per share in a merger, of which $4.48 would be payable in cash and $2.42 would be payable in shares of Stericycle common stock. The treatment of our series A preferred stock in the merger was "to be determined." The proposal also provided that the stock portion of the consideration would

be subject to an unspecified "collar" mechanism to limit the aggregate number of shares issuable by Stericycle in the transaction, the details of which would be determined at a later date. Stericycle later advised us that the "collar" would function such that if the price of its common stock dropped below a certain threshold, Stericycle could elect to terminate the transaction or proceed with the transaction at a specified maximum conversion ratio plus an additional amount of cash sufficient to render the per share consideration received by our stockholders equal to $6.90. This proposal also included a break-up fee equal to 5% of the transaction's aggregate consideration. The proposal further required that Mr. Scherer enter into (1) an irrevocable voting agreement with respect to shares of our common stock over which he exercised voting control (approximately 60% of our outstanding voting shares), (2) an irrevocable option granting Stericycle the right to acquire all of the shares of our common stock owned by Mr. Scherer at a price equal to the merger consideration in the event of a

competitive proposal by a third party for us, (3) a non-compete agreement, and (4) a consulting agreement. Stericycle's legal counsel also advised us that Stericycle's proposed $6.90 per share purchase price included between $2.0 million and $3.0 million that might be payable to Mr. Scherer for his non-compete and consulting agreements.

On March 14, 2002, our board of directors met with attorneys from Latham & Watkins to discuss Stericycle's acquisition proposal. Counsel reviewed for our board of directors the nature and scope of their fiduciary duties in the circumstances. Our board of directors determined that, due to possible conflicts of interest arising out of the proposed non-compete and consulting arrangements and in light of Mr. Scherer's controlling voting interest, it was advisable to form a special committee comprised of two independent and disinterested directors, Stephen L. Lukas, Sr. and Joel M. Segal. The purpose of the special committee was to:

- review and evaluate the terms and conditions of Stericycle's proposal and determine the advisability of any change of control transaction;
- negotiate the terms of any such transaction;
- determine whether any such transaction was fair to and in the best interests of our stockholders;
- recommend to the full board of directors what action, if any, should be taken by us with respect to any change of control transaction; and
- take such other action as the special committee deemed necessary, appropriate or advisable with respect to any such transaction, including, without limitation, the solicitation of alternative transactions.

Following this meeting of our board of directors, Mr. Scherer was contacted by certain members of our management with respect to their interest in submitting a separate proposal to acquire us. Mr. Scherer instructed those members of management to submit any proposal promptly to the special committee.

The special committee held its first meeting on March 21, 2002. Our legal counsel advised the special committee of the nature and scope of its fiduciary duties and other responsibilities under Delaware law in the circumstances, including utilizing independent and experienced outside advisors. The special committee engaged in discussions regarding the retention of an independent financial advisor, and determined, after consideration of other potential advisors, to explore the engagement of Houlihan Lokey as financial advisor to the special committee based upon Houlihan Lokey's familiarity and experience with the healthcare and waste removal industries and its expertise in mergers and acquisitions. The special committee also considered the retention of legal counsel for the committee, and after being advised of our recent engagement of Latham & Watkins to review Stericycle's acquisition proposal and in light of the absence of any prior relationship between Latham & Watkins and us or Mr. Scherer, decided to retain Latham & Watkins as counsel to the special committee. Latham & Watkins' engagement was subsequently changed to reflect this representation of the special committee with regard to the special committee's delegated authority with respect to an acquisition, extraordinary disposition or business combination involving us. The special committee also resolved to retain Richards, Layton & Finger, P.A. as special Delaware counsel. The special committee then discussed the indication of interest to acquire us received from members of management and agreed that such proposal, if any, should be submitted to the special committee. Subsequently, the special committee engaged Houlihan Lokey at its financial advisor.

On April 8, 2002, the special committee met with its legal counsel and Houlihan Lokey. Houlihan Lokey reported to the special committee that, based on its preliminary analyses, the price per share proposed by Stericycle was at the low end of the range of possible valuations of us. After considering Houlihan Lokey's presentation and the possibility of receiving a formal proposal from the management

group, the special committee resolved to enter into a short-term exclusive negotiating agreement with Stericycle through April 19, 2002. The special committee then communicated to the members of management desiring to make a proposal to acquire us that, if they had an acquisition proposal, they would need to promptly present it to the special committee for consideration. Subsequently, we entered into the exclusive negotiating agreement with Stericycle.

On April 11, 2002, the members of the management group delivered to us, a proposal to acquire us at an equity valuation of between $32.0 million and $35.0 million. The acquisition proposal contained a financing contingency because the management group would require the support of private investors to complete the acquisition and requested additional time to perform necessary due diligence on us. The proposal further indicated that the management group had not yet identified such private investors or other financing sources.

On April 16, 2002, the special committee met with its legal counsel and Houlihan Lokey to discuss the terms of management's proposal and its contingencies. During the review of management's proposal, the special committee and Houlihan Lokey noted the differences in the financial projections used by management for their proposal as compared to the financial projections we had provided to Stericycle. The special committee instructed Houlihan Lokey to work with Donald Zima, our Vice President and Chief Financial Officer, to resolve these discrepancies and to provide updated financial information to the respective parties. This process was completed in late July 2002. At this meeting, Houlihan Lokey reconfirmed that, based on its additional analyses, the price per share proposed by Stericycle was at the low end of the ranges of possible valuations of us. Based on this information and management's proposal, the special committee determined that it would make a counter proposal to Stericycle and that the special committee would not accept any arrangement that would preclude the special committee's ability to consider, pursue or accept other indications of interest or offers. Specifically, the special committee determined that it would not negotiate or approve any transaction that included Mr. Scherer entering into an irrevocable voting or similar agreement with respect to shares of our common stock.

On April 17, 2002, the special committee responded to Stericycle's March 8, 2002 term sheet with a proposal that included the following material terms:

Stericycle's acquisition of all of the shares of our issued and outstanding common stock for $7.40 per share, of which $4.29 would be payable in cash and $3.11 would be payable in shares of Stericycle common stock;

the stock portion of the consideration to be expressed as a fixed price exchange ratio based on the recent average trading price of Stericycle's common stock as of the closing date of the transaction;

Stericycle's acquisition of all of our series A preferred stock on an "as-converted" basis (that is, as if immediately prior to the merger our series A preferred stock were converted into our common stock at the conversion price set forth in our series A preferred stock's certificate of designations);

a termination fee of $1.0 million payable by Stericycle to us if all of Stericycle's conditions to closing the transaction were satisfied and Stericycle failed to close the transaction;

a termination fee equal to 2% of the merger consideration, or approximately $700,000, payable by us to Stericycle if we entered into an agreement for an alternative transaction prior to the termination of our agreement with Stericycle and we were to consummate such transaction; and

a proposal that, if we accepted a higher offer than Stericycle's following execution of a definitive agreement, Mr. Scherer would pay to Stericycle $66^{2}/_{3}$% of the amount by which the consideration

received by Mr. Scherer for his common shares exceeded the consideration to be paid for such shares by Stericycle.

In response to our counter proposal, Stericycle requested an extension of the exclusive negotiation period through April 26, 2002 in which to consider our proposal.

On April 18, 2002, the special committee met with its legal counsel and Houlihan Lokey. The committee received a report on recent discussions between its legal counsel and Stericycle. Based upon this report, the special committee determined that it would grant Stericycle's request to extend the exclusive negotiation period.

On April 22, 2002, a private equity sponsor associated with the management team faxed a written indication of interest to us stating that it wished to discuss with us a potential acquisition valued at approximately $7.50 per share for our common stock. Mr. Scherer promptly provided a copy of this indication of interest to the special committee.

On April 23, 2002, Stericycle's legal counsel advised the special committee that Stericycle desired to confirm that the special committee understood that any increase in the acquisition consideration to be paid to our stockholders would be deducted from the amount that Stericycle would be willing to pay to Mr. Scherer for his consulting and non-compete agreements. Consistent with prior direction from the special committee, legal counsel to the special committee informed Stericycle's legal counsel that Stericycle should focus exclusively on maximizing shareholder value in responding to the special committee's proposal.

At a meeting on April 25, 2002, the special committee's legal counsel reported to the special committee on the April 23, 2002 telephone call with Stericycle's legal counsel, including a discussion of any consulting or non-compete agreements between Mr. Scherer and Stericycle.

After conclusion of the meeting, Mr. Segal spoke with Frank ten Brink, Stericycle's Chief Financial Officer, who advised Mr. Segal that Stericycle required until at least May 2, 2002 to respond to the special committee's April 17, 2002 counterproposal. Mr. ten Brink also requested a further extension of the exclusivity period beyond May 2, 2002. Mr. Segal advised Mr. ten Brink that the special committee was not willing to extend the exclusivity period, and, as a result, the exclusivity period with Stericycle lapsed on April 26, 2002.

On April 26, 2002, Mr. Lukas spoke with the private equity sponsor regarding its acquisition proposal and personal meetings between our executive officers and such party were scheduled for later that week.

On April 29, 2002, Stericycle submitted a revised acquisition proposal to the special committee with the following material changes:

Stericycle's acquisition of all of our outstanding common stock for $7.00 per share, of which $4.06 would be payable in cash and $2.94 would be payable in Stericycle common stock;

Stericycle's requirement that all of our series A preferred stock be retired in the transaction, based upon such shares' liquidation preference;

a termination fee of $750,000 payable by Stericycle to us if all of Stericycle's conditions to closing the transaction were satisfied and Stericycle failed to close the transaction;

a termination fee equal to 4% of the merger consideration payable by us to Stericycle under certain circumstances;

a proposal that, if we accepted a higher offer than Stericycle's following execution of a definitive agreement, Mr. Scherer would pay to Stericycle 100% of the amount by which the consideration

received by Mr. Scherer for his common shares exceeded the consideration to be paid for such shares by Stericycle;

an irrevocable voting agreement by Mr. Scherer with respect to shares of our common stock over which he exercised voting control; and

a collar mechanism providing that if the price of Stericycle's common stock dropped below a certain threshold, Stericycle could elect to terminate the transaction or proceed with the transaction at a specified maximum conversion ratio plus an additional amount of cash sufficient to render the per share consideration paid to our common stockholders equal to $7.00.

In early May 2002, principals of the private equity sponsor that had previously contacted us met with Messrs. Segal, Scherer and Zima, and, on May 4, 2002, we and such party executed a confidentiality agreement and preliminary discussions and due diligence began.

In June 2002, we were contacted by a second private equity sponsor, which expressed its interest in a potential acquisition of us. After we executed a reciprocal non-disclosure agreement with this second private equity sponsor on June 23, 2002, preliminary acquisition discussions and due diligence commenced.

Throughout June, July and August 2002, the special committee, with the assistance of Messrs. Scherer and Zim