

INVERNESS MEDICAL INNOVATIONS INC
Form S-4/A
November 13, 2007

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As filed with the Securities and Exchange Commission on November 13, 2007

Registration No. 333-146860

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION**
Washington, D.C. 20549

**PRE-EFFECTIVE AMENDMENT NO. 1 TO
FORM S-4/A
REGISTRATION STATEMENT
UNDER
THE SECURITIES ACT OF 1933**

INVERNESS MEDICAL INNOVATIONS, INC.

(Exact name of registrant as specified in its charter)

Delaware
(State or other jurisdiction of
incorporation or organization)

2835
(Primary Standard Industrial
Classification Code Number)

04-3565120
(I.R.S. Employer
Identification No.)

**51 Sawyer Road, Suite 200
Waltham, Massachusetts 02453
(781) 647-3900**

(Address, including zip code, and telephone number, including
area code, of registrant's principal executive offices)

Ron Zwanziger
Chairman, Chief Executive Officer and President
51 Sawyer Road, Suite 200
Waltham, Massachusetts 02453
(781) 647-3900

(Name, address, including zip code, and telephone number, including area code, of agent for service)

John D. Patterson, Jr., Esq.
William R. Kolb, Esq.
John D. Hancock, Esq.
Foley Hoag LLP
Seaport World Trade Center West
155 Seaport Boulevard

Copies to:
Matritech, Inc.
330 Nevada Street
Newton, Massachusetts 02460
Attn: Stephen D. Chubb
Chief Executive Officer
(617) 928-0820

Barbara M. Johnson, Esq.
Choate, Hall & Stewart LLP
Two International Place
Boston, MA 02110
(617) 248-5000

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**Boston, Massachusetts 02210
(617) 832-1000**

Approximate date of commencement of proposed sale to the public: As soon as practicable after the effectiveness of this registration statement and the satisfaction or waiver of all other conditions under the asset purchase agreement described herein.

If the securities being registered on this form are to be offered in connection with the formation of a holding company and there is compliance with General Instruction G, check the following box.

If this form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. _____

If this form is a post-effective amendment filed pursuant to Rule 462(d) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. _____

The registrant hereby amends this registration statement on such date or dates as may be necessary to delay its effective date until the registrant shall file a further amendment that specifically states that this registration statement shall thereafter become effective in accordance with Section 8(a) of the Securities Act of 1933, or until the registration statement shall become effective on such date as the Securities and Exchange Commission, acting pursuant to said Section 8(a), may determine.

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Dear Matritech Stockholder:

You are cordially invited to attend a special meeting of the stockholders of Matritech, Inc. to be held on December 12, 2007 at 10:30 a.m. Eastern Time at the offices of Choate, Hall & Stewart LLP at Two International Place, Boston, Massachusetts 02110. At the special meeting, Matritech is seeking your approval of:

the sale of substantially all of the assets of Matritech, Inc., to Milano Acquisition Corp., a wholly owned subsidiary of Inverness Medical Innovations, Inc., pursuant to and on the terms set forth in an Asset Purchase Agreement dated August 27, 2007 by and among Inverness, Milano and Matritech;

the plan of complete liquidation and dissolution of Matritech, including the liquidation and dissolution of Matritech contemplated thereby, following the closing of the asset sale;

the amendment to Matritech's certificate of incorporation to change Matritech's name to MZT Holdings, Inc., subject to the approval of the asset purchase agreement and asset sale and following the closing of the asset sale;

the grant of discretionary authority to the Matritech board of directors to adjourn or postpone the special meeting, even if a quorum is present, to solicit additional votes to approve the asset purchase agreement and asset sale, the plan of dissolution, or the change of Matritech's name, if necessary; and

to consider and transact such other business as may properly come before the special meeting and any adjournments or postponements thereof.

As consideration for the asset sale, Matritech will receive shares of Inverness common stock valued at \$36 million (calculated based on the average closing price of Inverness common stock for the ten consecutive trading days ending on the second trading day immediately prior to the closing of the asset sale). In addition, Matritech may receive up to \$2 million of additional consideration, payable in cash and/or Inverness common stock, if the assets acquired from Matritech generate revenue in excess of the targets specified in the asset purchase agreement during the twelve-month period following the closing of the asset sale. If the asset purchase agreement and the asset sale are approved and the asset sale is consummated, Matritech will transfer substantially all of its assets and specified liabilities to Milano, and Matritech will continue to exist as a separate legal entity.

Following the closing of the asset sale, Matritech intends promptly to sell the shares of Inverness common stock that it receives and use the proceeds to repay all of its outstanding and future liabilities and obligations in accordance with existing agreements and contracts, its certificate of incorporation, applicable law and the plan of dissolution. Any assets not used to satisfy existing or future liabilities will be available for distribution to Matritech's stockholders pursuant to the plan of dissolution. Matritech currently estimates that the assets ultimately available for distribution to the holders of Matritech common stock will be between \$0.15 and \$0.20 per share; however, Matritech is unable at this time to predict the exact amount, nature and timing of any distributions to its stockholders.

The Matritech board of directors has carefully reviewed and considered the terms and conditions of the asset purchase agreement, the asset sale and the plan of dissolution and has concluded that the asset purchase agreement, asset sale, the liquidation and dissolution of Matritech pursuant to the plan of dissolution and the amendment of Matritech's certificate of incorporation to change Matritech's name are all in the best interests of Matritech and its stockholders. The Matritech board of directors therefore has approved these proposals and recommends that you vote **FOR** each of the proposals set forth in the attached proxy statement/prospectus.

Approval of the asset purchase agreement and the asset sale requires the affirmative vote of both the holders of a majority in voting power of the outstanding shares of Matritech common stock and Series A convertible preferred stock, voting together as a single class, and the holders of at least 75% of the outstanding shares of Series A convertible preferred stock, voting as a separate class. Approval of each of the plan of dissolution and name change proposals requires the affirmative vote of the

holders of a majority in voting power of the outstanding shares of Matritech common stock and Series A convertible preferred stock, voting together as a single class. Approval of the adjournment proposal requires the affirmative vote of the holders of a majority in voting power of the shares of Matritech common stock and Series A convertible preferred stock, voting together as a single class, present, either in person or by proxy, and entitled to vote at the special meeting.

Your vote is very important. Whether or not you plan to attend the special meeting, please complete, sign, date and return the enclosed proxy card, or submit your proxy by telephone or the Internet, as soon as possible. If you hold your shares in "street name," you should instruct your broker how to vote in accordance with your voting instruction card.

If you do not either submit your proxy, instruct your broker how to vote your shares or vote in person at the special meeting, it will have the same effect as a vote against approval of the asset purchase agreement and the asset sale, the plan of dissolution and the name change proposal and will have no effect on the adjournment proposal.

You are also encouraged to review carefully the enclosed proxy statement/prospectus, as it explains the reasons for the proposals to be voted on at the special meeting and contains other important information, including copies of the asset purchase agreement and plan of dissolution, which are attached as annexes. In particular, please review the matters referred to under "Risk Factors" starting on page 25 for a discussion of the risks related to the proposed asset sale, the respective businesses of Inverness and Matritech, and the dissolution and liquidation of Matritech, as well as the discussion of the estimates of the amounts that may be ultimately available for liquidating distributions to the holders of Matritech common stock.

Thank you for your cooperation, attention to these matters and continued support.

Sincerely,
/s/ Stephen D. Chubb

Stephen D. Chubb
Chief Executive Officer

Neither the Securities and Exchange Commission nor any state securities regulator has approved or disapproved the asset sale described in this proxy statement/prospectus or the Inverness common stock to be issued in connection with the asset sale, or determined if this proxy statement/prospectus is accurate or adequate. Any representation to the contrary is a criminal offense.

This proxy statement/prospectus is dated November 13, 2007 and is first being mailed to Matritech stockholders on or about November 13, 2007.

Matritech, Inc.
330 Nevada Street
Newton, Massachusetts 02460

NOTICE OF SPECIAL MEETING OF STOCKHOLDERS
To be held on December 12, 2007

To the Stockholders of Matritech, Inc.:

A special meeting of the stockholders of Matritech, Inc. will be held at the offices of Choate, Hall & Stewart LLP, Two International Place, Boston, MA 02110 on December 12, 2007, at 10:30 a.m. Eastern Time, for the following purposes:

1. To approve the sale of substantially all of the assets of Matritech, Inc. to Milano Acquisition Corp., a wholly owned subsidiary of Inverness Medical Innovations, Inc., pursuant to and on the terms set forth in an Asset Purchase Agreement dated August 27, 2007 by and among Inverness, Milano and Matritech, which we refer to as the asset sale proposal.
2. To approve the plan of complete liquidation and dissolution of Matritech, including the liquidation and dissolution of Matritech contemplated thereby following the closing of the asset sale, which we refer to as the plan of dissolution proposal.
3. To approve an amendment to Matritech's certificate of incorporation to change Matritech's name to MZT Holdings, Inc., subject to the approval of the asset sale proposal and following the closing of the asset sale, which we refer to as the name change proposal.
4. To grant discretionary authority to the Matritech board of directors to adjourn or postpone the special meeting, even if a quorum is present, to solicit additional votes to approve the asset sale proposal, the plan of dissolution proposal or the name change proposal, if necessary, which we refer to as the adjournment proposal.
5. To consider and transact such other business as may properly come before the special meeting and any adjournments or postponements thereof.

This proxy statement/prospectus and the proxy card are being furnished to Matritech's stockholders in connection with the solicitation of proxies by the Matritech board of directors for use at the special meeting of stockholders.

The Matritech board of directors has approved the asset purchase agreement and the asset sale, the plan of dissolution and the amendment to Matritech's certificate of incorporation and recommends that you vote **FOR** the approval of the asset sale proposal, **FOR** the approval of the plan of dissolution proposal, **FOR** the approval of the name change proposal, and **FOR** the approval of the adjournment proposal. The proposals are described in more detail in the accompanying proxy statement/prospectus, which you should read in its entirety before voting.

Only holders of record of Matritech's capital stock at the close of business on November 9, 2007 are entitled to notice of and to vote at the special meeting or any adjournment or postponement thereof. Approval of the asset sale proposal requires the affirmative vote of both the holders of a majority in voting power of the outstanding shares of Matritech common stock and Series A convertible preferred stock, voting together as a single class, and the holders of at least 75% of the outstanding shares of Series A convertible preferred stock, voting as a separate class. Approval of the plan of dissolution and name change proposals each requires the affirmative vote of the holders of a majority in voting power of the outstanding shares of Matritech common stock and Series A convertible preferred stock, voting together as a single class. Approval of the adjournment proposal requires the affirmative vote of the holders of a majority in voting power of the shares of Matritech common stock and Series A convertible preferred stock, voting together as a single class, present, either in person or by proxy, and entitled to vote at the special meeting. Therefore, your vote is very important. Your failure to vote your shares will have the same effect as voting against each of the asset sale proposal,

the plan of dissolution proposal and the name change proposal and will have no effect on the adjournment proposal.

If the asset sale is not consummated, whether due to lack of stockholder approval or for other reasons, it is likely that Matritech will file for, or will be forced to resort to, bankruptcy protection and it is unlikely that there would be sufficient assets available for any distribution to Matritech's stockholders.

To ensure your representation at the special meeting and the presence of a quorum at the special meeting, whether or not you plan to attend the special meeting, please complete, sign and date the enclosed proxy card and return it to Matritech without delay in the postage-paid envelope enclosed for your convenience or submit your proxy by telephone or the Internet as provided on the proxy card. If a quorum is not reached, Matritech's proxy solicitation costs are likely to increase. Should you receive more than one proxy card because your shares are registered in different names and/or addresses, each proxy card should be signed, dated and returned to ensure that all of your shares will be voted. If you are present at the special meeting or any adjournments or postponements of the special meeting, you may revoke your proxy and vote personally on the matters properly brought before the special meeting. Your shares will be voted at the special meeting in accordance with your proxy.

By Order of the Board of Directors,

/s/ Patricia Randall

Patricia Randall
Secretary

Newton, Massachusetts
November 13, 2007

IMPORTANT: WHETHER OR NOT YOU PLAN TO ATTEND THE SPECIAL MEETING, PLEASE VOTE BY (1) TELEPHONE, (2) USING THE INTERNET OR (3) COMPLETING AND PROMPTLY RETURNING THE ENCLOSED PROXY CARD IN THE ENVELOPE PROVIDED.

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This proxy statement/prospectus incorporates important business and financial information about Inverness from documents that it has filed with the Securities and Exchange Commission but that have not been included in or delivered with this proxy statement/prospectus. For a listing of documents incorporated by reference into this proxy statement/prospectus, please see "Where You Can Find More Information" beginning on page 173 of this proxy statement/prospectus.

Inverness will provide you with copies of such documents (excluding all exhibits unless Inverness has specifically incorporated by reference an exhibit in this proxy statement/prospectus), without charge, upon written or oral request to:

**Inverness Medical Innovations, Inc.
51 Sawyer Road, Suite 200
Waltham, Massachusetts 02453
(781) 647-3900
Attention: Doug Guarino**

In order for you to receive timely delivery of the documents in advance of the special meeting, Inverness should receive your request no later than December 5, 2007.

QUESTIONS AND ANSWERS ABOUT THE ASSET SALE, THE PLAN OF DISSOLUTION, THE NAME CHANGE PROPOSAL AND THE SPECIAL MEETING

The following are some questions that you, as a stockholder of Matritech, may have regarding the asset sale, the plan of dissolution, the name change proposal and the special meeting and brief answers to those questions. We urge you to read carefully the remainder of this proxy statement/prospectus because the information in this section may not provide all the information that might be important to you with respect to the proposals being considered at the special meeting. Additional important information is also contained in the annexes to, and the documents incorporated by reference in, this proxy statement/prospectus.

Q. Why am I receiving this proxy statement/prospectus?

A. Inverness has agreed to acquire substantially all of the assets of Matritech under the terms of the asset purchase agreement that is described in this proxy statement/prospectus. Following, the completion of the asset sale, Matritech intends promptly to sell the shares of Inverness stock that it will receive as consideration in the asset sale, satisfy its outstanding and future liabilities, wind up its affairs and distribute any remaining assets to the Matritech stockholders in accordance with a plan of dissolution. In order to complete the asset sale and the dissolution of Matritech pursuant to the plan of dissolution, Matritech stockholders must approve the asset sale, plan of dissolution and name change proposals. Matritech will hold a special meeting of its stockholders in order to obtain this approval.

Please see "Proposal One The Asset Sale Proposal" beginning on page 70 of this proxy statement/prospectus and "Proposal Two The Plan of Dissolution Proposal" beginning on page 108 of this proxy statement/prospectus. Copies of the asset purchase agreement and plan of dissolution are attached to this proxy statement/prospectus as Annex A and Annex B, respectively.

Your vote is very important. If you do not either submit your proxy or instruct your broker how to vote your shares or vote in person at the special meeting, it will have the effect as a vote against approval of the asset sale, plan of dissolution and name change proposals.

We encourage you to vote as soon as possible. The enclosed voting materials allow you to vote your Matritech shares without attending the special meeting. For more specific information on how to vote, please see the questions and answers below.

Q. Why did Matritech enter into the asset purchase agreement?

A. After due consideration of all other alternatives reasonably available to Matritech, the Matritech board of directors concluded that the completion of the asset sale was the only available alternative reasonably likely to enable Matritech to satisfy its outstanding liabilities and obligations and to maximize value to its stockholders and creditors. For more information, see "Proposal One The Asset Sale Proposal Recommendation of the Matritech Board of Directors and Matritech's Reasons for the Asset Sale" beginning on page 78 of this proxy statement/prospectus.

Q. Who is the buyer?

A. The buyer is Milano Acquisition Corp., a wholly owned subsidiary of Inverness. Milano has not engaged in any activity other than activities for the purpose of acquiring substantially all of Matritech's assets pursuant to the asset sale. Inverness, the parent company of Milano, is a leading manufacturer and marketer of rapid diagnostic products for the consumer and professional markets. Inverness is traded on the American Stock Exchange under the symbol IMA.

Q. What is the purchase price for Matritech's assets?

A. Milano will pay to Matritech an initial price of \$36 million, payable in shares of Inverness common stock calculated based on the average closing price per share of Inverness common stock for the ten consecutive trading day period ending on the second trading day immediately prior to the date

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of the closing of the asset sale. Milano will pay up to an additional \$2 million, in cash and/or Inverness common stock, in the event the assets acquired from Matritech achieve revenue targets specified in the asset purchase agreement during the twelve-month period following the closing.

Q. When will Matritech know if it will receive additional consideration from Inverness, and how much it will receive?

A. The asset purchase agreement provides for the payment by Inverness of up to \$2 million additional consideration in cash and/or Inverness common stock if the revenue associated with the assets to be purchased by Inverness in the asset sale is in excess of targets specified in the asset purchase agreement during the consecutive twelve full calendar months immediately following the closing of the asset sale. Within 60 days after the end of such twelve-month period, Inverness will notify Matritech of the revenue results. If Matritech does not dispute the revenue results within 30 days following the receipt of the results from Inverness, additional consideration, if any, will be payable within 10 days thereafter. If Matritech does dispute the results, any dispute will be required to be resolved within 45 days following Matritech's receipt of the revenue results from Inverness, and the additional consideration, if any, will be payable within 10 days following the resolution of the dispute.

Q. What will Matritech do with the Inverness common stock it receives in connection with the asset sale?

A. Matritech intends to sell the Inverness common stock received at the closing of the asset sale as promptly as possible after the closing and use the resulting proceeds to satisfy its current and future obligations, including:

the principal, unpaid interest and premiums due on all outstanding promissory notes, which Matritech estimates to be \$16.3 million;

the liquidation preference of \$8.80 per share to holders of its Series A convertible preferred stock, which Matritech estimates to be \$0.7 million;

transaction fees and expenses payable to its professional advisors and public accountants upon consummation of the asset sale, which Matritech estimates to be approximately \$1.3 million;

amounts payable to employees for work prior to closing (including retention bonuses), which Matritech estimates to be \$1.0 million; and

amounts payable to management pursuant to change of control agreements, which Matritech estimates to be \$3.7 million.

Following the end of the 2007 fiscal year, Matritech estimates it will be required to pay income taxes of approximately \$0.5 million. Matritech will also incur post-closing expenses arising from the plan of dissolution and the winding up of its business, including payment of all creditors and professional advisor fees. Matritech plans to invest the remaining cash proceeds in a money market account pending the dissolution. For a more detailed description of Matritech's liabilities to be paid following the completion of the asset sale, see "Proposal Two The Plan of Dissolution Proposal" beginning on page 108 of this proxy statement/prospectus.

Q. What assets are being sold by Matritech?

A. The assets Matritech proposes to sell consist of all of Matritech's assets other than those specifically excluded under the terms of the asset purchase agreement. The assets to be sold include Matritech's intellectual property rights, equipment, raw materials, inventory, contracts, the stock of its German subsidiary and any cash in excess of \$100,000. The assets excluded from the asset sale include documents relating to Matritech's corporate existence and outstanding securities,

records it is required to retain, and contracts with employees not hired by Inverness, including change of control agreements with management employees.

Q. What liabilities will be assumed by Milano?

A. In connection with the asset sale, Milano will assume all of the liabilities of Matritech other than those specifically excluded under the terms of the asset purchase agreement. The liabilities Milano will not assume include those arising under change of control agreements with management employees, liabilities related to assets excluded from the asset sale, liabilities relating to Matritech's securities, any legal, investment banking or accounting fees or expenses Matritech incurs in consummating the asset sale, unpaid income taxes, and amounts that become due to employees of Matritech in connection with the closing of the asset sale.

Q. When do Inverness and Matritech expect the asset sale to be completed?

A. Inverness and Matritech are working to complete the asset sale as soon as practicable and currently expect that the asset sale will be completed promptly following the receipt of stockholder approval of the asset sale proposal at the special meeting. However, neither Inverness nor Matritech can predict the exact timing of the completion of the asset sale because it is subject to other conditions to closing.

Q. What will happen if the asset sale is not approved?

A. As previously publicly disclosed, Matritech has incurred recurring operating losses and has substantial outstanding liabilities, including what Matritech estimates to be \$16.3 million that will be due to its note holders on December 13, 2007. If the asset sale or another similar transaction is not approved on a timely basis, and/or Matritech has not obtained substantial new financing on a timely basis, it does not expect to have sufficient resources to continue operations. Accordingly, if the asset sale is not completed, whether due to the failure of the stockholders to approve the transaction, the failure to satisfy closing conditions or any other reason, Matritech would likely file for, or be forced to resort to, bankruptcy protection, and it is unlikely that there would be significant assets, if any, available for distribution to Matritech's stockholders.

Q. What will happen under the plan of dissolution?

A. Under the plan of dissolution, Matritech will file a certificate of dissolution with the Secretary of State of the State of Delaware, Matritech's jurisdiction of incorporation, to dissolve Matritech as a legal entity following the satisfaction of its outstanding liabilities. The Matritech board of directors, in its sole discretion, will determine the timing for this filing. Upon receipt of approval from the Delaware Court of Chancery of the amount of reserves Matritech is required to hold, Matritech expects it will begin to distribute its remaining assets, if any, to Matritech stockholders. Matritech expects the first such distribution to occur no earlier than the third quarter of 2008. A final distribution to holders of Matritech common stock will likely not be made until more than three years after Matritech files the certificate of dissolution with the Secretary of State of the State of Delaware.

Q. If the asset sale and plan of dissolution proposals are approved and the asset sale is consummated on the terms contained in the asset purchase agreement, what does Matritech estimate that the holders of Matritech common stock will receive?

A. The cash amount that may ultimately be distributed to the holders of Matritech common stock is not yet known, and there can be no assurance that Matritech will be able to make any distribution to the holders of its common stock. Matritech currently estimates that assets ultimately available for distribution to holders of Matritech common stock will be between \$0.15 per share and \$0.20 per share. However, there are many factors that may affect the amounts available for distribution to holders of Matritech common stock including, among other things, the proceeds Matritech

receives when it sells the shares of Inverness common stock, the amount of taxes, employee costs (including change of control payments), transaction fees, and brokerage fees, penalties and premiums on outstanding debt, expenses relating to the dissolution, and unforeseen liabilities arising hereafter. No assurance can be given as to the amounts holders of Matritech common stock will ultimately receive. If Matritech has underestimated its existing obligations and liabilities or if unforeseen liabilities arise, the amount ultimately distributed to the holders of Matritech common stock could be less than that set forth above. This could occur, for example, if Matritech does not consummate the asset sale until 2008, if it needs to borrow more funds to maintain operations until the closing of the asset sale, or if its tax liabilities are higher than anticipated.

Q. What vote of Matritech stockholders is required to approve the asset sale and the plan of dissolution proposals?

A. Approval of the asset sale proposal requires the affirmative vote of both the holders of a majority in voting power of the outstanding shares of Matritech common stock and Series A convertible preferred stock, voting together as a single class, and the holders of at least 75% of the outstanding shares of Series A convertible preferred stock, voting as a separate class. Approval of the plan of dissolution proposal requires the affirmative vote of the holders of a majority in voting power of shares of Matritech common stock and Series A convertible preferred stock, voting together as a single class. When the holders of the shares of Series A convertible preferred stock are entitled to vote together with the holders of the shares of Matritech common stock as a single class, each share of Series A convertible preferred stock is entitled to 6.56 votes.

Q. How does the Matritech board of directors recommend that Matritech stockholders vote on the asset sale and the plan of dissolution proposals?

A. The Matritech board of directors recommends that Matritech stockholders vote **"FOR"** the asset sale proposal and **"FOR"** the plan of dissolution proposal. The Matritech board of directors has determined that the asset purchase agreement, asset sale and the plan of dissolution are advisable, fair to and in the best interests of Matritech and its stockholders. Accordingly, the Matritech board of directors has approved the asset purchase agreement, the asset sale and the plan of dissolution. For a more complete description of the recommendation of the Matritech board of directors, see "Special Meeting of the Stockholders of Matritech" beginning on page 67 of this proxy statement/prospectus, "Proposal One The Asset Sale Proposal Recommendation of the Matritech Board of Directors and Matritech's Reasons for the Asset Sale" beginning on page 78 of this proxy statement/prospectus, and "Proposal Two The Plan of Dissolution Proposal" beginning on page 108 of this proxy statement/prospectus.

Q. Do Matritech's directors and officers have any interest in the asset sale?

A. Each of Matritech's executive officers has a change of control agreement, entered into in the spring of 2006, that provides for initial payments upon a change of control, and additional payments and benefits in the event of termination of the officer's employment within twelve months following a change of control. If all executive officers become entitled to the full payments and benefits provided under the change of control agreements at the time of the closing of the asset sale, assuming a December 13, 2007 closing date, they would collectively receive \$3.5 million in cash, continued health insurance benefits for between 12 months and 18 months (valued at an aggregate of approximately \$125,000), and accelerated vesting on 412,809 shares of Matritech common stock originally issued as restricted stock and restricted stock units.

In addition, one Matritech director beneficially owns outstanding promissory notes and Series A convertible preferred stock of Matritech, both personally and through affiliated funds. Matritech expects to pay all outstanding principal, unpaid interest and premiums due to the holders of these promissory notes and liquidation premiums associated with the Series A convertible preferred

stock promptly following the closing of the asset sale with proceeds realized from the sale of Inverness common stock. Assuming a closing date and payment date of December 13, 2007, Matritech estimates that the payments to this director and the funds with which he is affiliated will be approximately \$3.4 million. For more information, see "Proposal One The Asset Sale Proposal Interests of Executive Officers and Directors of Matritech in the Asset Sale" beginning on page 88 of this proxy statement/prospectus.

Q.

Are there any risks related to the asset sale or the plan of dissolution?

A.

Yes. You should carefully review the section entitled "Risk Factors" beginning on page 25 of this proxy statement/prospectus.

Q.

What are the United States federal income tax consequences of the asset sale and the plan of dissolution?

A.

For United States federal income tax purposes, the asset sale will not be taxable directly to Matritech's stockholders. For United States federal income tax purposes, the sale of Matritech's assets pursuant to the asset purchase agreement will be treated as a taxable asset sale, with Matritech as the seller and Milano as the buyer. Accordingly, Matritech expects to recognize taxable gain as a result of the asset sale. Although Matritech has net operating loss carryforwards that potentially could offset a portion of such gain, such loss carryforwards could be unavailable, in whole or in part, due to potentially applicable limitations under the Internal Revenue Code.

The Matritech board of directors has adopted a plan of dissolution, which, subject to the approval of Matritech's stockholders, provides for the complete liquidation and distribution of Matritech's assets to its stockholders. The dissolution of Matritech will be a taxable transaction for both Matritech and its stockholders. Matritech will recognize gain or loss equal to the difference, if any, between the fair market value and the adjusted basis of each asset sold or distributed in connection with its dissolution. The Matritech stockholders generally will recognize gain or loss equal to the difference between the fair market value of their portions of the assets (determined net of liabilities to which such assets are subject) distributed to them and their adjusted bases in their Matritech stock. If the dissolution is not completed, Matritech and its stockholders, as applicable, may be exposed to greater (or lesser) tax liabilities with respect to any increases (or decreases) in the value of assets that are subsequently sold or distributed (whether or not in liquidation).

Tax matters are complicated and the tax consequences to you of the transactions discussed in this proxy statement/prospectus will depend on the facts of your own situation. You should consult with your own tax advisor to fully understand the tax consequences of the asset sale and dissolution of Matritech to you.

You are urged to read the discussion in the sections entitled "Proposal One The Asset Sale Proposal Material United States Federal Income Tax Consequences of the Asset Sale" beginning on page 91 of this proxy statement/prospectus and "Proposal Two The Plan of Dissolution Proposal Material United States Federal Income Tax Consequences of the Dissolution" beginning on page 118 of this proxy statement/prospectus, and to consult your tax advisor as to the United States federal income tax consequences of the asset sale and the dissolution, as well as the effects of state, local and foreign tax laws.

Q.

When will I be able to recognize a tax loss or a tax gain on the shares of Matritech common stock that I hold?

A.

You will not recognize any gain on liquidating distributions with respect to shares of Matritech common stock until you have recovered your adjusted tax basis for those shares. After you have recovered your adjusted tax basis, all liquidating distributions in excess of the amount of this

recovered tax basis will be recognized by you as taxable gain. You will generally recognize any loss only when Matritech has made its final distribution, which may not be until 2012. Even then, you will recognize a loss for tax purposes only if the aggregate value of all liquidating distributions with respect to your shares of Matritech common stock is less than your adjusted tax basis for those shares. In either case, this gain or loss will be long-term capital gain or loss if, as of the date of dissolution, your holding period for the shares of Matritech common stock is more than one year.

Q. Is the dissolution of Matritech, as contemplated in the plan of dissolution, conditional upon the completion of the asset sale to Inverness?

A. Yes. Matritech does not intend to dissolve unless it first sells substantially all of its assets in the asset sale.

Q. What will happen if the asset sale proposal is approved and the plan of dissolution proposal is not approved?

A. If Matritech stockholders approve the asset sale and do not approve the plan of dissolution, Matritech will still complete the asset sale to Milano, assuming the other closing conditions are met. In that case, Matritech will have transferred substantially all of its operating assets to Milano and will not have any assets to support ongoing operations. Instead of making a distribution to stockholders pursuant to the plan of dissolution, Matritech would use its assets to pay off its existing liabilities and then use its remaining assets to pay ongoing operating expenses. Matritech does not intend to invest in another operating business following the closing of the asset sale.

Q. Am I entitled to appraisal rights or dissenters' rights in connection with the asset sale or the plan of dissolution proposals?

A. No. As a Matritech stockholder, you will not be eligible for appraisal rights or dissenters' rights in connection with the asset sale or plan of dissolution, even if you abstain from voting or vote against the asset sale or the plan of dissolution proposals.

Q. Will I still be able to sell my shares of Matritech common stock following the closing of the asset sale?

A. Yes. Although no assurance can be given that there will be an active trading market for Matritech common stock, you will be able to sell your shares of Matritech common stock until Matritech files its certificate of dissolution. If the plan of dissolution proposal is approved by Matritech stockholders, the Matritech board of directors will then decide when to file the certificate of dissolution with the Secretary of State of the State of Delaware. From and after the end of trading on the date Matritech files the certificate of dissolution with the Secretary of State of the State of Delaware, Matritech will close its stock transfer books and discontinue recording transfers of shares of Matritech common stock. Thereafter, certificates representing shares of Matritech common stock will not be assignable or transferable on Matritech's books. Matritech intends to make a public announcement of the anticipated filing date of the certificate of dissolution at least three business days in advance of the filing.

Q. Is the dissolution of Matritech, as contemplated in the plan of dissolution, conditional upon completion of the asset sale to Inverness?

A. Yes. Matritech does not intend to dissolve unless it first sells substantially all of its assets in the asset sale.

Q. Am I being asked to vote on anything else?

A. Yes. The Matritech board of directors is asking you to approve an amendment to Matritech's certificate of incorporation to change its name to MZT Holdings, Inc. following the completion of the asset sale. The Matritech board of directors is also asking you to authorize it to adjourn or

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postpone the special meeting to a date not later than January 11, 2008 if the voting power of holders of Matritech common stock and Series A convertible preferred stock represented and voting in favor of approval of the asset sale proposal, the plan of dissolution proposal or the name change proposal is insufficient to approve the asset sale, plan of dissolution or name change proposals under Delaware law. The Matritech board of directors recommends that you vote **"FOR"** the name change proposal and **"FOR"** the adjournment proposal.

Q.

Why is Matritech proposing to change its name?

A.

Under the asset purchase agreement, Matritech is selling all of its intellectual property, including its trademarks, which includes the name "Matritech." Under Delaware law, Matritech must seek stockholder approval in order to change Matritech's name in its certificate of incorporation. If the asset sale proposal is approved by Matritech's stockholders, but the name change proposal is not approved by Matritech's stockholders, Matritech will be in breach of the asset purchase agreement.

Q.

Why is Matritech seeking your vote on the adjournment proposal?

Adjourning or postponing the special meeting to a later date will give Matritech additional time to solicit proxies to vote in favor of approval of the asset sale, the plan of dissolution or the name change proposals. Consequently, Matritech is seeking your approval of the adjournment proposal to ensure that, if necessary, Matritech will have enough time to solicit the required votes for the asset sale, plan of dissolution and name change proposals.

Q.

What vote of Matritech stockholders is required to approve the name change proposal and the adjournment proposal?

A.

The name change proposal requires the affirmative vote of holders of a majority in voting power of the outstanding shares of Matritech common stock and Series A convertible preferred stock, voting together as a single class. The adjournment proposal requires the affirmative vote of the holders of a majority in voting power of the outstanding shares of Matritech common stock and Series A convertible preferred stock, voting together as a single class, present, either in person or by proxy, and entitled to vote at the special meeting.

Q.

When and where will the special meeting be held?

A.

The special meeting will be held at the offices of Choate, Hall & Stewart LLP, Two International Place, Boston, MA 02110 on December 12, 2007, at 10:30 a.m. Eastern Time.

Q.

Who is entitled to notice of and to vote at the special meeting?

A.

Only holders of record of Matritech common stock and Series A convertible preferred stock outstanding as of the close of business on November 9, 2007, which we refer to as the record date, are entitled to notice of and vote at the special meeting. As of the close of business on the record date, there were 62,200,272 shares of Matritech common stock outstanding and entitled to vote at the special meeting and 81,399 shares of Series A convertible preferred stock, representing voting power equivalent to 533,973 shares of Matritech common stock, outstanding and entitled to vote at the special meeting.

Q.

Who can attend and vote at the special meeting?

A.

All Matritech stockholders of record as of the close of business on the record date are entitled to receive notice of and to vote at the special meeting.

Q.

What do I need to do now in order to vote on the proposals being considered at the special meeting?

A.

You should carefully read and consider the information contained in this proxy statement/prospectus and you may vote by proxy by completing, signing, dating and returning the enclosed

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proxy card in the accompanying pre-addressed, postage-paid envelope, by submitting a proxy over the Internet or by telephone following the instructions on the enclosed proxy card. If you sign, date and mail your proxy card without identifying how you want to vote, your proxy will be voted "**FOR**" the asset sale proposal, "**FOR**" the plan of dissolution proposal, "**FOR**" the name change proposal and "**FOR**" the adjournment proposal.

You may also vote by appearing at the special meeting and voting in person. If you plan to attend the special meeting and wish to vote in person, you will be given a ballot at the special meeting. Whether or not you plan to attend the special meeting, you should submit your proxy card or voting instruction form as described in this proxy statement/prospectus.

Q.

If my Matritech shares are held in "street name" by my broker, will the broker vote the shares on my behalf?

A.

If your shares are held in a stock brokerage account or by a bank or other nominee, then you are considered the beneficial owner of shares held in "street name" and these proxy materials are being forwarded to you by your broker, bank or other nominee, who is considered the stockholder of record with respect to those shares. As the beneficial owner, you have the right to direct your broker, bank or other nominee on how to vote and are also invited to attend the special meeting. However, since you are not the stockholder of record, you may not vote these shares in person at the special meeting, unless you request a proxy from your broker, bank or other nominee. Your broker, bank or other nominee has enclosed a voting instruction card for you to use in directing the broker, bank or other nominee regarding how to vote your shares.

Brokers who hold shares in street name for customers have the authority to vote on "routine" proposals when they have not received instructions from beneficial owners. However, brokers are precluded from exercising their voting discretion with respect to approval of non-routine matters, such as the approval of the asset sale proposal, the plan of dissolution proposal and the name change proposal and, as a result, absent specific instructions from the beneficial owner of such shares, brokers will not vote those shares. This is referred to as a "broker non-vote." Broker non-votes will be considered as "present" for purposes of determining a quorum, but are not considered as voting power present with respect to the proposals. Broker non-votes will have the effect of a vote "**AGAINST**" the asset sale, plan of dissolution and name change proposals and will have no effect on the adjournment proposal. Your broker will send you information to instruct it on how to vote on your behalf. **If you do not receive a voting instruction card from your broker, please contact your broker promptly to get the voting instruction card. Your vote is important to the success of the proposals.** Matritech encourages all of its stockholders whose shares are held in street name to provide their brokers with instructions on how to vote. See "Special Meeting of the Stockholders of Matritech Abstentions; Broker Non-Votes" beginning on page 68 of this proxy statement/prospectus.

Q.

What will happen if I abstain from voting or fail to vote?

A.

Your abstention will have the same effect as a vote "**AGAINST**" the approval of the asset sale, the plan of dissolution, the name change and the adjournment proposals. Failure to attend and vote at the special meeting or to submit your proxy using one of the available methods will have the same effect as a vote "**AGAINST**" the approval of the asset sale, the plan of dissolution and the name change proposals, will have no effect on the adjournment proposal, and will result in your shares not being considered as "present" for purposes of determining a quorum.

Q. Can I change my vote after I have delivered my proxy?

A. Yes. If you are a holder of record, you can change your vote at any time before your proxy is voted at the special meeting by:

delivering a signed written notice of revocation to the Corporate Secretary of Matritech;

signing and delivering a new, valid proxy bearing a later date;

submitting another proxy by telephone or the Internet (your latest telephone or Internet voting instructions will be followed);
or

attending the special meeting and voting in person, although your attendance alone will not revoke your proxy.

If your shares are held in "street name," you must contact your broker, bank or other nominee to change your vote.

Q. What should I do if I receive more than one set of voting materials for the special meeting?

A. You may receive more than one set of voting materials for the special meeting, including multiple copies of this proxy statement/prospectus and multiple proxy cards or voting instruction forms. For example, if you hold your shares in more than one brokerage account, you will receive a separate voting instruction form for each brokerage account in which you hold shares. If you are a holder of record and your shares are registered in more than one name, you will receive more than one proxy card and voting instruction form. For each and every proxy card and voting instruction form that you receive, please vote as soon as possible using one of the following methods:

by telephone by calling the toll free number as instructed on the enclosed proxy card,

by using the Internet as instructed on the enclosed proxy card; or

by mail by completing, signing, dating and returning the enclosed proxy card in the postage-prepaid envelope enclosed for that purpose.

Q. What should I do if only one set of voting materials for the special meeting are sent and there are multiple Matritech stockholders in my household?

A. Some banks, brokers and other nominee record holders may be participating in the practice of "householding" proxy statements and annual reports. This means that only one copy of this proxy statement may have been sent to multiple stockholders in your household. Matritech will promptly deliver a separate copy of this document to you if you contact Matritech at 330 Nevada Street, Newton, MA 02460, Attn: Investor Relations, or by telephone at (617) 928-0820.

Q. Who can help answer my questions?

A. If you have any questions about the asset sale, the plan of dissolution, the name change or the adjournment proposals, how to submit your proxy, or if you need additional copies of this proxy statement/prospectus or the enclosed proxy card or voting instructions, you should contact: Matritech or its proxy solicitor Georgeson Inc.

Matritech, Inc.
330 Nevada Street
Newton, Massachusetts 02460
(617) 928-0820 x224

Attention: Richard A. Sandberg
Toll Free within the United States and Canada:
1-800-320-2521

Georgeson Inc.
17 State Street, Tenth Floor
New York, New York 10004
Toll Free: 1-877-278-6775

SUMMARY

The following is a summary that highlights information contained in this proxy statement/prospectus. This summary may not contain all of the information that may be important to you. For a more complete description of the asset purchase agreement, the asset sale contemplated by the asset purchase agreement, the plan of dissolution and the name change proposal, we encourage you to read carefully this entire proxy statement/prospectus, including the attached annexes. In addition, we encourage you to read the information incorporated by reference into this proxy statement/prospectus, which includes important business and financial information about Inverness and Matritech that has been filed with the SEC. You may obtain the information incorporated by reference into this proxy statement/prospectus without charge by following the instructions in the section entitled "Where You Can Find More Information" beginning on page 173 of this proxy statement/prospectus.

The Companies

Inverness Medical Innovations, Inc.
51 Sawyer Road, Suite 200
Waltham, Massachusetts 02453
(781) 647-3900

Inverness is a leading global developer, manufacturer and marketer of in vitro diagnostic products for the over-the-counter pregnancy and fertility/ovulation test market and the professional rapid diagnostic test market. Its business is organized into three reportable segments: professional diagnostic products, consumer diagnostic products and vitamins and nutritional supplements. Through its professional diagnostics segment, Inverness develops, manufactures and markets an extensive array of innovative rapid diagnostic test products and other in vitro diagnostic tests to medical professionals and laboratories for detection of infectious diseases, cardiac conditions, drugs of abuse and pregnancy. Inverness' consumer diagnostic segment consists primarily of manufacturing operations related to its role as the exclusive manufacturer of products for SPD Swiss Precision Diagnostics, or Swiss Precision, Inverness' 50/50 joint venture with The Procter & Gamble Company, or P&G. Swiss Precision holds a leadership position in the worldwide over-the-counter pregnancy and fertility/ovulation test market. Inverness also manufactures and markets a variety of vitamins and nutritional supplements under its other brands and those of private label retailers primarily in the U.S. consumer market. Inverness has grown its businesses by leveraging its strong intellectual property portfolio and making selected strategic acquisitions. Its products are sold in approximately 90 countries through its direct sales force and an extensive network of independent global distributors.

Matritech, Inc.
330 Nevada Street
Newton, Massachusetts 02460
(617) 928-0820

Matritech is a biotechnology company principally engaged in the development, manufacture, marketing, distribution and licensing of cancer diagnostic technologies and products based on its proprietary nuclear matrix protein technology. Matritech's revenues are derived primarily from sales of two products, the NMP22® Test Kit and NMP22 BladderChek® Test, which are designed to detect the presence of a specific protein marker in urine correlated with the presence of bladder cancer. Matritech has focused on developing tests for the early detection of various types of cancer based on its proprietary nuclear matrix protein technology, and has discovered proteins associated with cervical, breast, prostate, and colon cancer. In the U.S. and Germany, Matritech's direct sales staff sells the majority of its products, and its products are marketed in other countries through independent distributors. Matritech's German subsidiary, Matritech GmbH, also sells allergy and other diagnostic products manufactured by others.

The Asset Sale (see page 70)

Inverness and Matritech agreed to the acquisition by Inverness of substantially all of the assets of Matritech under the terms of the asset purchase agreement that is described in this proxy statement/prospectus. Pursuant to the asset purchase agreement, Milano Acquisition Corp., a wholly owned subsidiary of Inverness, will acquire substantially all of the assets and specified liabilities of Matritech. Matritech will continue as a public company after the closing of the asset sale. Throughout this proxy statement/prospectus, we refer to Inverness' acquisition of substantially all of the assets and specified liabilities of Matritech pursuant to the asset purchase agreement as the asset sale. We have attached the asset purchase agreement as Annex A to this proxy statement/prospectus. We encourage you to read carefully the asset purchase agreement in its entirety because it is the legal document that governs the asset sale.

Consideration to be Received by Matritech

If the asset sale is completed, Matritech will receive at the closing of the asset sale shares of Inverness common stock valued at \$36 million. In addition, following the closing of the asset sale, Matritech may receive additional consideration of up to \$2 million, payable in cash and/or Inverness common stock, if the assets acquired from Matritech by Inverness generate revenue in excess of targets identified in the asset purchase agreement during the first twelve full calendar months following the closing of the asset sale.

For a full description of the consideration to be paid in connection with the asset sale, see "The Asset Purchase Agreement Consideration to be Received by Matritech" beginning on page 96 of this proxy statement/prospectus.

Plan of Dissolution (see page 108)

If the asset sale is completed and the plan of dissolution is approved by Matritech stockholders, following the asset sale, Matritech intends to file a certificate of dissolution with the Secretary of State of the State of Delaware, which will commence a formal process under which Matritech will give notice of its intention to dissolve, allow its creditors to come forward to make claims for amounts owed to them, reserve amounts for payment to its creditors (including amounts required to cover unknown or contingent liabilities), wind up its affairs, and distribute its remaining assets to its stockholders.

Risk Factors (see page 25)

In evaluating the asset sale and plan of dissolution proposals, you should carefully read this proxy statement/prospectus and especially consider the factors discussed in the section entitled "Risk Factors" beginning on page 25 of this proxy statement/prospectus.

Matritech Stockholders' Meeting; Vote Required (see page 67)

The special meeting of Matritech stockholders will be held on December 12, 2007 at 10:30 a.m. Eastern Time, at the offices of Choate, Hall & Stewart LLP, Two International Place, Boston, MA 02110. At the special meeting, Matritech stockholders will be asked to approve the asset sale proposal, to approve the plan of dissolution proposal, to approve the name change proposal, and to approve the adjournment proposal.

Only holders of record of Matritech capital stock at the close of business on November 9, 2007, the record date, are entitled to notice of and to vote at the special meeting. When the holders of the shares of Series A convertible preferred stock are entitled to vote together with the holders of the shares of Matritech common stock as a single class, each share of Series A convertible preferred stock is entitled to 6.56 votes. As of the record date, there were 62,200,272 shares of Matritech common

stock outstanding and entitled to vote at the special meeting and 81,399 shares of Series A convertible preferred stock, representing voting power equivalent to 533,973 shares of Matritech common stock, outstanding and entitled to vote at the special meeting.

Approval of the asset sale proposal requires the affirmative vote of both the holders of a majority in voting power of the shares of Matritech common stock and the Series A convertible preferred stock outstanding on the record date, voting together as a single class, and the holders of at least 75% of the shares of the Series A convertible preferred stock outstanding on the record date, voting as a separate class.

Approval of each of the plan of dissolution and name change proposals requires the affirmative vote of the holders of a majority in voting power of the shares of Matritech common stock and Series A convertible preferred stock outstanding on the record date, voting together as a single class.

Approval of the adjournment proposal requires the affirmative vote of the holders of a majority in voting power of the shares of Matritech common stock and Series A convertible preferred stock, voting together as a single class, present, either in person or by proxy, and entitled to vote at the special meeting.

Recommendation of the Matritech Board of Directors (see page 78)

The Matritech board of directors has determined that the proposals are advisable, and fair to and in the best interests of Matritech and its stockholders, and recommends that you vote **"FOR"** the asset sale proposal, **"FOR"** the plan of dissolution proposal, **"FOR"** the name change proposal and **"FOR"** the adjournment proposal.

In considering the recommendation of the Matritech board of directors with respect to the asset sale, Matritech stockholders should be aware that certain executive officers and directors of Matritech have interests in the asset sale that may be different from, or in addition to, the interests of Matritech stockholders generally. These interests include:

change of control benefits that will be owed to certain executive officers of Matritech

severance benefits that will be owed to certain executive officers of Matritech if they do not become employees of Inverness or Milano in connection with the asset sale;

the vesting of deferred cash bonuses, stock options and restricted stock and restricted stock units of certain executive officers of Matritech upon the closing of the asset sale;

the payment of pro-rated bonuses for the portion of the current calendar year through the closing of the asset sale;

the payment of any retention bonuses to executive officers in consideration of their continued employment by Matritech during the period between the signing of the asset purchase agreement and the closing of the asset sale;

the right to continued indemnification and insurance coverage for acts or omissions occurring prior to the asset sale;

for one director, his ownership of outstanding secured promissory notes and Series A convertible preferred stock; and

the positions at Inverness that certain Matritech executive officers may occupy upon completion of the asset sale.

The Matritech board of directors was aware of these interests and considered them, among other matters, in making its recommendation. Those Matritech directors deemed to be "interested" in the asset sale abstained from voting on the asset purchase agreement and the asset sale.

Opinion of Matritech's Financial Advisor (see page 81 and Annex D)

In connection with the asset sale, the Matritech board of directors received a written opinion, dated August 22, 2007, of Matritech's financial advisor, CIBC World Markets Corp., as to the fairness, from a financial point of view and as of the date of the opinion, of the aggregate purchase price to be received by Matritech in the asset sale. The full text of CIBC World Markets' written opinion, dated August 22, 2007, is attached to this proxy statement/prospectus as Annex D. The opinion should be read carefully in its entirety for a description of the assumptions made, procedures followed, matters considered and limitations on the review undertaken. CIBC World Markets' opinion was provided to the Matritech board of directors in connection with its evaluation of the aggregate purchase price from a financial point of view to Matritech. CIBC World Markets' opinion does not address any other aspect of the asset sale and does not constitute a recommendation to any securityholder as to how such securityholder should vote or act with respect to any matters relating to the asset sale or otherwise.

Ownership of Inverness Following the Asset Sale

Because the consideration received by Matritech at the closing of the asset sale and, potentially, in connection with the earn-out payment, if any, will be based on the fair market value of Inverness common stock shortly before the date of issuance, the number of shares of common stock of Inverness will ultimately issue in connection with the asset sale cannot be determined at this time. However, based on the average closing price per share of Inverness common stock during the consecutive ten trading day period ending on November 9, 2007, Inverness would be required to issue approximately 594,256 shares of Inverness common stock to Matritech at the closing of the asset sale and up to an additional 33,014 shares of Inverness common stock in connection with a full payment of the earn-out. Based on the foregoing assumptions, immediately following the closing of the asset sale, and excluding any additional shares that may become issuable to Matritech in connection with the earn-out, Matritech would own approximately 1% of the outstanding shares of Inverness common stock (based on the number of Inverness shares outstanding as of November 9, 2007).

Share Ownership of Matritech Directors and Executive Officers

As of the record date, the directors and executive officers of Matritech and their affiliates owned and were entitled to vote 2,894,622 shares of Matritech common stock, which represents approximately 4.6% of the Matritech common stock outstanding on that date, and a director of Matritech and his affiliates owned and were entitled to vote 57,368 shares of Series A convertible preferred stock, which represents approximately 70.5% of the Matritech Series A convertible preferred stock outstanding on that date.

Conditions to Obligations to Complete the Asset Sale (see page 104)

A number of conditions must be satisfied before the asset sale can be completed. These include, among others:

the approval of the asset sale proposal by Matritech stockholders;

the effectiveness of a registration statement on Form S-4 and there being no pending or threatened stop order issued by the SEC relating thereto;

the absence of any law or order that makes the consummation of the asset sale illegal;

the absence of any instituted or pending action or proceeding by any governmental entity challenging or seeking to restrain or prohibit the consummation of the asset sale or any of the transactions contemplated by the asset purchase agreement;

the continued accuracy, in all material respects, of the representations and warranties of the parties;

the receipt by Inverness of all consents or other authorizations required to be obtained from its lenders in connection with the asset sale, if any;

the performance or compliance in all material respects of each party with all agreements and covenants contained in the asset purchase agreement and required to be performed or complied with at or before the closing;

the absence of material adverse changes with respect to Matritech since August 27, 2007, the date of the asset purchase agreement; and

the authorization for listing on the American Stock Exchange, or AMEX, of the shares of Inverness common stock to be issued in the asset sale.

Each of Inverness, Milano Acquisition Corp. and Matritech may waive the conditions to the performance of its respective obligations under the asset purchase agreement and complete the asset sale even though one or more of these conditions have not been met. Neither Inverness nor Matritech can give any assurance that all of the conditions to the asset sale will be either satisfied or waived or that the asset sale will occur.

Regulatory Matters (see page 93)

Neither Inverness nor Matritech is aware of any regulatory or governmental actions or approvals required to complete the asset sale. Matritech is not aware of any regulatory or governmental requirements that must be complied with or regulatory or governmental approvals that must be obtained in connection with the plan of dissolution, other than the approval of the Delaware Court of Chancery, in connection with establishing the proper form and amount of reserves to be held by Matritech.

Matritech Is Prohibited From Soliciting Other Offers (see page 101)

The asset purchase agreement contains detailed provisions that prohibit Matritech, its subsidiaries and their respective officers, directors and representatives from taking any action to solicit or engage in discussions or negotiations with any person or group with respect to an acquisition proposal, as defined in the asset purchase agreement, any proposal for the issuance by Matritech of over 30% of its equity securities, or any proposal or offer to acquire in any manner, directly or indirectly, over 30% of the equity securities or a substantial portion of the consolidated total assets of Matritech, in each case other than the transactions contemplated by the asset purchase agreement.

Termination of the Asset Purchase Agreement and Termination Fee (see page 106)

The asset purchase agreement specifies circumstances under which either Inverness or Matritech may terminate the agreement including, among others, the following:

the asset sale is not consummated by January 31, 2008;

a governmental entity issues a final order, decree or ruling or takes any other final action permanently restraining, enjoining or otherwise prohibiting the asset sale;

Matritech's stockholders do not approve the asset sale proposal at the special meeting; or

the other party breaches its representations and warranties under the asset purchase agreement or fails to perform its obligations under the asset purchase agreement, subject in each case to a twenty-day cure period.

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The asset purchase agreement also specifies circumstances under which Inverness may terminate the agreement if triggering events identified in the asset purchase agreement occur. These triggering events generally relate to the obligations of the Matritech board of directors to maintain its recommendation of the approval of the asset sale proposal and the obligations of Matritech regarding the solicitation or acceptance of competing proposals.

Under circumstances specified in the asset purchase agreement, Matritech may terminate the asset purchase agreement to enter into a definitive agreement for a superior acquisition proposal, but only if it has complied with its obligations regarding the solicitation of competing proposals and has paid Inverness the termination fee described below.

Matritech has agreed to pay Inverness \$1.08 million as a termination fee if:

the asset purchase agreement is terminated following the occurrence of certain triggering events identified in the asset purchase agreement;

the asset purchase agreement is terminated following the failure to obtain stockholder approval of the asset sale proposal set forth in this proxy statement/prospectus or because the asset sale does not close by January 31, 2008, if, within twelve months thereafter:

Matritech consummates an acquisition; or

Matritech enters into a binding agreement providing for an acquisition, and the acquisition is consummated within twelve months following the signing of the agreement.

Material United States Federal Income Tax Consequences of the Asset Sale (see page 91)

Matritech stockholders are urged to read the discussion in the section entitled "Proposal One The Asset Sale Proposal Material United States Federal Income Tax Consequences of the Asset Sale" beginning on page 91 of this proxy statement/prospectus and to consult their tax advisors as to the United States federal income tax consequences of the asset sale, as well as the effect of state, local and foreign tax laws.

Material United States Federal Income Tax Consequences of the Dissolution (see page 118)

Matritech stockholders are urged to read the discussion in the section entitled "Proposal Two Plan of Dissolution Proposal Material United States Federal Income Tax Consequences of the Dissolution" beginning on page 118 of this proxy statement/prospectus and to consult their tax advisors as to the United States federal income tax consequences of the dissolution, as well as the effect of state, local and foreign tax laws.

Accounting Treatment (see page 93)

In accordance with accounting principles generally accepted in the United States, or GAAP, Inverness will account for the asset sale using the purchase method of accounting for business combinations.

SUMMARY SELECTED HISTORICAL FINANCIAL DATA OF INVERNESS

The following selected financial data of Inverness as of and for each of the five fiscal years in the period ended December 31, 2006 have been derived from Inverness' audited historical financial statements. The following selected financial data of Inverness as of and for the six months ended June 30, 2006 and 2007 have been derived from Inverness' unaudited historical financial statements. The data below is only a summary and should be read in conjunction with Inverness' financial statements and accompanying notes, as well as management's discussion and analysis of financial condition and results of operations, all of which can be found in publicly available documents, including those incorporated by reference into this proxy statement/prospectus. For a complete list of the documents incorporated by reference into this proxy statement/prospectus, please see "Where You Can Find More Information" beginning on page 173 of this proxy statement/prospectus.

	Year Ended December 31,					Nine Months Ended September 30,	
	2002(1)	2003	2004	2005	2006	2006	2007
	(in thousands)					(unaudited) (in thousands)	
Statement of Operations Data:							
Net product sales	\$ 200,399	\$ 285,430	\$ 365,432	\$ 406,457	\$ 552,130	\$ 400,246	\$ 534,521
License and royalty revenue	6,405	9,728	8,559	15,393	17,324	12,200	17,059
Net revenue	206,804	295,158	373,991	421,850	569,454	412,446	551,580
Cost of sales	114,653	167,641	226,987	269,538	340,231	250,551	296,604
Gross profit	92,151	127,517	147,004	152,312	229,223	161,895	254,976
Operating expenses:							
Research and development	14,508	24,367	31,954	30,992	48,706	34,789	44,649
Purchase of in-process research and development					4,960	4,960	169,000
Sales and marketing	39,570	52,504	57,957	72,103	94,445	69,498	104,847
General and administrative	38,628	35,812	52,707	59,990	71,243	51,606	119,161
Loss on dispositions, net					3,498	3,191	
Charge related to asset impairment	12,682						
Operating income (loss)	(13,237)	14,834	4,386	(10,773)	6,371	(2,149)	(182,681)
Interest expense and other expenses, net	(5,955)	(3,270)	(18,707)	(1,617)	(17,822)	(17,106)	(47,416)
(Loss) income from continuing operations before provision for income taxes	(19,192)	11,564	(14,321)	(12,390)	(11,451)	(19,255)	(230,097)
Provision for income taxes	3,443	2,911	2,275	6,819	5,727	3,884	1,550
Equity earnings of unconsolidated entities, net of tax					336	270	2,666
(Loss) income from continuing operations	\$ (22,635)	\$ 8,653	\$ (16,596)	\$ (19,209)	\$ (16,842)	\$ (22,869)	\$ (228,981)
(Loss) income from continuing operations available to common stockholders basic and diluted(2)	\$ (34,583)	\$ 7,695	\$ (17,345)	\$ (19,209)	\$ (16,842)	\$ (22,869)	\$ (228,981)
(Loss) income per common share(2):							
Basic(2)	\$ (3.48)	\$ 0.49	\$ (0.87)	\$ (0.79)	\$ (0.49)	\$ (0.70)	\$ (4.89)

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	Year Ended December 31,				Nine Months Ended September 30,									
Diluted(2)	\$	(3.48)	\$	0.44	\$	(0.87)	\$	(0.79)	\$	(0.49)	\$	(0.70)	\$	(4.89)

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	December 31,					September 30,	
	2002(1)	2003	2004	2005	2006	2006	2007
	(in thousands)					(unaudited) (in thousands)	
Balance Sheet Data:							
Cash and cash equivalents	\$ 30,668	\$ 24,622	\$ 16,756	\$ 34,270	\$ 71,104	\$ 74,572	\$ 153,345
Working capital	27,685	44,693	62,615	84,523	133,313	147,622	315,157
Total assets	356,495	540,529	568,269	791,166	1,085,771	1,068,066	3,491,541
Total debt	104,613	176,181	191,224	262,504	202,976	201,966	1,349,364
Redeemable convertible preferred stock	9,051	6,185					
Total stockholders' equity	161,849	265,173	271,416	397,308	714,138	694,737	1,307,049

(1)

Upon the adoption of Statement of Financial Accounting Standards, or SFAS, No. 142, *Goodwill and Other Intangible Assets*, on January 1, 2002, Inverness recorded an impairment charge of \$12.1 million, or \$1.22 per basic and diluted share, and accounted for the charge as a cumulative effect of a change in accounting principle which was subtracted from loss before provision for income taxes to arrive at net loss. Consequently, net loss available to common stockholders in 2002 was \$46.7 million, or \$4.70 per basic and diluted share.

(2)

(Loss) income available to common stockholders and basic and diluted (loss) income per common share are computed as described in Notes 2(m) and 13 of Inverness' consolidated financial statements included in its Annual Report on Form 10-K for the year ended December 31, 2006, and Note 6 of Inverness' consolidated financial statements included in its Quarterly Report on Form 10-Q for the period ended September 30, 2007.

SUMMARY UNAUDITED PRO FORMA CONDENSED FINANCIAL DATA OF INVERNESS

Since December 31, 2005, Inverness has completed a number of significant acquisitions and dispositions, including the following:

Inverness' acquisition of Cholestech Corporation in September 2007;

Inverness' acquisition of Biosite Incorporated in June 2007, including the related financing transactions;

the formation of Inverness' 50/50 joint venture with The Procter & Gamble Company, or P&G, in May 2007 for the development, manufacturing, marketing and sale of certain consumer diagnostic products, pursuant to which Inverness contributed its consumer diagnostics net assets to the joint venture and received a cash payment of \$325 million;

Inverness' acquisition of Instant Technologies, Inc. in March 2007; and

Inverness' acquisition of the Innovacon business, including the ABON facility, in March 2006.

The following tables present summary unaudited pro forma condensed financial data that reflect the acquisitions and dispositions described above.

The following tables do not reflect the pro forma effect of the proposed asset sale, nor do they reflect the pro forma effect of other acquisitions that Inverness has completed since December 31, 2005 or that are currently pending, none of which is significant enough to require the presentation of pro forma financial information. All acquisitions are reflected using the purchase method of accounting, and the actual operating results of Biosite, Instant and the Innovacon business are included in Inverness' historical financial results only from their respective dates of acquisition.

This information is derived from and should be read in conjunction with Inverness' unaudited pro forma condensed combined financial statements filed with the SEC on a current report on Form 8-K dated September 5, 2007, as well as the historical financial statements and notes thereto of Inverness and each other acquired business, all of which are incorporated by reference in this proxy statement/prospectus.

The unaudited pro forma condensed combined statements of operations data assume that the acquisitions of Cholestech, Biosite (including the related financing transactions), Instant and Innovacon, and the consummation of the 50/50 joint venture with P&G occurred on January 1, 2006. The unaudited pro forma condensed combined balance sheet data assume that the acquisition of Cholestech occurred on June 30, 2007. The historical Inverness balance sheet as of June 30, 2007 reflects the acquisitions of Biosite (including the related financing transactions), Instant and Innovacon, and the consummation of the 50/50 joint venture with P&G.

The pro forma data in the following tables account for the Cholestech acquisition using the purchase method of accounting and represent a current estimate based on available information of the combined results of operations of Inverness and Cholestech for the periods presented. As of the date of this proxy statement/prospectus, Inverness has not completed the detailed valuation studies necessary to arrive at the required estimates of the fair market value of the Cholestech assets acquired and liabilities assumed and the related allocations of its purchase price, nor has it identified all the adjustments necessary to conform Cholestech's data to Inverness' accounting policies. Similarly, Inverness has not completed the detailed valuation studies necessary to arrive at the required estimates of the fair market value of the assets acquired and liabilities assumed in the Biosite acquisition and the related allocation of its purchase price, nor has it identified all the adjustments necessary to conform Biosite's data to Inverness' accounting policies. However, Inverness has made certain adjustments to the historical book values of the assets and liabilities of Cholestech as of June 30, 2007 and Biosite as of June 26, 2007 (the date of the Biosite acquisition) to reflect certain preliminary estimates of the fair

values necessary to prepare the unaudited pro forma condensed combined financial data. The fair value adjustments included in the unaudited pro forma condensed combined financial data represent Inverness management's estimates of these adjustments based upon currently available information. The preliminary purchase price allocations assigned value to certain identifiable intangible assets, including, among other things, customer relationships, core technology and trademarks. Actual results may differ from this unaudited pro forma combined data once Inverness has determined the respective final purchase prices for Cholestech and Biosite and has completed the detailed valuation studies necessary to finalize the required purchase price allocations and identified any necessary conforming accounting policy changes for Cholestech and Biosite. Accordingly, the final purchase price allocations, which will or may be determined subsequent to the closing of the asset sale, and their effects on results of operations, may differ materially from the unaudited pro forma combined amounts included in this section.

The unaudited pro forma condensed combined financial data are presented for illustrative purposes only and do not purport to be indicative of the results of operations or financial position for future periods or the results that actually would have been realized had the Cholestech acquisition or the other transactions described above been consummated as of January 1, 2006 or June 30, 2007.

**Pro forma
Combined Company
(unaudited)**

(in thousands, except per share amounts)

	For the twelve months ended December 31, 2006	For the six months ended June 30, 2007
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Pro forma Combined Condensed Statement of Operations

Data:

Net product sales	\$ 866,305	\$ 461,863
Research and license revenues	22,655	10,709
	\$ 888,960	\$ 472,572
Net revenues	\$ 888,960	\$ 472,572
Cost of sales	480,886	234,233
	408,074	238,339
Gross profit	408,074	238,339
Operating expenses:		
Research and development	108,136	46,706
Sales and marketing	186,139	101,642
General and administrative	167,945	57,512
Loss on dispositions	3,498	
	465,718	205,860
Total operating expenses	465,718	205,860
	(57,644)	32,479
Operating income	(57,644)	32,479
Interest and other income (expense), net	(106,680)	(40,283)
	(164,324)	(7,804)
(Loss) income before income taxes	(164,324)	(7,804)
Income tax provision	4,649	3,683
	\$ (168,973)	\$ (11,487)
Net (loss) income	\$ (168,973)	\$ (11,487)
Net loss per common share:		
Basic	\$ (4.00)	\$ (0.22)
	\$ (4.00)	\$ (0.22)
Diluted	\$ (4.00)	\$ (0.22)

**Pro forma
Combined Company
(unaudited)
(in thousands)
as of June 30, 2007**

Balance Sheet Data:

Cash and short term investments	\$	214,462
Working capital		349,886
Total assets		3,546,834
Total debt		1,414,264
Redeemable convertible preferred stock		
Total stockholders' equity		1,426,295

SUMMARY SELECTED HISTORICAL FINANCIAL DATA OF MATRITECH

The following selected financial data of Matritech as of and for each of the five fiscal years in the period ended December 31, 2006 have been derived from Matritech's audited historical financial statements. The following selected financial data of Matritech as of and for the nine months ended September 30, 2007 and 2006 have been derived from Matritech's unaudited historical financial statements. The data below is only a summary and should be read in conjunction with Matritech's financial statements and accompanying notes, as well as management's discussion and analysis of financial condition and results of operations, all of which can be found in publicly available documents, including those incorporated by reference into this proxy statement/prospectus. For a complete list of the documents incorporated by reference into this proxy statement/prospectus, please see "Where You Can Find More Information" beginning on page 173 of this proxy statement/prospectus.

	Year Ended December 31,					Nine Months Ended September 30,	
	2002	2003	2004	2005	2006	2006	2007
	(in thousands)					(unaudited) (in thousands)	
Statement of Operations Data:							
Revenue:							
Product Sales, net of allowance	\$ 3,094	\$ 4,018	\$ 7,275	\$ 10,290	\$ 12,085	\$ 8,484	\$ 10,011
Alliance and collaboration revenues	186	357	208	125	110	78	687
Total revenue	3,280	4,375	7,483	10,415	12,195	8,562	10,698
Expenses:							
Cost of product sales	2,149	2,009	2,580	3,085	3,122	2,280	2,374
Research & development and clinical & regulatory	3,805	2,648	2,726	2,863	2,869	2,257	1,740
Selling, general and administrative	5,658	6,574	10,545	12,197	14,234	10,668	12,838
Total operating expenses	11,612	11,231	15,851	18,145	20,225	15,205	16,952
Gain on sale of fixed assets				60			
Loss from operations	(8,332)	(6,856)	(8,368)	(7,670)	(8,030)	(6,643)	(6,254)
Interest income	75	77	98	120	136	120	49
Interest expense	(21)	(1,099)	(2,853)	(2,215)	(3,987)	(3,027)	(7,348)
Mark-to-market adjustment from warrants				1,900			
Mark-to-market adjustment from registration rights					(54)	(49)	
Net loss	\$ (8,278)	\$ (7,878)	\$ (11,123)	\$ (7,865)	\$ (11,935)	\$ (9,599)	\$ (13,553)
Beneficial conversion feature related to Series A convertible preferred stock				(1,627)			
Net loss attributable to common stockholders	\$ (8,278)	\$ (7,878)	\$ (11,123)	\$ (9,492)	\$ (11,935)	\$ (9,599)	\$ (13,553)
	\$ (0.27)	\$ (0.24)	\$ (0.27)	\$ (0.21)	\$ (0.22)	\$ (0.18)	\$ (0.22)

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	Year Ended December 31,				Nine Months Ended September 30,		
Basic/diluted net loss per common share							
Basic and diluted weighted average number of common shares outstanding	30,490	32,957	40,687	45,003	54,596	54,044	60,333

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	December 31,					September 30,	
	2002	2003	2004	2005	2006	2006	2007
	(in thousands)					(unaudited) (in thousands)	
Balance Sheet Data:							
Cash and cash equivalents	\$ 4,172	\$ 7,518	\$ 4,906	\$ 1,790	\$ 1,460	\$ 1,786	\$ 2,796
Working capital	\$ 3,664	\$ 5,434	\$ 3,180	\$ 1,643	\$ (3,607)	\$ (1,220)	\$ (10,791)
Total assets	\$ 6,818	\$ 10,418	\$ 8,246	\$ 5,628	\$ 5,506	\$ 6,175	\$ 6,715
Long-term debt	\$ 316	\$ 1,338	\$ 378	\$ 10	\$ 95	\$ 389	\$ 12
Series A convertible preferred stock				729	104	104	104
Accumulated deficit	\$ (71,121)	\$ (78,999)	\$ (90,122)	\$ (97,987)	\$ (109,922)	\$ (107,586)	\$ (123,150)
Total stockholders' equity (deficit)	\$ 3,839	\$ 4,798	\$ 3,395	\$ 1,354	\$ (2,900)	\$ (739)	\$ (9,907)

COMPARATIVE PER SHARE MARKET DATA

Inverness common stock trades on the American Stock Exchange under the symbol "IMA." Matritech common stock trades on the American Stock Exchange under the symbol "MZT."

The following table sets forth the closing prices for Inverness common stock and Matritech common stock as reported on the American Stock Exchange on August 27, 2007, the last trading day before Inverness and Matritech announced the asset sale, and November 9, 2007, the last trading day before the date of this proxy statement/prospectus.

	Inverness Common Stock	Matritech Common Stock
August 27, 2007	\$ 46.93	\$ 0.20
November 9, 2007	\$ 59.87	\$ 0.11

The above table shows only historical comparisons. These comparisons may not provide meaningful information to Matritech stockholders in determining whether to approve the asset sale proposal. Matritech stockholders are urged to obtain current market quotations for Inverness and Matritech common stock and to review carefully the other information contained in this proxy statement/prospectus or incorporated by reference into this proxy statement/prospectus, when considering whether to approve the asset sale proposal. See "Where You Can Find More Information" beginning on page 173 of this proxy statement/prospectus.

Market Information

Inverness common stock trades on AMEX under the symbol "IMA." The following table sets forth the high and low sales prices of Inverness common stock on AMEX for the first three quarters during fiscal 2007 and for each quarter during fiscal 2006 and 2005.

	High	Low
Fiscal 2007		
Fourth Quarter (through November 9, 2007)	\$ 65.00	\$ 53.55
Third Quarter	\$ 55.79	\$ 44.17
Second Quarter	\$ 53.85	\$ 38.00
First Quarter	\$ 44.72	\$ 36.62
Fiscal 2006		
Fourth Quarter	\$ 41.50	\$ 34.01
Third Quarter	\$ 36.02	\$ 25.99
Second Quarter	\$ 32.00	\$ 24.60
First Quarter	\$ 29.00	\$ 23.63
Fiscal 2005		
Fourth Quarter	\$ 27.01	\$ 21.90
Third Quarter	\$ 29.51	\$ 24.70
Second Quarter	\$ 29.99	\$ 21.25
First Quarter	\$ 25.87	\$ 20.49

RISK FACTORS

In addition to the other information included in this proxy statement/prospectus, including the matters addressed in "Cautionary Statement Concerning Forward-Looking Statements" beginning on page 66 of this proxy statement/prospectus, you should carefully consider the following risks before deciding whether to vote for the proposals set forth herein. In addition, you should read and consider the risks associated with each of the businesses of Inverness and Matritech because these risks will also affect the combined company.

Risk Factors Relating to the Asset Sale

Whether or not the asset sale is completed, there may be few, if any, assets available for distribution to Matritech stockholders.

If the asset sale is not completed and Matritech is unable on a timely basis to identify an alternative source of working capital or enter into an alternative business combination transaction, Matritech believes that it is likely that it will file for or be forced into bankruptcy. In this event, it is extremely unlikely that Matritech would be able to pay, or provide for the payment of, all of its liabilities and obligations, and, therefore, there would be no assets available for distribution to Matritech's stockholders.

If the asset sale is completed, even though Matritech currently expects that the proceeds received at the closing will be sufficient to pay, or provide for the payment of, all of Matritech's known liabilities and obligations, it is possible that, in the course of the dissolution process, unknown liabilities will arise that will cause Matritech to have insufficient proceeds to make distributions to its stockholders.

Failure to complete the asset sale would likely result in Matritech discontinuing its business and operations, negatively affect Matritech's stock price and/or reduce the assets available for distribution to Matritech's stockholders.

If the asset sale is not completed for any reason, Matritech would likely be subject to a number of material risks, including the following:

Matritech may be unable to dispose of its assets for values equaling or exceeding its liabilities and obligations, particularly the assets that are the subject of the asset sale, which may be substantially diminished in value. As discussed in "Proposal One The Asset Sale Proposal Background of the Asset Sale" beginning on page 70 of this proxy statement/prospectus, Matritech's process of seeking an acquiror did not yield another bid, even at a lower price;

Matritech may be unable to secure additional capital or to enter into an alternative business combination transaction, which would likely force Matritech to resort to bankruptcy protection since it would be unable to pay its liabilities and obligations when due, including its liabilities under its outstanding secured notes;

Matritech would still be required to pay expenses incurred in connection with the consummation of the asset sale, including legal and accounting fees, which Matritech estimates to be approximately \$0.4 million;

Matritech's employees may, faced with uncertain futures in light of the proposed asset sale, seek alternative employment, which may have a negative impact on Matritech's ability to continue its operations;

Matritech may be required to pay Inverness a termination fee of \$1.08 million; and

Matritech's customers may, in response to the announcement and pendency of the asset sale, delay or defer purchasing decisions, which would have a negative impact on Matritech's ongoing business.

The occurrence of any of the above would likely impair the ability of Matritech to conduct its operations and business, and force Matritech to discontinue its operations altogether. Any such discontinuation would likely cause the price of Matritech common stock to decline. In addition, the price of Matritech common stock may decline further if the current market price of Matritech common stock reflects an assumption that the asset sale will be completed. Additionally, if the asset sale is not completed and Matritech is forced to declare bankruptcy, there may be fewer assets available to distribute to Matritech's stockholders than would be available if the asset sale were completed and the plan of dissolution proposal were approved.

Even if Matritech's stockholders approve the asset sale, the asset sale may not be completed.

The completion of the asset sale is subject to numerous closing conditions, some of which are out of Matritech's control, and there can be no guarantee that Matritech will be able to satisfy all of the closing conditions set forth in the asset purchase agreement. Conditions to closing under the asset purchase agreement include, for example, Inverness' obtaining the consent of its lender with respect to the asset sale, if required, and no material adverse change having occurred with respect to Matritech during the period prior to the closing of the asset sale. As a result, even if the asset sale is approved by the required vote of its stockholders at the special meeting, Matritech cannot guarantee that the asset sale will be completed. If the asset sale is not completed, Matritech would not have sufficient capital to repay its outstanding indebtedness when due, and this would likely force Matritech to resort to bankruptcy protection.

The asset purchase agreement limits Matritech's ability to pursue alternatives to the asset sale.

The asset purchase agreement contains provisions that make it more difficult for Matritech to sell its business to a party other than Inverness. These provisions include the general prohibition on Matritech soliciting any acquisition proposal or offer for a competing transaction, the requirement that Matritech pay a termination fee of \$1.08 million if the asset purchase agreement is terminated in specified circumstances and the requirement that Matritech submit the principal terms of the asset sale to a vote of Matritech stockholders, even if the Matritech board of directors changes its recommendation. See "The Asset Purchase Agreement Termination" beginning on page 106 of this proxy statement/prospectus, "The Asset Purchase Agreement Termination Fee" beginning on page 107 of this proxy statement/prospectus and "The Asset Purchase Agreement Obligation of the Matritech Board of Directors with Respect to Its Recommendation and Holding of a Stockholders' Meeting" beginning on page 101 of this proxy statement/prospectus.

These provisions could discourage a third party that might have an interest in acquiring all of or a significant part of Matritech from considering or proposing that acquisition, even if that party were prepared to pay consideration with a higher value than the consideration to be paid by Inverness. Furthermore, the termination fee may result in a potential competing acquiror offering to pay a lower per share price to acquire Matritech than it might otherwise have offered to pay. The payment of the termination fee could also have an adverse effect on Matritech's financial condition.

Inverness' right to be advised of and to submit a new offer not less favorable to Matritech than any unsolicited third-party acquisition offer, as set forth in the asset purchase agreement, continues until the termination of the asset purchase agreement, which could make it more difficult for Matritech to complete an alternative business combination transaction.

All of Matritech's outstanding secured notes mature on December 13, 2007, and if the asset sale does not close by this date, Matritech may default on these notes.

All of Matritech's outstanding secured promissory notes, in the aggregate principal amount of \$12.3 million, mature on December 13, 2007, or earlier if the asset sale closes prior to that date. If the

asset sale does not close prior to December 13, 2007, and if the holders of these outstanding secured notes do not agree to grant Matritech an extension of this maturity date, Matritech may be required to locate and receive additional, alternate financing to enable it to repay these outstanding secured notes. There can be no guaranty, however, that Matritech will be successful in locating and receiving this alternate financing on acceptable terms or at all. As a result, it is possible that if the asset sale has not closed prior to December 13, 2007, Matritech may not have funds available to satisfy its obligations under its outstanding secured notes and may, as a result, default on these notes. Further, since these notes are secured by Matritech's assets, if Matritech defaulted on its obligations under these notes, it is possible that the holders of these secured notes could take action to enforce their security interest in Matritech's assets. Were this to occur, Matritech would not likely be able to consummate the asset sale to Inverness or any other business combination transaction. If the closing of the asset sale does not occur prior to December 13, 2007, Matritech would have to seek extension agreements from the holders of its outstanding secured promissory notes. Matritech may incur higher interest costs or other costs in connection with any extension it may negotiate with these note holders.

A portion of the consideration that may become payable to Matritech is contingent upon the assets to be acquired by Inverness generating revenue in excess of targets specified in the asset purchase agreement.

In addition to the consideration to be paid to Matritech at closing, Inverness has agreed to pay additional consideration of up to \$2.0 million, payable in cash and/or shares of Inverness common stock, in the event the assets acquired from Matritech generate revenue in excess of the targets specified in the asset purchase agreement during the twelve month period following the closing of the asset sale. The amount of revenue these assets will ultimately generate during such twelve-month period are subject to numerous factors outside of Matritech's control, including:

Inverness' ability to leverage the existing customer and distributor relationships of Matritech;

Inverness' ability to operate Matritech's business successfully despite the departure of management and other key employees of Matritech;

the resources Inverness allocates to Matritech's business; and

risks affecting Matritech's industry in general and Matritech's business in particular, including the business risks described in this section under the heading "Risk Factors Relating to Matritech" beginning on page 51 of this proxy statement/prospectus.

If the revenues associated with the assets to be purchased by Inverness in the asset sale are not sufficient during such twelve-month period to trigger the payment of some or all of the additional consideration described above, the amount that will ultimately be distributable to Matritech stockholders will not be increased. For a comparison of estimated distributions with and without the payment of additional consideration, please see "Proposal Two The Plan of Dissolution Proposal" beginning on page 108 of this proxy statement/prospectus.

The market price of Inverness common stock has been historically volatile and is subject to fluctuations in price and liquidity based on business risks, market conditions and other factors. As a result, the cash proceeds Matritech will realize from the sale of the Inverness common stock received in the asset sale are uncertain.

If the asset sale is completed, Inverness will issue shares of Inverness common stock to Matritech based on the average closing price per share of Inverness common stock for the ten trading day period ending on the second trading day immediately prior to the date of the closing of the asset sale. Inverness has committed in the asset purchase agreement to register these shares under the Securities Act for resale by Matritech, and Matritech expects to be able to resell all of these shares within a short

period following the closing of the asset sale. However, it is possible that as a result of market conditions, securities laws restrictions, restrictions contained in the asset purchase agreement, or other factors, that Matritech may face unexpected delays in reselling the shares it receives from Inverness.

Matritech and its stockholders will bear the risks associated with Inverness' business, market risks and any decline in the trading price of Inverness common stock during the period between the date on which the stock consideration for the asset sale is finally valued pursuant to the asset purchase agreement and the date on which Matritech is ultimately able to resell such shares of Inverness common stock. The market price of Inverness common stock has been historically volatile. During the twelve-month period ending on November 9, 2007, the closing price of Inverness common stock varied from a low of \$37.25 to a high of \$64.65, and ended that period at \$59.87. We urge you to obtain current market quotations for Inverness common stock before you vote your shares.

For a description of the businesses of Inverness and certain related risks, see "Risk Factors Risk Factors Relating to Inverness" beginning on page 34 of this proxy statement/prospectus. For a more detailed description of the businesses of Inverness and Matritech, see Inverness' Annual Report on Form 10-K for the fiscal year ended December 31, 2006 and Matritech's Annual Report on Form 10-K for the fiscal year ended December 31, 2006, and the other documents incorporated by reference into this proxy statement/prospectus.

Matritech will be exposed to a number of tax-related risks in connection with the asset sale.

The asset sale will be treated as a taxable sale of assets and Matritech will report a taxable gain. The proceeds of the asset sale for this purpose will include both the fair market value of the shares of Inverness common stock delivered to Matritech as consideration for the asset sale and the liabilities of Matritech to be assumed by Inverness. If the gains recognized by Matritech as a result of the asset sale exceed the loss carryforwards currently available for purposes of either the regular income tax or the alternative minimum tax, Matritech may be exposed to a tax obligation exceeding the cash available to it to pay such obligation. Although the asset sale will not be taxable directly to Matritech's stockholders, Matritech's subsequent dissolution will be taxable to Matritech's stockholders. For a discussion of tax-related risks to Matritech and the Matritech stockholders relating to the dissolution of Matritech, see "Risk Factors Risk Factors Relating to the Dissolution of Matritech" beginning on page 29 of this proxy statement/prospectus. For a discussion of the material United States federal income tax consequences of the asset sale, see "Proposal One The Asset Sale Proposal Material United States Federal Income Tax Consequences of the Asset Sale" beginning on page 91 of this proxy statement/prospectus.

Matritech may have undergone an "ownership change" for purposes of Section 382 of the Internal Revenue Code, which could affect its ability to offset gains.

Matritech does not believe that it has undergone an "ownership change" within the meaning of Section 382 of the Internal Revenue Code of 1986, as amended, which we refer to as the Internal Revenue Code, as a result of the number of financing transactions involving equity instruments it has completed during the past five years. This belief, however, is subject to uncertainty because the calculations are complex and because the ultimate determination of these matters may be made by the Internal Revenue Service and not by Matritech. If Matritech has undergone one or more of these changes, its net operating losses existing as of the date of each ownership change may be unavailable in whole or in large part to offset gains from the sale of Matritech's assets to Inverness.

If Matritech is unable to offset fully for tax purposes gains recognized in respect of the asset sale with its tax loss carryforwards, Matritech may incur a federal income tax liability that could materially and adversely affect the amount otherwise available for distribution to Matritech's stockholders.

Certain directors and executive officers of Matritech have interests in the asset sale that may be different from, or in addition to, the interests of Matritech stockholders.

When considering the Matritech board of directors' recommendation that Matritech stockholders vote in favor of the asset sale proposal, Matritech stockholders should be aware that some directors and executive officers of Matritech have interests in the asset sale that may be different from, or in addition to, the interests of Matritech stockholders. These interests include agreements that provide for various payments following a change of control such as the asset sale, the acceleration of the vesting of restricted stock, restricted stock units and stock options, and the right to continued indemnification and insurance coverage for acts or omissions occurring prior to the asset sale. In addition, one of Matritech's directors holds, and is also affiliated with various investment funds that also hold, outstanding secured promissory notes and Series A convertible preferred stock issued by Matritech that will be repaid in full (including applicable prepayment premiums) with respect to the notes or paid in a liquidating premium with respect to the preferred stock following the asset sale. As a result of these interests, these directors and executive officers could be more likely to recommend a vote in favor of the asset sale proposal than if they did not hold these interests, and may have reasons for doing so that are not the same as the interests of other Matritech stockholders. The Matritech board of directors discussed these interests prior to voting to approve the asset sale and those directors who could be deemed to be "interested" in the asset sale recused themselves from the actual vote approving the asset sale. For a full description of the interests of Matritech's directors and executive officers in the asset sale, see "Proposal One The Asset Sale Proposal Interests of Executive Officers and Directors of Matritech in the Asset Sale" beginning on page 88 of this proxy statement/prospectus.

If Matritech's stockholders do not approve the name change proposal, Matritech will be in breach of the asset purchase agreement.

Under the asset purchase agreement, Matritech is selling all of its intellectual property, including its trademarks, which includes the name "Matritech." Under the Delaware General Corporation Law, Matritech must seek stockholder approval in order to change Matritech's name in its certificate of incorporation. If the asset sale proposal is approved by Matritech's stockholders, but the name change proposal is not approved by Matritech's stockholders, Matritech will be in breach of the asset purchase agreement.

Risk Factors Relating to the Dissolution of Matritech

Matritech's stockholders could approve the asset sale proposal but vote against the plan of dissolution proposal.

If Matritech obtains stockholder approval of the asset sale proposal and completes the asset sale, but does not obtain stockholder approval of the plan of dissolution proposal, Matritech would have to continue its business operations from a very difficult position in light of the sale of substantially all of its assets and its announced intent to liquidate and dissolve. Assuming the completion of the asset sale, Matritech will have no assets with which to generate operating revenue and likely will have retained only those employees required to wind up its corporate existence. Further, Matritech does not intend to invest in another operating business following the closing of the asset sale. If the plan of dissolution is not approved, Matritech would be forced to use any remaining cash and the cash received from the sale of the Inverness common stock received as consideration in the asset sale to pay ongoing operating expenses instead of making a distribution to its stockholders pursuant to the plan of dissolution.

Matritech cannot determine at this time the amount or timing of any distributions to its stockholders because there are many factors, some of which are outside of Matritech's control, that could affect Matritech's ability to make such distributions.

Matritech cannot determine at this time when, or potentially whether, it will be able to make any distributions to its stockholders or the amount of any such distributions. Those determinations depend on a variety of factors, including, but not limited to, whether the asset sale closes; the timing of the closing of the asset sale; the amount Matritech will be required to repay under its outstanding secured promissory notes issued in January 2006, January 2007 and August 2007; the amount Matritech will be required to pay pursuant to change of control agreements; restrictions set forth in the asset purchase agreement on Matritech's ability to make distributions; the amount of brokerage fees or costs of hedging transactions that Matritech incurs to reduce the market risk it will face in order to sell the shares of Inverness common stock it will receive upon the closing of the asset sale; the cost of operating Matritech through the date of Matritech's final dissolution; the amount of Matritech's liabilities to be paid in the future; the amount that Matritech will realize upon its sale of the Inverness common stock to be received as consideration in the asset sale; potential limitations on the use of net operating loss carryforwards to offset taxable gain; the resolution of currently known contingent liabilities; the amount of unknown or contingent liabilities of which Matritech becomes aware through the dissolution process; general business and economic conditions; and other matters.

Matritech will continue to incur claims, liabilities and expenses from operations (such as operating costs, salaries, directors' and officers' insurance, payroll and local taxes, legal and accounting fees and miscellaneous office expenses) as it seeks to close the asset sale and effect the dissolution. Matritech's estimates regarding its expense levels may be inaccurate. Any unforecasted or unexpected claims, liabilities or expenses that arise between the date of filing of this proxy statement/prospectus and the liquidation and final dissolution of Matritech or any claims, liabilities or expenses that exceed Matritech's estimates would likely reduce the amount of cash available for ultimate distribution to Matritech's stockholders. Further, if available cash and amounts received on the sale of the Inverness common stock to be received in the asset sale are not adequate to provide for all of Matritech's obligations, liabilities, expenses and claims, Matritech will not be able to distribute any amount at all to its stockholders.

The amount of cash proceeds Matritech will ultimately distribute to its stockholders is subject to significant uncertainties, many of which are beyond Matritech's control. Examples of uncertainties that could reduce the value of or eliminate distributions to Matritech stockholders include the following:

the amount of Matritech's liabilities and obligations or the estimated costs and expenses of the asset sale and the operation of Matritech until the date it is authorized to make a distribution to its stockholders under the applicable provisions of the Delaware General Corporation Law and the plan of dissolution, which date is not expected to be less than 210 days from the date of Matritech's filing of a certificate of dissolution with the Secretary of State of the State of Delaware, could increase;

presently unknown or contingent liabilities of Matritech could later arise or become fixed in amount and Matritech would be required to satisfy or reserve for these liabilities as part of the dissolution;

delays in completing the asset sale or delays in the timing of the dissolution of Matritech could result in additional fees and expenses and result in reduced distributions to Matritech stockholders;

the value of Inverness common stock could decline from its value as calculated under the asset purchase agreement to the cash amount Matritech actually receives when it is able to resell the shares of Inverness common stock it will receive at the closing of the asset sale; and

Inverness could make claims under the indemnity provisions of the asset purchase agreement.

For the foregoing reasons, there can be no assurance as to the timing and amount of distributions to Matritech's stockholders, even if the asset sale is completed. As of the date of this proxy statement/prospectus, Matritech anticipates that its outstanding liabilities after the closing of the asset sale (together with the estimated liabilities to be incurred by Matritech between the closing of the asset sale and the final dissolution of Matritech) will be at least \$26.7 million, and may be significantly more. Thus, assuming, among other things, Matritech is able to close the asset sale and sell the Inverness common stock for the value at which it is issued in accordance with the asset purchase agreement, Matritech currently estimates, assuming no payments under the earn-out provisions of the asset purchase agreement, that the amount available for distribution to its stockholders will be between \$9.3 million and \$12.8 million in the aggregate (or \$0.15- \$0.20 per share), but for the reasons set forth above, these amounts could be significantly less. Matritech may be required under Delaware law or the Court of Chancery to hold back for distribution at a later date, if at all, some or all of the estimated amounts that Matritech currently expects to distribute to its stockholders.

The Matritech board of directors may abandon or delay implementation of the plan of dissolution even if it is approved by Matritech's stockholders.

The Matritech board of directors has adopted and approved a plan of dissolution for the dissolution and winding-up of Matritech following the closing of the asset sale. Even if the plan of dissolution is approved and adopted by Matritech's stockholders, the Matritech board of directors has reserved the right, in its sole discretion, to abandon or delay implementation of the plan of dissolution. Following completion of the asset sale, Matritech will continue to exist as a public company until it is dissolved. Although the Matritech board of directors has no present intention of pursuing any alternative to the plan of dissolution, the Matritech board of directors may conclude either that its fiduciary obligations require it to pursue business opportunities that present themselves or that abandoning the plan of dissolution is otherwise in the best interests of Matritech and its stockholders. If the Matritech board of directors elects to pursue any alternative to the plan of dissolution, the value of the Matritech common stock may decline, and Matritech stockholders may not receive any of the funds currently estimated to be available for distribution to Matritech common stockholders pursuant to the plan of dissolution.

Matritech is required to make priority distributions to holders of its Series A convertible preferred stock as a result of the asset sale before making liquidating distributions to holders of Matritech common stock.

Under Matritech's certificate of incorporation, the holders of Series A convertible preferred stock are entitled to receive a fixed, priority distribution in the amount of \$8.80 per share upon the closing of the asset sale. The aggregate priority distribution Matritech will be required to pay in respect of all presently outstanding shares of its Series A convertible preferred stock is \$716,311. Matritech presently expects to make the required priority payment on its Series A convertible preferred stock shortly after the closing of the asset sale and its sale of the shares of Inverness common stock received in consideration of the asset sale, following the repayment of all of its secured indebtedness and creation of a reserve for Matritech's other obligations and liabilities.

Distribution of cash proceeds, if any, to Matritech's stockholders could be delayed and Matritech's stockholders could, in some circumstances, be held liable for amounts they received from Matritech in dissolution.

Although the Matritech board of directors has not established a firm timetable for distributions to Matritech's stockholders, the board of directors intends, subject to contingencies inherent in the winding up of Matritech's business and the payment of Matritech's obligations and liabilities, to

distribute all of the cash that Matritech receives upon the sale of the shares of Inverness common stock it will receive as consideration in the asset sale. Matritech does not anticipate making any distributions to its stockholders until it has repaid all of its obligations and liabilities and complied with the requirements of the Delaware General Corporation Law for companies in dissolution, including requirements for the creation and maintenance of adequate contingency reserves. Thereafter, Matritech anticipates making distributions to its stockholders as promptly as practicable in accordance with the plan of dissolution and the dissolution process selected by the Matritech board of directors in its sole discretion.

Matritech is, however, currently unable to provide the exact timing of any distribution to its stockholders as part of this wind up and dissolution process, though Matritech anticipates that it is unlikely that it will make any distribution to its stockholders for a minimum of 210 days from the date on which Matritech files its certificate of dissolution with the Secretary of State of the State of Delaware, all in accordance with applicable provisions of the Delaware General Corporation Law.

Under the Delaware General Corporation Law, Matritech will continue to exist for three years after the dissolution of the corporation becomes effective or for such longer period as the Delaware Court of Chancery shall direct, for the purpose of prosecuting and defending suits against Matritech and enabling Matritech to wind up its business, to dispose of its property, to discharge its liabilities and to distribute to its stockholders any remaining assets. Under the Delaware General Corporation Law, in the event Matritech fails to create an adequate contingency reserve for payment of its expenses and liabilities during this three-year period, each Matritech stockholder could be held liable for payment to Matritech's creditors of such stockholder's pro rata share of amounts owed to creditors in excess of the contingency reserve, up to the amount actually distributed to such Matritech stockholder.

Accordingly, in such event a Matritech stockholder could be required to return all distributions previously made to such Matritech stockholder, and as a result, a Matritech stockholder could receive nothing from Matritech under the plan of dissolution. Moreover, in the event a Matritech stockholder has paid taxes on amounts previously received from Matritech, a repayment of all or a portion of such amount could result in that stockholder incurring a net tax cost if the stockholder's repayment of an amount previously distributed does not cause a commensurate reduction in taxes payable. There can be no assurance that the contingency reserve Matritech will establish will be adequate to cover all of Matritech's remaining expenses and liabilities.

It is also possible that a Matritech creditor could seek an injunction against the making of distributions to Matritech's stockholders on the basis that the amounts to be distributed are needed to provide for the payment of Matritech's liabilities and expenses. Any action of this type could delay or substantially diminish the amount available for distribution to Matritech's stockholders.

Matritech will continue to incur claims, liabilities and expenses that will reduce the amount available for distribution to its stockholders.

Matritech will continue to incur claims, liabilities and expenses from operations (including operating costs such as salaries, directors' fees, directors' and officers' insurance, payroll and local taxes, legal and accounting fees and miscellaneous office expenses) as Matritech seeks to consummate the asset sale and wind up its operations. Matritech anticipates that the amount of severance payments, change of control payments and retention bonuses it will have to pay to all of its employees will be approximately \$3.9 million and will be paid upon or shortly after the closing of the asset sale. Matritech also estimates that salary and directors' fees payable to remaining officers and directors after closing of the asset sale through the dissolution would be between \$8,000-15,000 per quarter. These expenses will reduce the amounts available for ultimate distribution to Matritech's stockholders. Though not presently expected to be the case, if the proceeds that Matritech receives upon its sale of the Inverness common stock to be received in consideration of the asset sale is not adequate to provide for the full

repayment of Matritech's obligations, liabilities, expenses and claims, Matritech will not be able to distribute any assets to its stockholders.

Matritech's stock transfer books will close on the date Matritech files the certificate of dissolution with the Delaware Secretary of State, after which it will not be possible for stockholders to trade Matritech's stock.

Matritech will close its stock transfer books and discontinue recording transfers of its common stock at the close of business on the date it files the certificate of dissolution with the Secretary of State of the State of Delaware, which we refer to as the "final record date." Thereafter, certificates representing shares of Matritech's common stock shall not be assignable or transferable on Matritech's books. The proportionate interests of all of Matritech's stockholders shall be fixed on the basis of their respective stock holdings at the close of business on the final record date, and, after the final record date, any distributions made by Matritech shall be made solely to the stockholders of record at the close of business on the final record date.

Matritech will continue to incur the expenses of complying with public company reporting requirements.

Following the asset sale and through the subsequent dissolution, Matritech has an obligation to continue to comply with the applicable reporting requirements of the Securities Exchange Act of 1934, as amended, which we refer to as the Exchange Act, even though compliance with these reporting requirements is economically burdensome. In order to curtail expenses, Matritech intends, after filing its certificate of dissolution, to seek relief from the SEC from the reporting requirements under the Exchange Act. Matritech anticipates that, if such relief is granted, Matritech would continue to file current reports on Form 8-K to disclose material events relating to Matritech's liquidation and dissolution, along with any other reports that the SEC might require, but would discontinue filing annual and quarterly reports on Forms 10-K and 10-Q. However, the SEC may not grant any such relief. To the extent that Matritech delays filing the certificate of dissolution, Matritech would be obligated to continue complying with the applicable reporting requirements of the Exchange Act. The expenses incurred by Matritech in complying with the applicable reporting requirements will reduce the assets available for ultimate distribution to Matritech's stockholders.

If Matritech fails to retain the services of appropriate personnel, the plan of dissolution may not succeed.

The success of the plan of dissolution depends in large part upon Matritech's ability to retain the services of qualified personnel who will be charged with operating Matritech following the closing of the asset sale. The retention of qualified personnel may be particularly difficult under Matritech's current circumstances. There can be no assurance that Matritech will be successful in retaining the services of such qualified personnel or that Matritech will be able to retain the services of such qualified personnel for the amounts it is willing to pay for such services.

Matritech and its stockholders will be exposed to a number of tax-related risks in connection with the dissolution of Matritech.

Matritech will recognize a gain or loss on its liquidation and dissolution, including gain or loss resulting from appreciation or depreciation (after the closing date of the asset sale) in the value of the Inverness common stock sold by Matritech. If the gains recognized by Matritech as a result of the asset sale and subsequent liquidation and dissolution of Matritech (including sales by Matritech of Inverness common stock) exceed the loss carryforwards currently available for purposes of either the regular income tax or the alternative minimum tax, Matritech may be exposed to a tax obligation exceeding the cash available to it to pay such obligation.

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Matritech's dissolution will be taxable to Matritech's stockholders. A stockholder will be subject to tax if the fair market value of the liquidating distributions received (or deemed received, since a distribution could in the first instance be made to a liquidating trust) exceed the stockholder's basis in its Matritech stock. A stockholder will recognize a loss for tax purposes if the fair market value of the liquidating distributions received (or deemed received, since a distribution could be made in the first instance to a liquidating trust) are less than the stockholder's basis in its Matritech stock. Though Matritech stockholders may recognize taxable income on gains in their Matritech stock at the time that the initial or any interim distributions are made, Matritech stockholders will not generally be able to recognize any tax loss until Matritech makes its final distribution to its stockholders, which may not occur until 2012.

Matritech stockholders would also be taxed on gains and losses realized by a liquidating trust, if any. Because there can be no assurance that distributions from such a trust would be available for this purpose, Matritech's stockholders may have to satisfy any resulting tax obligations from other resources.

For a discussion by Matritech of the material United States federal income tax consequences of the dissolution, see "Proposal Two The Plan of Dissolution Proposal Material United States Federal Income Tax Consequences of the Dissolution" beginning on page 118 of this proxy statement/prospectus.

Matritech may have undergone an "ownership change" for purposes of Section 382 of the Internal Revenue Code, which could affect its ability to offset gains.

Matritech does not believe that it has undergone an "ownership change" within the meaning of Section 382 of the Internal Revenue Code as a result of the number of financing transactions involving equity instruments it has completed during the past five years. This belief, however, is subject to uncertainty because the calculations are complex and because the ultimate determination of these matters may be made by the Internal Revenue Service and not by Matritech. If Matritech has undergone one or more of these changes, its net operating losses existing as of the date of each ownership change may be unavailable in whole or in large part to offset gains from the dissolution of Matritech.

If Matritech is unable to offset fully for tax purposes gains recognized in respect of the dissolution with its tax loss carryforwards, Matritech may incur a federal income tax liability that could materially and adversely affect the amount otherwise available for distribution to Matritech's stockholders.

Risk Factors Relating to Inverness

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

Inverness currently has, and will likely continue to have, a substantial amount of indebtedness. As of September 30, 2007, in addition to other indebtedness, Inverness had approximately \$939 million in aggregate principal amount of indebtedness outstanding under its senior secured credit facilities, or the senior secured facility, \$250 million in aggregate principal amount of indebtedness outstanding under a junior secured credit facility, or the junior secured facility (collectively with the senior secured facility, the secured credit facilities), and \$150 million in indebtedness under its outstanding 3% senior subordinated convertible notes, or the senior subordinated convertible notes. Upon completion of syndication, the term loan under the senior secured facility is expected to bear interest at a rate per annum of LIBOR plus 2.00%, while the revolving line of credit is expected to bear interest at a rate

per annum of LIBOR plus between 1.75% and 2.25%, depending on our consolidated leverage ratio. The junior secured facility bears interest at a rate per annum of LIBOR plus 4.25%. Inverness also had \$109 million of additional borrowing capacity under the revolving portions of the senior secured facility and, subject to restrictions in Inverness' secured credit facilities and the senior subordinated convertible notes, has the ability to incur additional indebtedness.

Inverness' substantial indebtedness could affect its future operations in important ways. For example, it could:

make it more difficult to satisfy Inverness' obligations under the senior subordinated convertible notes, its secured credit facilities and its other debt-related instruments;

require Inverness to use a large portion of its cash flow from operations to pay principal and interest on its indebtedness, which would reduce the amount of cash available to finance its operations and service obligations, to delay or reduce capital expenditures or the introduction of new products and/or forego business opportunities, including acquisitions, research and development projects or product design enhancements;

limit Inverness' flexibility to adjust to market conditions, leaving it vulnerable in a downturn in general economic conditions or in its business and less able to plan for, or react to, changes in its business and the industries in which it operates;

impair Inverness' ability to obtain additional financing;

place Inverness at a competitive disadvantage compared to its competitors that have less debt; and

expose Inverness to fluctuations in the interest rate environment with respect to its indebtedness that bears interest at variable rates.

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

Inverness has entered into agreements governing its indebtedness that subject it to various restrictions that may limit its ability to pursue business opportunities.

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

incur additional indebtedness;

pay dividends or make distributions or repurchase or redeem its stock;

acquire other businesses;

make investments;

make loans to or extend credit for the benefit of third parties or its subsidiaries;

enter into transactions with affiliates;

raise additional capital;

make capital or finance lease expenditures;

dispose of or encumber assets; and

consolidate, merge or sell all or substantially all of its assets.

These restrictions may limit Inverness' ability to pursue business opportunities or strategies that it would otherwise consider to be in its best interests.

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

The agreements governing Inverness' secured credit facilities subject it to various financial and other covenants with which it must comply on an ongoing or periodic basis. These include covenants pertaining to capital expenditures, interest coverage ratios, leverage ratios and minimum cash requirements. If Inverness violates any of these covenants, it may suffer a material adverse effect. Most notably, Inverness' outstanding debt under its secured credit facilities could become immediately due and payable, its lenders could proceed against any collateral securing such indebtedness, and its ability to borrow additional funds in the future may be limited.

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

The agreements governing Inverness' indebtedness, including the credit agreements governing its secured credit facilities and the indenture governing the senior subordinated convertible notes, contain cross-default provisions whereby a default under one agreement could result in a default and acceleration of its repayment obligations under other agreements. If a cross-default were to occur, Inverness may not be able to pay its debts or borrow sufficient funds to refinance them. Even if new financing were available, it may not be on commercially reasonable terms or acceptable terms. If some or all of Inverness' indebtedness is in default for any reason, its business, financial condition and results of operations could be materially and adversely affected.

Inverness may not be able to satisfy its debt obligations upon a fundamental change or change of control, which could limit its opportunity to enter into a fundamental change or change of control transaction.

Upon the occurrence of a "fundamental change," as defined in the indenture governing the senior subordinated convertible notes, each holder of Inverness' senior subordinated convertible notes will have the right to require Inverness to purchase the notes at a price equal to 100% of the principal amount, together with any accrued and unpaid interest. A fundamental change includes, among other things, the acquisition of more than 50% of the Inverness common stock by any person or group, the sale of all or substantially all of the assets of Inverness or a recapitalization or similar transaction involving Inverness. Inverness' failure to purchase, or give notice of purchase of, the senior subordinated convertible notes would be a default under the indenture, which would in turn be a

default under its secured credit facilities. In addition, the occurrence of a "change of control," as defined in the credit agreements governing Inverness' secured credit facilities, will constitute an event of default under the secured credit facilities. A default under Inverness' secured credit facilities would result in an event of default under its senior subordinated convertible notes and, if the lenders accelerate the debt under Inverness' secured credit facilities and/or under the indenture governing the senior subordinated convertible notes, this may result in the acceleration of Inverness' other indebtedness outstanding at the time. As a result, if Inverness does not have enough cash to repay all of its indebtedness or to repurchase all of the senior subordinated convertible notes, Inverness may be limited in the fundamental change or change of control transactions that it may pursue.

Inverness' acquisitions may not be profitable, and the integration of these businesses may be costly and difficult and may cause disruption to its business.

Since commencing activities in November 2001, Inverness has acquired and attempted to integrate, or is in the process of integrating, into its operations Unipath Limited and its associated companies and assets, or the Unipath business, IVC Industries, Inc. (now doing business as Inverness Medical Nutritionals Group, or IMN); the Wampole Division of MedPointe Inc., or Wampole; Ostex International, Inc., or Ostex; Applied Biotech, Inc., or ABI; the rapid diagnostics business that Inverness acquired from Abbott Laboratories, or the Abbott rapid diagnostics business; Ischemia, Inc., or Ischemia; Binax, Inc., or Binax; the Determine/DainaScreen business that Inverness acquired from Abbott Laboratories in 2005, or the Determine business; Thermo BioStar Inc., BioStar; the rapid diagnostics business that Inverness acquired from ACON Laboratories, Inc., or the Innovacon business; Instant Technologies, Inc., or Instant; Biosite Incorporated, or Biosite; Cholestech Corporation, or Cholestech; and HemoSense, Inc., or HemoSense. Inverness has also made a number of smaller acquisitions.

Inverness has entered into a merger agreement with Alere Medical, Inc., or Alere, under which Inverness expects to acquire Alere. Alere is in the business of providing health management services to patients with chronic illnesses, a business which differs significantly from Inverness' core professional and consumer diagnostic product businesses. Inverness does not have substantial experience in Alere's business sector and, as a result, Inverness may not be able to compete in this sector as effectively as more experienced competitors.

The ultimate success of all of these acquisitions depends, in part, on Inverness' ability to realize the anticipated synergies, cost savings and growth opportunities from integrating these businesses or assets into Inverness' existing businesses. However, the successful integration of independent businesses or assets is a complex, costly and time-consuming process. The difficulties of integrating companies and acquired assets include among others:

consolidating manufacturing and research and development operations, where appropriate;

integrating newly acquired businesses or product lines into a uniform financial reporting system;

coordinating sales, distribution and marketing functions;

establishing or expanding manufacturing, sales, distribution and marketing functions in order to accommodate newly acquired businesses or product lines;

preserving the important licensing, research and development, manufacturing and supply, distribution, marketing, customer and other relationships;

minimizing the diversion of management's attention from ongoing business concerns; and

coordinating geographically separate organizations.

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

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

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

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

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

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

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

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On May 17, 2007, Inverness completed its 50/50 joint venture transaction with P&G, creating Swiss Precision and transferring to Swiss Precision substantially all of the assets of Inverness' consumer diagnostics business, other than its manufacturing and core intellectual property assets, in exchange for

\$325.0 million in cash. In connection with the establishment of the Swiss Precision joint venture, Inverness may experience:

difficulties in integrating the respective corporate cultures and business objectives of Inverness and P&G into the new joint venture;

difficulties or delays in transitioning clinical studies;

diversion of Inverness management's time and attention from other business concerns;

higher than anticipated costs of integration at the joint venture;

difficulties in retaining key employees who are necessary to manage the joint venture; or

difficulties in working with an entity based in Switzerland and thus remote or inconvenient to Inverness' Waltham, Massachusetts headquarters.

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

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

In connection with the accounting for certain of its acquisitions, including the Unipath business, Wampole, Ostex, ABI, the Abbott rapid diagnostics product lines, Ischemia, Binax, the Determine business, BioStar, the Innovacon business, Instant, Biosite, Cholestech, HemoSense and, if consummated Alere, Inverness has recorded, or will record, a significant amount of goodwill and other intangible assets. Under current accounting guidelines, Inverness must assess, at least annually and potentially more frequently, whether the value of goodwill and other intangible assets has been impaired. Any reduction or impairment of the value of goodwill or other intangible assets will result in a charge against earnings which could materially adversely affect Inverness' reported results of operations in future periods.

Inverness may experience manufacturing problems or delays, which could result in decreased revenues or increased costs.

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

In addition, during 2006 Inverness closed two manufacturing facilities, and Inverness is shifting the production of products from these facilities to China. Inverness has shifted the production of other products to its manufacturing facilities in China. Moving the production of products is difficult and involves significant risk. Problems establishing relationships with local materials suppliers; acquiring or

adapting the new facility and its equipment to the production of new products; hiring, training and retaining personnel and establishing and maintaining compliance with governmental regulations and industry standards can cause delays and inefficiencies which could have a material negative impact on Inverness' financial performance. Inverness also currently relies on a number of significant third-party manufacturers to produce certain of its professional diagnostic products. In addition, Inverness manufactures the products acquired with the Determine business from a facility in Matsudo, Japan that is made available to Inverness by Abbott Laboratories, from whom Inverness also receives support services related to this facility. Any event which negatively impacts Inverness' manufacturing facilities, its manufacturing systems or equipment, or its contract manufacturers or suppliers, including, among others, wars, terrorist activities, natural disasters and outbreaks of infectious disease, could delay or suspend shipments of products or the release of new products or could result in the delivery of inferior products. Inverness' revenues from the affected products would decline or Inverness could incur losses until such time as it is able to restore its production processes or put in place alternative contract manufacturers or suppliers. Even though Inverness carries business interruption insurance policies, Inverness may suffer losses as a result of business interruptions that exceed the coverage available under its insurance policies.

Inverness may experience difficulties that may delay or prevent its development, introduction or marketing of new or enhanced products.

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

any of the products under development will prove to be effective in clinical trials;

it will be able to obtain, in a timely manner or at all, regulatory approval to market any of its products that are in development or contemplated;

the products it develops can be manufactured at acceptable cost and with appropriate quality; or

these products, if and when approved, can be successfully marketed.

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

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

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

If Inverness fails to adequately manage its clinical studies, its clinical studies and corresponding regulatory approvals may be delayed or it may fail to gain approval for its potential product candidates altogether. Even if Inverness successfully manages its clinical studies, it may not obtain favorable results

and may not be able to obtain regulatory approval. If Inverness is unable to market and sell its new products or is unable to obtain approvals in the timeframe needed to execute its product strategies, its business and results of operations would be materially and adversely affected.

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

Inverness' future performance depends on, among other matters, its estimates as to when and at what cost it will receive regulatory approval for new products. Regulatory approval can be a lengthy, expensive and uncertain process, making the timing, cost and ability to obtain approvals difficult to predict.

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

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

Inverness is also subject to applicable regulatory approval requirements of the foreign countries in which it sells products, which are costly and may prevent or delay Inverness from marketing its products in those countries.

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

Failure to comply with ongoing regulation applicable to the products Inverness sells, may result in significant costs or, in certain circumstances, the suspension or withdrawal of previously obtained clearances or approvals.

Any products for which Inverness obtains regulatory approval or clearance continue to be extensively regulated by the FDA and other federal, state and foreign regulatory agencies. These regulations impact many aspects of Inverness' operations, including manufacturing, labeling, packaging, adverse event reporting, storage, advertising, promotion and record keeping. For example, Inverness' manufacturing facilities and those of its suppliers and distributors are, or can be, subject to periodic regulatory inspections. The FDA and foreign regulatory agencies may require post-marketing testing and surveillance to monitor the effects of approved products or place conditions on any product approvals that could restrict the commercial applications of those products. In addition, the subsequent discovery of previously unknown problems with a product may result in restrictions on the product, including withdrawal of the product from the market. Inverness is also subject to routine inspection by the FDA and certain state agencies for compliance with Quality System Requirement and Medical Device Reporting requirements in the United States and other applicable regulations worldwide, including but not limited to ISO regulations. In addition to product-specific regulations, Inverness is subject to numerous federal, state and local laws relating to such matters as safe working conditions, manufacturing practices, environmental protection, fire hazard control and disposal of hazardous or potentially hazardous substances. Inverness may incur significant costs to comply with these laws and regulations. If Inverness fails to comply with applicable regulatory requirements, it may be subject to fines, suspension or withdrawal of regulatory approvals, product recalls, seizure of products or injunctions against their distribution, disgorgement of money, operating restrictions and criminal prosecution.

Regulatory agencies may also impose new or enhanced standards that would increase Inverness' costs as well as the risks associated with non-compliance. For example, Inverness anticipates that the FDA may soon finalize and implement "good manufacturing practice," or GMP, regulations for nutritional supplements. GMP regulations would require supplements to be prepared, packaged and held in compliance with certain rules, and might require quality control provisions similar to those in the GMP regulations for drugs. While Inverness' manufacturing facilities for nutritional supplements have been subjected to, and passed, third-party inspections against anticipated GMP standards, the ongoing compliance required in the event that GMP regulations are adopted would involve additional costs and would present new risks associated with any failure to comply with the regulations in the future.

If Inverness delivers products with defects, its credibility may be harmed, market acceptance of its products may decrease and it may be exposed to liability in excess of its product liability insurance coverage.

The manufacturing and marketing of consumer and professional diagnostic products involve an inherent risk of product liability claims. In addition, Inverness' product development and production are extremely complex and could expose its products to defects. Any defects could harm its credibility and decrease market acceptance of its products. In addition, Inverness' marketing of vitamins and nutritional supplements may cause it to be subjected to various product liability claims, including, among others, claims that the vitamins and nutritional supplements have inadequate warnings concerning side effects and interactions with other substances. Potential product liability claims may exceed the amount of its insurance coverage or may be excluded from coverage under the terms of the policy. In the event that Inverness is held liable for a claim for which it is not indemnified, or for damages exceeding the limits of its insurance coverage, that claim could materially damage its business and financial condition.

The effect of market saturation may negatively affect the sales of Inverness' products, including our Biosite Triage BNP Tests.

Sales growth in Inverness' recently acquired Biosite business has been driven in recent years by growth in the sales volumes of the Biosite Triage BNP Tests. For example, growth in the sales unit volume of Triage BNP Tests represented 41% and 69% of Biosite's total product sales volume growth for 2006 and 2005, respectively. The meter-based Triage BNP Test, launched domestically in January 2001, was the first blood test available to aid in the detection of heart failure and benefited from a first to market position until the entry of direct competition in June 2003.

As the acute care and initial diagnosis market segment for natriuretic testing in the U.S. hospital setting becomes saturated, Inverness' expects the growth rates of sales unit volume for its Biosite Triage BNP Tests in 2007 and future periods to be lower than the growth rates experienced by Biosite over the past several years. Unless Inverness is able to successfully introduce new products into the market and achieve market acceptance of those products in a timely manner, the effect of market saturation on its existing products may negatively impact product sales, gross margins and financial results. In addition, as the market for BNP testing matures and more competitive products become available, the average sales price for the Biosite Triage BNP Tests is likely to decline, which will adversely impact Inverness' product sales, gross margins and our overall financial results.

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

Inverness' aggregate sales of all of its brand name nutritional products, including, among others, Ferro-Sequels, Stresstabs, Protegra, Posture, SoyCare, ALLBEE, and Z-BEC, have declined each year since 1998 through the year 2006, except in 2002 when they increased slightly as compared to 2001. Inverness believes that these products have under-performed because they are, for the most part, aging brands with limited brand recognition that face increasing private label competition. The overall age of this product line means that Inverness is subject to future distribution loss for under-performing brands, while its opportunities for new distribution on the existing product lines are limited. As a result, Inverness does not expect significant sales growth of its existing brand name nutritional products, and it may experience further declines in overall sales of its brand name nutritional products in the future.

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

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

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

Inverness is involved in various legal proceedings arising out of its consumer diagnostics, nutritional supplements and professional diagnostics business. Because of the nature of Inverness' business, Inverness may be subject at any particular time to commercial disputes, consumer product claims or various other lawsuits arising in the ordinary course of its business, including employment matters, and Inverness expects that this will continue to be the case in the future. Such lawsuits generally seek damages, sometimes in substantial amounts, for commercial or personal injuries allegedly suffered and can include claims for punitive or other special damages. An adverse ruling or rulings in one or more such lawsuits could, individually or in the aggregate, have a material adverse effect on Inverness' sales, operations or financial performance. In addition, Inverness aggressively defends its patent and other intellectual property rights. This often involves bringing infringement or other commercial claims against third parties. These suits can be expensive and result in counterclaims challenging the validity of Inverness' patents and other rights. Inverness cannot assure you that these lawsuits or any future lawsuits relating to its businesses will not have a material adverse effect on it.

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

Sales of Inverness' private label nutritional supplements, which for the years ended December 31, 2006 and 2005 provided approximately 13% and 16%, respectively, of its net product sales, generate low profit margins. Inverness relies on its ability to efficiently mass produce nutritional supplements in order to make meaningful profits from these products. Changes in raw material or other manufacturing costs can drastically cut into or eliminate the profits generated from the sale of a particular product. For the most part, Inverness does not have long-term supply contracts for its required raw materials and, as a result, its costs can increase with little notice. The private label nutritional supplements business is also highly competitive such that Inverness' ability to raise prices as a result of increased costs is limited. Customers generally purchase private label products via purchase order, not through long-term contracts, and they often purchase these products from the lowest bidder on a product by product basis. The Internet has enhanced price competition among private label manufacturers through the advent of on-line auctions, where customers will auction off the right to manufacture a particular product to the lowest bidder. The resulting margin erosion in Inverness' nutritionals business has resulted in a reduction in its overall gross margin over the last several years and contributed to its losses in 2006.

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

Approximately 41% and 42% of Inverness' net revenue was generated from outside the United States for the years ended December 31, 2006 and 2005, respectively. A significant number of Inverness' employees, including manufacturing, sales, support and research and development personnel, are located in foreign countries, including England, Scotland, Japan, China and Israel. Conducting business outside the United States subjects Inverness to numerous risks, including:

increased costs or reduced revenue as a result of movements in foreign currency exchange rates;

decreased liquidity resulting from longer accounts receivable collection cycles typical of foreign countries;

lower productivity resulting from difficulties managing sales, support and research and development operations across many countries;

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lost revenues resulting from difficulties associated with enforcing agreements and collecting receivables through foreign legal systems;

lost revenues resulting from the imposition by foreign governments of trade protection measures;

higher cost of sales resulting from import or export licensing requirements;

lost revenues or other adverse affects as a result of economic or political instability in or affecting foreign countries in which Inverness sells its products or operates; and

adverse effects resulting from changes in foreign regulatory or other laws affecting the sales of Inverness products or its foreign operations.

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

Inverness' business relies heavily on its foreign operations. Five of its manufacturing operations are conducted outside the United States, in Bedford, England; Hangzhou and Shanghai, China; Matsudo, Japan and Yavne, Israel. Inverness has consolidated much of its cardiovascular-related research and development in Scotland and it intends to establish a significant manufacturing operation there. Approximately 41% and 42% of Inverness' net revenue was generated from outside the United States for the years ended December 31, 2006 and 2005, respectively. In addition, the Abbott rapid diagnostics business generates a majority of its sales outside the United States, and all of the revenues of the Determine business are derived outside of the United States. Because of its foreign operations and foreign sales, Inverness faces exposure to movements in foreign currency exchange rates. Its primary exposures are related to the operations of its European subsidiaries and its manufacturing facilities in China and Japan. These exposures may change over time as business practices evolve and could result in increased costs or reduced revenue and could affect Inverness' actual cash flow.

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

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

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

develop technologies and products that are more effective than Inverness products or that render Inverness technologies or products obsolete or noncompetitive;

obtain patent protection or other intellectual property rights that would prevent Inverness from developing potential products; or

obtain regulatory approval for the commercialization of their products more rapidly or effectively than Inverness does.

Also, the possibility of patent disputes with competitors holding foreign patent rights may limit or delay expansion possibilities for Inverness diagnostics businesses in certain foreign jurisdictions. In addition, many of Inverness' existing or potential competitors have or may have substantially greater research and development capabilities, clinical, manufacturing, regulatory and marketing experience and financial and managerial resources.

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

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

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

The risks and uncertainties that Inverness faces with respect to its patents and other proprietary rights include the following:

the pending patent applications it has filed or to which it has exclusive rights may not result in issued patents or may take longer than it expects to result in issued patents;

the claims of any patents which are issued may not provide meaningful protection;

it may not be able to develop additional proprietary technologies that are patentable;

the patents licensed or issued to it or its customers may not provide a competitive advantage;

other parties may challenge patents or patent applications licensed or issued to it or its customers;

patents issued to other companies may harm its ability to do business; and

other companies may design around technologies it has patented, licensed or developed.

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

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

Substantial litigation over intellectual property rights exists in both the consumer and professional diagnostic industries. Inverness expects that its products in these industries could be increasingly subject to third-party infringement claims as the number of competitors grows and the functionality of products and technology in different industry segments overlaps. Third parties may currently have, or may eventually be issued, patents which Inverness products or technology may infringe. Any of these third parties might make a claim of infringement against Inverness. Any litigation could result in the expenditure of significant financial resources and the diversion of management's time and resources. In addition, litigation in which Inverness is accused of infringement may cause negative publicity, have an impact on prospective customers, cause product shipment delays or require Inverness to develop non-infringing technology, make substantial payments to third parties, or enter into royalty or license agreements, which may not be available on acceptable terms, or at all. If a successful claim of infringement were made against Inverness and Inverness could not develop non-infringing technology or license the infringed or similar technology on a timely and cost-effective basis, Inverness' revenue may decrease and it could be exposed to legal actions by its customers.

Inverness has initiated, and may need to further initiate, lawsuits to protect or enforce its patents and other intellectual property rights, which could be expensive and, if Inverness loses, could cause it to lose some of its intellectual property rights, which would reduce its ability to compete in the market.

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

assert claims of infringement;

enforce Inverness patents;

protect Inverness trade secrets or know-how; or

determine the enforceability, scope and validity of the proprietary rights of others.

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

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

In December 2005, Inverness learned that the Securities and Exchange Commission, or the SEC, had issued a formal order of investigation in connection with the previously disclosed revenue recognition matter at one of its diagnostic divisions. Inverness cannot predict what the outcome of this investigation will be.

In December 2005, Inverness learned that the SEC had issued a formal order of investigation in connection with the previously disclosed revenue recognition matter at one of its diagnostic divisions,

and Inverness subsequently received a subpoena for documents. Inverness believes that it has fully responded to the subpoena and has continued to fully cooperate with the SEC's investigation. Inverness cannot predict whether the SEC will seek additional information or what the outcome of its investigation will be.

In March 2006, the FTC opened a preliminary, non-public investigation into Inverness' acquisition of the Innovacon business to determine whether this acquisition may be anticompetitive. Inverness cannot predict what the outcome of this investigation will be.

In March 2006, the FTC opened a preliminary, non-public investigation into Inverness' then-pending acquisition of the Innovacon business it acquired from ACON Laboratories to determine whether this acquisition may be anticompetitive, and Inverness subsequently received a Civil Investigative Demand and a subpoena requesting documents. Inverness believes that it has fully responded to the Civil Investigative Demand, and it is continuing to produce documents in connection with the subpoena and to otherwise cooperate with the FTC's investigation. Inverness cannot predict whether the FTC will seek additional information or what the outcome of this investigation will be. The FTC generally has the power to commence administrative or federal court proceedings seeking injunctive relief or divestiture of assets. In the event that an order were to be issued requiring divestiture of significant assets or imposing other injunctive relief, Inverness' business, financial condition and results of operations could be materially adversely affected.

Non-competition obligations and other restrictions will limit Inverness' ability to take full advantage of its management team, the technology it owns or licenses and its research and development capabilities.

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

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

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

the timing of new product announcements and introductions by Inverness and its competitors;

market acceptance of new or enhanced versions of Inverness products;

changes in manufacturing costs or other expenses;

competitive pricing pressures;

the gain or loss of significant distribution outlets or customers;

increased research and development expenses;

the timing of any future acquisitions;

general economic conditions; or

general stock market conditions or other economic or external factors.

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

Period-to-period comparisons of Inverness' operating results may not be meaningful due to its acquisitions.

Inverness has engaged in a number of acquisitions in recent years, which makes it difficult to analyze Inverness' results and to compare them from period to period. Significant acquisitions include Inverness' acquisitions of IVC Industries, Inc. in March 2002, Wampole in September 2002, Ostex in June 2003, ABI in August 2003, the Abbott rapid diagnostics product lines in September 2003, Binax and Ischemia in March 2005, the Determine business in June 2005, BioStar in September 2005, the Innovacon business in March 2006, Instant in March 2007 and Biosite in June 2007. Period-to-period comparisons of Inverness' results of operations may not be meaningful due to these acquisitions and are not indications of Inverness' future performance. Any future acquisitions, including the pending acquisitions of Matritech and Alere, will also make Inverness' results difficult to compare from period to period in the future.

Future sales of Inverness common stock issuable upon conversion of its senior subordinated convertible notes may adversely affect the market price of Inverness common stock.

Inverness' \$150,000,000 principal amount of senior subordinated convertible notes are initially convertible into Inverness common stock at a conversion price of approximately \$52.30 per share, or approximately 2,868,120 shares. Sales of a substantial number of shares of Inverness common stock in the public market could depress the market price of Inverness common stock and impair Inverness' ability to raise capital through the sale of additional equity securities. Inverness cannot predict the effect that future sales of Inverness common stock or other equity-related securities would have on the market price of Inverness common stock. The price of Inverness common stock could be affected by possible sales of Inverness common stock by holders of its senior subordinated convertible notes and by hedging or arbitrage trading activity that may develop involving Inverness common stock.

The conversion rate of Inverness' senior subordinated convertible notes may be adjusted based upon the daily volume weighted average price per share of Inverness common stock for the thirty consecutive trading days ending on May 9, 2008, and any such adjustment will be dilutive to the holders of Inverness common stock and could have an adverse effect on the price of Inverness common stock.

The conversion rate applicable to Inverness' senior subordinated convertible notes will be increased if the daily volume weighted average price per share of Inverness common stock for the thirty consecutive trading days ending on May 9, 2008 is less than \$40.23 (adjusted for any stock splits, stock dividends, recapitalizations or other similar events). In that event, the conversion rate will be adjusted to be the greater of 130% of such average or \$40.23 (in each case adjusted for any stock splits, stock dividends, recapitalizations or other similar events), but no such adjustment will decrease the then-applicable conversion rate. Any such adjustment will result in additional shares of Inverness common stock becoming issuable upon conversion of Inverness' senior subordinated convertible notes and therefore will be dilutive to holders of Inverness common stock.

Inverness' stock price may fluctuate significantly, and stockholders who buy or sell Inverness common stock may lose all or part of the value of their investment, depending on the price of Inverness common stock from time to time.

Inverness common stock has been listed on the American Stock Exchange since November 23, 2001, and it has a limited market capitalization. As a result, Inverness is currently followed by only a few market analysts and a portion of the investment community. Limited trading of Inverness common stock may therefore make it more difficult for investors to sell their shares.

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In addition, Inverness' share price may be volatile due to fluctuations in its operating results, as well as factors beyond Inverness' control. It is possible that in some future periods the results of Inverness' operations will be below the expectations of the public market. If this occurs, the market price of Inverness common stock could decline. Furthermore, the stock market may experience significant price and volume fluctuations, which may affect the market price of Inverness common stock for reasons unrelated to its operating performance. The market price of Inverness common stock may be highly volatile and may be affected by factors such as:

quarterly and annual operating results, including failure to meet the performance estimates of securities analysts;

changes in financial estimates of revenues and operating results or buy/sell recommendations by securities analysts;

the timing of announcements by Inverness or its competitors of significant products, contracts or acquisitions or publicity regarding actual or potential results or performance thereof;

changes in general conditions in the economy, the financial markets or the health care industry;

government regulation in the health care industry;

changes in other areas such as tax laws;

sales of substantial amounts of Inverness common stock or the perception that such sales could occur;

changes in investor perception of Inverness' industry, businesses or prospects;

the loss of key employees, officers or directors; or

other developments affecting Inverness or its competitors.

Anti-takeover provisions in Inverness' organizational documents and Delaware law may limit the ability of its stockholders to control its policies and effect a change of control of Inverness and may prevent attempts by Inverness' stockholders to replace or remove its current management, which may not be in the best interests of Inverness' stockholders.

There are provisions in Inverness' certificate of incorporation and bylaws that may discourage a third party from making a proposal to acquire it, even if some of Inverness' stockholders might consider the proposal to be in their best interests, and may prevent attempts by Inverness' stockholders to replace or remove its current management. These provisions include the following:

Inverness' certificate of incorporation provides for three classes of directors with the term of office of one class expiring each year, commonly referred to as a staggered board. By preventing stockholders from voting on the election of more than one class of directors at any annual meeting of stockholders, this provision may have the effect of keeping the current members of the Inverness board of directors in control for a longer period of time than stockholders may desire;

Inverness' certificate of incorporation authorizes its board of directors to issue shares of preferred stock without stockholder approval and to establish the preferences and rights of any preferred stock issued, which would allow the board to issue one or more classes or series of preferred stock that could discourage or delay a tender offer or change in control;

Inverness' certificate of incorporation prohibits its stockholders from filling board vacancies, calling special stockholder meetings or taking action by written consent;

Inverness' certificate of incorporation provides for the removal of a director only with cause and by the affirmative vote of the holders of 75% or more of the shares then entitled to vote at an election of directors; and

Inverness' bylaws require advance written notice of stockholder proposals and director nominations.

Additionally, Inverness is subject to Section 203 of the Delaware General Corporation Law, which, in general, imposes restrictions upon acquirers of 15% or more of Inverness stock. Finally, the Inverness board of directors may in the future adopt other protective measures, such as a shareholder rights plan, which could delay, deter or prevent a change of control.

Because Inverness does not intend to pay dividends on its common stock, investors will benefit from an investment in Inverness common stock only if it appreciates in value.

Inverness currently intends to retain future earnings, if any, to finance the expansion of its business and does not expect to pay any dividends on Inverness common stock in the foreseeable future. In addition, Inverness' secured credit facilities currently prohibit the payment of cash dividends. As a result, the success of an investment in Inverness common stock will depend entirely upon any future appreciation. There is no guarantee that shares of Inverness common stock will appreciate in value or even maintain the value at which the shares were purchased.

Risk Factors Relating to Matritech

Matritech may need to obtain additional capital in order to continue its operations.

At September 30, 2007, Matritech had cash and cash equivalents of \$2.8 million, negative working capital of \$10.8 million and a net loss of \$4.8 million in the fiscal quarter ended September 30, 2007, which raises substantial doubt about Matritech's ability to continue as a going concern. Although Matritech completed a financing in August 2007, it realized net proceeds of only approximately \$3.4 million. Matritech expects to use the proceeds from this financing to fund its operations through the closing of the asset sale. However, it is possible that Matritech will need to secure additional capital if the closing of the asset sale is delayed beyond December 13, 2007 or if Matritech incurs either large unanticipated expenses or a significant decrease in revenue. In such circumstances, if Matritech were not able to receive an adequate amount of additional financing on a timely basis, it would be required to cease operations.

If Matritech does not consummate the asset sale before December 13, 2007, it will need to renegotiate its outstanding debt or face defaulting on its obligations, which could jeopardize its ability to consummate the asset sale.

Matritech has entered into agreements with the holders of at least 96% of the outstanding principal balance of its secured notes issued in January 2006 and January 2007 to defer any further payments on the secured notes until the earlier to occur of the December 13, 2007 maturity date or the closing of a change of control transaction such as the asset sale. Prior to the maturity date of the secured notes, Matritech is still required to make monthly payments to the holders of the secured notes who have not agreed to defer the payments. If Matritech is required to use its limited cash resources to make payments to non-deferring holders, it will need additional financing earlier than otherwise projected.

In August 2007, Matritech issued additional secured notes to certain new investors. These notes also mature on the earlier to occur of December 13, 2007 or the closing of a change of control transaction, such as the asset sale. The secured notes issued in the January 2006 and 2007 financings

and the secured notes issued in the August 2007 financing are collectively referred to as the secured notes.

If the asset sale has not yet occurred, all of Matritech's secured notes will become due and payable in full on December 13, 2007, unless the secured creditors agree to a further postponement of the due date. If all ongoing payments on the secured notes were postponed until and become due on December 13, 2007, the amount Matritech would then be required to pay for accrued interest and principal would be approximately \$13.4 million. Additional amounts, up to approximately \$2.9 million, would also be due as a payment premium on the secured notes. Matritech expects to have to pay all amounts due on its secured notes in cash, and if the asset sale has not been completed by December 13, 2007, Matritech would likely not have the cash available to make these payments on its secured notes.

Matritech's failure to make timely payments on its secured notes would constitute an event of default under its secured notes and would likely result in its inability to continue operations, as further described in "Risk Factors Matritech may be unable to comply with provisions of its secured notes and could suffer significant consequences in the event of non-compliance." In addition, any default under its secured notes could seriously jeopardize Matritech's ability to close the asset sale.

If Matritech is unable to close the asset sale, Matritech expects that it will need to continue to obtain additional capital in the future until it becomes profitable and, if it is unable to obtain such capital on a timely basis, it likely will not be able to continue its operations.

Matritech has never been profitable and does not expect to be profitable in the near future. In the fiscal year ended December 31, 2006, Matritech had an operating loss of \$8.0 million and a net loss of \$11.9 million. For the nine-month period ended September 30, 2007, Matritech had an operating loss of \$6.3 million and a net loss of \$13.6 million. From March 2003 through August 2007, Matritech raised capital on seven occasions through the sale of various debt and equity securities. Matritech will, as it deems necessary or prudent and subject to the terms and conditions of the asset purchase agreement with Inverness and its various outstanding debt and equity agreements, continue to seek to raise additional capital through various financing alternatives, including equity or debt financings, issuances of securities convertible into equity and corporate partnering arrangements. However, Matritech has had great difficulty obtaining additional financing over the past year and may be unable to raise further capital.

The terms of Matritech's Series A convertible preferred stock and secured notes greatly restrict its ability to raise additional capital. Under the terms of the Series A convertible preferred stock, Matritech is prohibited from issuing senior equity securities or having indebtedness in excess of \$15.3 million except in limited forms. Under the terms of Matritech's secured notes, it is prohibited from issuing any debt securities or incurring any indebtedness except in limited forms and in limited amounts. In addition, under the asset purchase agreement, Matritech is not permitted to incur additional indebtedness without Inverness' prior written consent. These provisions place severe limits on Matritech's ability to raise additional financing.

If Matritech does not consummate the asset sale and does not receive an adequate amount of additional financing in the future on a timely basis, it will likely be unable to fund future cash operating deficits or to meet its cash payment obligations required by its secured notes. As a result, Matritech would likely be required to shut down its operations.

Matritech may be unable to comply with provisions of its secured notes and could suffer significant consequences in the event of non-compliance.

Matritech's secured notes impose substantial penalties in the event Matritech fails to comply with their terms. Potential events of default under the secured notes issued in January of 2006 and 2007 include:

failure to make payments as they become due;

failure to remain listed on any of the Nasdaq Stock Market, the New York Stock Exchange or AMEX;

failure to have an effective registration statement available for resale of the shares (except in the case of the January 2007 secured notes only if registration has been demanded);

failure to timely remove restrictive legends from any stock certificates delivered upon conversion;

written notice or public announcement of Matritech's intention not to issue shares upon conversion;

making an assignment for the benefit of creditors, or applying for or consenting to the appointment of a receiver or trustee for a substantial portion of its property or business or that of any subsidiary;

bankruptcy, insolvency or similar proceedings being filed by or against Matritech or any subsidiary;

the acquisition of Matritech's business, whether by merger, a sale or disposition of substantially all of Matritech's assets, or otherwise;

a default on Matritech's existing or future liabilities in excess of \$250,000; and

a breach of any material term of any other transaction document Matritech entered into with the purchasers of these secured notes.

In addition, potential events of default under the August 2007 secured notes include:

failure to make payments as they become due;

making an assignment for the benefit of creditors, or applying for or consenting to the appointment of a receiver or trustee for a substantial portion of its property or business or that of any subsidiary;

bankruptcy, insolvency or similar proceedings being filed by or against Matritech or any subsidiary;

a default on Matritech's existing or future liabilities in excess of \$250,000; and

a breach by Matritech of any material term of any other transaction document entered into with the purchasers of these secured notes.

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If Matritech defaults on its obligations under the secured notes issued in January 2006 and 2007, it could be required to pay interest and liquidated damages, and the notes could become immediately due and payable in cash at a premium of up to 125% of the outstanding principal amount plus accrued interest. In addition, if Matritech defaults on its obligations under the secured notes issued in August 2007, Matritech could be required to pay interest and the notes could become immediately due and payable in cash at a premium of up to 129% of the outstanding principal amount. The holders of Matritech's secured notes, through the collateral agent to whom Matritech granted a security interest in collateral relating to its NMP22 product line, could assume control of and sell the collateral, which consists of certain cell lines, equipment, inventory and general intangibles related to Matritech's

NMP22 product line, as well as proceeds from any sales of the product line. Any of these events would jeopardize Matritech's financial position and viability as a going concern, as well as Matritech's ability to consummate the asset sale.

Matritech has incurred substantial indebtedness and may be unable to service its debt.

As a result of sales of the secured notes, Matritech substantially increased its indebtedness from approximately \$0.8 million at the end of 2005 to approximately \$13.0 million as of August 31, 2007 which includes the liquidation preference on the Series A convertible preferred stock. The secured notes issued in January 2006 and January 2007 bear interest at the rate of 15% per annum, and the secured notes issued in August 2007 bear interest at 15% per annum for the first 90 days they are outstanding and, thereafter, at 18% per annum. This level of indebtedness could, among other things:

make it difficult for Matritech to make payments on this debt and other obligations;

make it difficult for Matritech to obtain future financing;

require Matritech to redirect significant amounts of cash flow from operations to service its indebtedness;

require Matritech to take measures such as the reduction in scale of its operations that might hurt its future performance in order to satisfy its debt obligations; and

make Matritech more vulnerable to bankruptcy.

Matritech has granted a security interest in its NMP22 product line that restricts its operation of, and could result in the loss of all assets related to, this product line if Matritech defaulted on its obligations.

Matritech granted to SDS Capital Group SPC, Ltd., as collateral agent for the holders of the secured notes, a security interest in collateral including some cell lines, equipment, inventory and general intangibles related to the NMP22 product line, as well as proceeds from any sale of that product line pursuant to a Second Amended and Restated Security Agreement. The collateral excludes receivables for product sales. The security interest covers assets related to both Matritech's NMP22 Lab Test Kit and NMP22 BladderChek Test, the two products that represented approximately 92% of Matritech's product sales in 2006 and 92% for the six months ended June 30, 2007. Matritech also entered into a Second Amended and Restated Contingent License Agreement with the collateral agent granting license rights in the field of bladder cancer detection to some of Matritech's patents related to the NMP22 products, sublicense rights to patents licensed to Matritech and used in connection with the NMP22 product line, and license rights to trademarks used exclusively in connection with the NMP22 product line. The Security Agreement and License Agreement impose restrictions on Matritech's sale or abandonment of the collateral and the patent rights. Further, these agreements afford the collateral agent the right to assume control of and sell the collateral and to use the license rights exclusively within the field of bladder cancer detection in the event of Matritech's default in its obligations under the secured notes. If Matritech defaults on these obligations, and the collateral is sold, Matritech will lose its primary source of revenue, which would have a material adverse effect on its business and would severely jeopardize its ability to continue operations and to complete the asset sale.

Matritech has a history of operating losses, is continuing to lose money and may never be profitable.

Matritech has incurred losses since it began operations in 1987. These losses have resulted principally from costs incurred in research and development and from selling, general and administrative costs associated with Matritech's market development and selling efforts. Matritech's accumulated deficit from inception through September 30, 2007 is \$123 million. Matritech's product

sales and net loss for each of the past three fiscal years and the nine months ended September 30, 2007 have been:

	2004	2005	2006	Through September 30, 2007
Product Sales, net of all allowances	\$ 7,275,000	\$ 10,290,000	\$ 12,085,000	\$ 10,011,000
Net Loss	\$ 11,123,000	\$ 7,865,000	\$ 11,935,000	\$ 13,553,000

Matritech expects to continue to incur additional operating losses in the future.

Matritech may fail to meet the standards for continued listing of shares of Matritech common stock on the American Stock Exchange or for listing of such shares on another national exchange.

National stock trading exchanges, including the American Stock Exchange, or AMEX, where Matritech common stock is currently listed, maintain standards and requirements for initial and continued listing of securities. In September 2006, Matritech received notice from AMEX that it was not in compliance with certain continued listing standards relative to maintenance of stockholders' equity and profitability. On October 23, 2006, Matritech submitted to AMEX a plan of proposed actions it believes will bring it into compliance with applicable listing standards no later than March 21, 2008. On December 8, 2006, Matritech received notice that AMEX had accepted its plan. AMEX may initiate delisting procedures against Matritech if it does not make progress consistent with its submitted plan during the plan period or if Matritech is not in compliance with applicable listing standards at the end of the plan period. Delisting of shares of Matritech common stock would violate terms of Matritech's various financing documents, could result in the declaration of an event of default on Matritech's secured notes and could cause the noteholders to seek to recover potential damages from Matritech. Further, under the asset purchase agreement, Matritech has agreed that it will use its commercially reasonable efforts to continue the listing of shares of Matritech common stock on AMEX through the closing of the asset sale. Any suspension of trading or delisting of Matritech's shares could make it more difficult for Matritech to raise needed additional capital on terms acceptable to it or at all and could seriously impair the ability of Matritech's stockholders to sell shares of Matritech common stock.

Market volatility and fluctuations in the price of Matritech common stock, and trading volume may cause sudden decreases in the value of an investment in Matritech common stock.

The market price of Matritech common stock has historically been, and is likely to continue to be, volatile. The price of Matritech common stock has ranged between \$0.10 and \$0.85 in the fifty-two week period ended October 31, 2007. The stock market has from time to time experienced extreme price and volume fluctuations, particularly in the biotechnology sector, which have often been unrelated to the operating performance of particular companies. Factors such as announcements of technological innovations or new products by Matritech's competitors or disappointing results by third parties, as well as market conditions in Matritech's industry, may significantly influence the market price of Matritech common stock. For example, in the past, the market price of Matritech common stock has been affected by announcements of clinical trial results and technical breakthroughs at other biotechnology companies as well as Matritech's own public announcements regarding such things as quarterly sales and earnings, regulatory agency actions and corporate partnerships. Consequently, events both within and beyond Matritech's control may cause shares of its stock to lose their value rapidly.

In addition, sales of a substantial number of shares of Matritech common stock by stockholders could adversely affect its market price. In the third quarter of 2007, Matritech common stock only had an average daily trading volume of approximately 269,465 shares. Matritech may be required to file a

resale registration statement if it receives a valid demand for registration of shares that may be issued upon conversion of the secured notes issued in January 2007 or exercise of the accompanying warrants. In connection with Matritech's January 2006 private placement of secured notes and warrants, Matritech filed two resale registration statements covering an aggregate of up to 25,797,839 shares of Matritech common stock for the benefit of the selling security holders. In connection with Matritech's March 2005 private placement of Series A convertible preferred stock and warrants, Matritech filed a resale registration statement covering up to 18,922,917 shares of Matritech common stock for the benefit of those investors. In connection with Matritech's March 2004 private placement of Matritech common stock and accompanying warrants, Matritech filed a resale registration statement covering up to 7,121,031 shares of Matritech common stock for the benefit of those investors. Matritech has also filed numerous resale registration statements in connection with previous sales of its equity securities. The actual or anticipated resale by such investors under these registration statements may depress the market price of Matritech common stock. Bulk sales of shares of Matritech common stock in a short period of time could also cause the market price of Matritech common stock to decline.

Future equity or convertible debenture financings will result in additional dilution of the ownership interest of Matritech's existing investors and may have an adverse impact on the price of Matritech common stock.

If the asset sale is not completed, Matritech expects that it will need to raise additional capital in the future to continue its operations. In order to fund its operations, Matritech has raised additional capital from 2003 through August 2007 through the sale of debt and equity securities, and if the asset sale is not completed, Matritech expects that it will continue to require additional capital to fund its operations and will seek to raise this capital through the sale of equity-related instruments. Any future equity-related financings will dilute the ownership interest of Matritech's existing investors and may have an adverse impact on the price of Matritech common stock.

In addition, the terms of the Series A convertible preferred stock and the secured notes provide for anti-dilution adjustments to their conversion prices and to the exercise prices of the accompanying warrants. Matritech is also contractually obligated to make "top-off" payments upon demand of the former holders of the warrants issued in March 2003 in the event it engages in a transaction that would have been a dilutive issuance under the March 2003 warrants.

The Series A convertible preferred stock and the accompanying warrants issued in connection with Matritech's March 2005 private placement also include anti-dilution protection provisions that were triggered by the sale of the secured notes issued in January 2006. As a result, the conversion price of the Series A convertible preferred stock was reduced from \$0.88 per share to \$0.70 per share and the exercise price of the March 2005 warrants was reduced from \$1.47 per share to \$1.34 per share. Both the Series A convertible preferred stock and the March 2005 warrants have reached their contractual floor prices and further dilutive issuances will not result in any further reduction in conversion or exercise price for these securities.

The sale of secured notes in January 2007 triggered the anti-dilution protection provisions of the secured notes and accompanying warrants issued in January 2006. As a result, both the conversion price of the secured notes and the exercise price of the warrants issued in January 2006 were reduced from \$0.65 and \$0.67, respectively, to \$0.63 per share. Future dilutive issuances could result in further reduction of the conversion price and exercise price of the secured notes and accompanying warrants issued in January 2006.

The secured notes and accompanying warrants issued in January 2007 also contain anti-dilution protection provisions. Currently, these secured notes are convertible to Matritech common stock at a price of \$0.63 per share and the accompanying warrants are exercisable at an exercise price of \$0.63 per share. If Matritech completes a future financing at a price of less than \$0.63 per share the conversion price of the secured notes issued in January 2007 would be reduced to the new financing price per share and the exercise price of the warrants issued in January 2007 would be reduced to the new financing price per share.

Matritech will not be able to significantly increase revenue or achieve profitability unless Matritech increases the number of urologists using its NMP22 BladderChek Test, increases the per-urologist usage of its tests and/or successfully penetrates markets other than urologists.

Currently, the primary market for Matritech's NMP22 BladderChek Test consists of urologists who utilize Matritech's NMP22 BladderChek Test as an adjunct to their cystoscopic examination of patients for detecting initial cases of bladder cancer and monitoring diagnosed cases for recurrence. Matritech has focused its sales and marketing on developing urologist users for either or both of these applications. In order to achieve increased revenue and profitability, Matritech must increase sales to urologists, increase the usage per urologist and/or expand the market for its product to other physicians, such as gynecologists and primary care doctors. While Matritech has had success in developing new urologist customers, it is still in the early stages of convincing a large number of them to use the test more widely than their current practice. In addition, Matritech has had limited experience in implementing its strategy of expanding users to include gynecologists and other physicians in Germany. In the United States, Matritech has not yet implemented a program to sell its NMP22 BladderChek Tests to physicians other than urologists and it may not be successful in penetrating these physician markets. Matritech may not be able to significantly expand the categories of physicians who use its NMP22 BladderChek Test. Failure to achieve one or more of these objectives may significantly limit Matritech's long term revenue potential and may require substantially more investment to achieve profitability.

Matritech's inability to develop and commercialize additional products may limit the future prospects for its business, sales and profits.

Matritech believes that its ability to achieve profitability and to increase profits will be affected by its progress in producing additional revenue-generating products and technologies. Other than Matritech's NMP22 products and the allergy and other diagnostic products distributed by Matritech's German subsidiary, none of Matritech's technologies has been commercialized or is close enough to commercialization to be expected to generate revenue in the foreseeable future, if at all. In September 2007, Matritech and Sysmex Corporation terminated the Exclusive License and Exclusive Supply Agreement under which Sysmex had licensed Matritech's NMP179® technology for cervical cancer detection. Matritech currently has no further plans to license or commercialize its NMP179 technology. If Matritech is unable successfully to develop and commercialize other products or technologies, the prospects for its business, sales and profits will be materially limited. In addition, if Matritech is unable to develop and commercialize additional products to diversify its revenue streams, great reliance will be placed on the success of its few existing products.

If Matritech is unable to manufacture or otherwise obtain the product volumes it needs, Matritech may be unable to meet commitments to its customers and its results of operations would suffer.

Matritech currently manufactures its NMP22 Lab Test Kits and packages its NMP22 BladderChek Tests in its Newton, Massachusetts facility but relies on third party vendors for certain components and processes for each of these products. Neither Matritech nor its vendors have experience in manufacturing and assembling the NMP22 Lab Test Kits and BladderChek Tests in large volumes. As a

result of the execution in November 2006 of a supply agreement with Inverness, Matritech has arranged for Inverness to become an additional supplier for this product and to have multiple manufacturing locations for the NMP22 BladderChek Test. However, the ability of a new manufacturer to make this product satisfactorily is largely untested, as is the ability of a new manufacturer to produce large volumes of the product satisfactorily and on a timely basis. Further, the United States Food and Drug Administration, or the FDA, must approve and qualify any new manufacturing locations of the NMP22 BladderChek Test before tests manufactured at the new location can be sold in the United States. Matritech expects the sales volume of its NMP22 BladderChek Test will generally continue to grow, although Matritech expects that quarter-over-quarter sales may not always increase and the rate of increase will likely not remain constant. Matritech and/or the suppliers of the NMP22 BladderChek Test may encounter difficulties in scaling up production of products, including problems involving:

production yields;

quality control and assurance;

component supply; and

shortages of qualified personnel.

These problems could make it difficult to produce sufficient quantities of product to satisfy customer needs and could result in customer dissatisfaction and decreased sales. In addition, if quality problems arise or if Matritech needs to undertake any significant manufacturing changes in order to achieve desired product volumes, Matritech may be subject to review and/or other action by the governmental authorities that extensively regulate Matritech's manufacturing operations.

If Matritech loses the services of its suppliers or assemblers, Matritech may be unable to meet commitments to its customers and its results of operations would suffer.

Matritech does not currently have alternative suppliers manufacturing its NMP22 BladderChek Tests or providing processes for its NMP22 Lab Test Kits. Unless and until Matritech secures additional suppliers for its NMP22 BladderChek Test and for processes for its NMP22 Lab Test Kit, and Matritech demonstrates to the FDA that additional suppliers are equivalent to its current sources, Matritech will be at risk of disruption of its product supply and may be unable to meet its sales commitments to customers. Although Matritech has executed a supply agreement with Inverness for its NMP22 BladderChek Test, and Inverness plans on having multiple manufacturing locations qualified and available for the manufacture of this product, to date the product is being manufactured at only one location and only one location has been qualified. Matritech has not yet obtained approval from the FDA to use a different manufacturing location. Matritech may face delays in securing FDA approval for use of an additional manufacturing location for its NMP22 BladderChek Test, and Matritech may not be able to secure the necessary approval at all. In that event, Matritech would expect that its product would continue to be manufactured at the same location it has been for several years. While Matritech attempts to maintain an adequate level of inventory to provide for contingencies such as key product components becoming unavailable or available in insufficient quantities, or an assembler failing to meet Matritech's requirements, Matritech's inventory levels may not be adequate to meet its commitments for an extended period of time. Matritech may be forced to modify its products to enable another supplier or another manufacturing location to meet its requirements, or Matritech may be required to cease production and sale of its products altogether if its existing supply sources do not continue to provide sufficient quantities of product to Matritech for whatever reason. Any product modification or cessation of production and sale of Matritech products would likely cause Matritech to fail to satisfy its sales commitments to its customers. Matritech's failure or delay in meeting its sales commitments would likely cause sales to decrease, could result in significant expense to obtain alternative sources of supply or assembly with the necessary facilities and know-how, and would negatively affect Matritech's results of operations.

Matritech may need to stop selling its NMP22 BladderChek Tests if it cannot obtain necessary licenses or waivers to use lateral flow technology, and Matritech may need to stop selling other products if third parties assert infringement claims against it.

Matritech's NMP22 BladderChek Test uses lateral flow technology consisting of an absorbent material that soaks up urine from a small reservoir at one end of the container housing the test strip and exposes the urine to chemicals and antibodies arranged on the surface of or imbedded in the test strip. After a reaction with Matritech's proprietary antibodies, a test result appears in a window located on the container housing the test strip. The manufacture, use, sale, or import of point-of-care products that include lateral flow technology requires Matritech to obtain patent licenses in some jurisdictions. In August 2004, Matritech entered into a license agreement, effective as of April 1, 2004, with Abbott Laboratories, which holds patent rights in the lateral flow area. In November 2006, Matritech entered into a supply agreement with Inverness, which holds substantial patent rights in the lateral flow area covering the professional field, including licensed health care providers and diagnostic laboratories. As part of this agreement, Matritech has secured protection from claims by Inverness of infringement of Inverness' lateral flow patent rights for products Matritech purchases from Inverness and resells in the professional field. Inverness has also agreed not to sue Matritech, its resellers, distributors and end-customers for infringement of these lateral flow patent rights for products sold prior to November 3, 2006. If Matritech is unable to obtain any additional patent licenses that it needs or similar protection from infringement claims in order to permit it to make, use, sell, or import its NMP22 BladderChek Test products in the United States or in other jurisdictions, Matritech will have to stop selling its NMP22 BladderChek Tests in these jurisdictions until the expiration of the relevant patents or until Matritech is able to develop an alternative non-infringing design solution that uses a different technology. Matritech may not, however, be able to do this on a timely basis. In addition, Matritech may also be subject to litigation that seeks a percentage of the revenues Matritech has received from the sale of its NMP22 BladderChek Tests. Matritech accrues estimated royalties on sales of its NMP22 BladderChek Test based on estimates of its obligations under existing licensing agreements and, when probable and estimable, based upon its appraisal of intellectual property claims to which Matritech may be subject. If Matritech is required to obtain additional licenses, the additional royalties due for those licenses may substantially reduce its gross profits and make it difficult or impossible for Matritech to achieve profitability without new products or sources of revenue.

Matritech has not identified or been advised by third parties of any rights owned by others that would require it to secure licenses or waivers in order to manufacture, use, sell or import its NMP22 Lab Test Kit product. Matritech believes that its NMP22 Lab Test Kit does not infringe upon the proprietary rights of third parties. However, it may be difficult or impossible to identify, prior to receipt of notice from a third party, the patent position or other intellectual property rights of the third party, either in the United States or in foreign jurisdictions. If Matritech's NMP22 Lab Test Kits are found to infringe other parties' proprietary rights and Matritech is unable to come to terms with such parties, Matritech may be forced to modify the NMP22 Lab Test Kits to make them non-infringing or to cease production of such products altogether.

Matritech competes with other methods of diagnosing cancer that already exist or may be successfully developed by others and Matritech's products may not prevail as the method of choice.

Although Matritech is not aware of any other company selling FDA-approved diagnostic or therapeutic products that incorporate nuclear matrix protein technology, competition in the development and marketing of cancer diagnostics and therapeutics, using a variety of technologies, is intense. Many pharmaceutical companies, biotechnology companies, public and private universities and research organizations actively engage in the research and development of cancer diagnostic products. Many of these organizations have greater financial, manufacturing, marketing and human resources than Matritech does.

Matritech expects that its current and future products will compete with existing FDA-approved tests, such as UroVysion, which has been approved for both monitoring and diagnosing bladder cancer, and BTA Stat, which is a point-of-care test that has been approved for use in monitoring bladder cancer patients; a test known as CEA, which is used primarily for monitoring colorectal and breast cancers; a test known as CA19.9, which is used primarily for monitoring colorectal and gastric cancers; a test known as PSA, which is used primarily for monitoring and screening prostate cancer; tests known as TRUQUANT® BR RIA, CA15.3 and CA27.29, which are used for monitoring breast cancer; and cervical specimen collection and analysis systems known as Imaging-Directed Cytology™ (Cytoc) and FocalPoint™ slide profiler (TriPath Imaging). Matritech is also aware of a number of companies that are developing cancer diagnostic products based upon gene technology such as OncoType Dx. Matritech's diagnostic products will also compete with more invasive or expensive procedures such as minimally invasive surgery, bone scans, magnetic resonance imaging and other in vivo imaging techniques. In addition, other companies may introduce competing diagnostic products based on alternative technologies that may adversely affect Matritech's competitive position. As a result, Matritech's products may become less competitive, obsolete or non-competitive.

Low reimbursement rates could limit the per-unit revenues for Matritech's products and make it uneconomical to sell or distribute them, and limitations on the medical circumstances for which reimbursement is provided could reduce the potential market for Matritech's products.

Matritech's ability to sell its products depends in part on sufficient levels of payment from insurers and/or patients to enable Matritech and its customers (both physicians and laboratories) to make an adequate profit. Third-party reimbursement policies, patient attitudes and abilities to pay for some or all of their healthcare, national healthcare cost control measures and physician or hospital preferences may each influence per-unit revenues for Matritech's products, usually in different ways in different countries.

In most countries, third party reimbursement is the most important factor in achieving adequate per-unit pricing. Typically, a necessary but not sufficient condition for obtaining third party reimbursement is an approval from the relevant jurisdiction's healthcare product regulatory authorities (such as the FDA in the United States). However, approvals by these authorities typically do not compel reimbursement by medical insurers, do not establish a reimbursement price and do not set forth the specific medical circumstances required to be satisfied in order to qualify for reimbursement. These are typically the province of the health care plans, whether private or public. Further, initial approval by a health care plan does not ensure continued reimbursement or stable prices. At a later date some insurers may decide not to continue reimbursement at all, not to continue reimbursement for some medical applications and/or to decrease the reimbursement amount. Low reimbursement, no reimbursement or reimbursement that requires a patient to pay a significant portion of the cost could have a material adverse impact on Matritech's potential revenues.

In the United States, broad scale reimbursement (including both national healthcare plans such as Medicare and most private insurers) has removed financial barriers for a substantial majority of all potential patients. This has created an opportunity for Matritech's physician customers to sell diagnostic services based on Matritech's products to most of their patients being evaluated for bladder cancer. If Medicare or these private insurers were to lower reimbursement rates, Matritech believes its revenues would fall in part because physicians might have decreased interest in using Matritech products.

To date, in Germany, where the national reimbursement bodies have not approved reimbursement for Matritech products, much of Matritech's sales revenue to physicians results from patients paying for Matritech products themselves. This lack of reimbursement may have limited the number of potential patients for Matritech products. On the other hand, Matritech's product sales may have benefited because there are no restrictions on the amounts that physicians are able to charge and physicians are not restricted to order the test only in those medical circumstances contained in a reimbursement

policy. If the national reimbursement bodies were to designate Matritech's products as reimbursable, and did so at a low rate or for very limited clinical indications, it might decrease the prices Matritech could charge, lower the volume of tests that may be ordered and, in general, decrease the interest of physicians in using Matritech products. Reimbursement designation, however, could enable a far greater number of patients to be tested with Matritech products, which would partially offset such per-unit revenue decline. Reimbursement decisions can also be affected by national policies designed to control healthcare costs. These policies can limit prices paid for tests or limit the circumstances in which public and private insurers will reimburse the cost of tests. For example, Medicare has frozen reimbursement for clinical laboratory tests at 2003 levels and future changes could impose limitations on the prices Matritech's physician and laboratory customers can charge for the services based on Matritech products. The future announcement or adoption of such proposals could reduce the profitability of Matritech's business.

Matritech expects that reimbursement approval will be obtained in some other countries where its products are sold, but do not believe reimbursement rates in all countries will be as favorable as in the United States. Broad scale reimbursement approval for Matritech's NMP22 BladderChek Test has not yet occurred in the principal countries of Asia (except in Japan) or in the principal countries of Europe (including Germany).

Even with apparently attractive reimbursement levels, the attitudes of physicians, hospitals, laboratories, clinics and other customers may limit Matritech's per-product revenue because their profit expectations may influence their use of Matritech products and their attitudes toward the price Matritech charges them. To the extent that Matritech is unable to price its products to achieve physician or laboratory profit expectations, sales of Matritech products may suffer.

Matritech and its distributors are subject to extensive government regulation that adds to the cost and complexity of Matritech's business, may result in unexpected delays and difficulties, may impose severe penalties for violations and may prevent the ultimate sale or distribution of Matritech's products in certain countries.

The FDA and many foreign governments stringently regulate the medical devices that Matritech manufactures and that Matritech and its distributors market to physicians or other customers. The FDA regulates the clinical testing, manufacture, labeling, distribution and promotion of medical devices in the United States and agencies in the European Union, Japan and other countries where Matritech sells its products have their own regulations. If Matritech's products do not receive appropriate approvals from medical device regulatory authorities in any country, Matritech cannot sell its products in that country, either on its own or through distributors.

Any products that Matritech or its suppliers manufacture or distribute in accordance with FDA approvals are subject to stringent regulation by the FDA, including:

keeping records and reporting adverse experiences with the use of those devices;

registering Matritech's establishments and listing its devices with the FDA and submitting these manufacturing establishments to periodic inspections by the FDA and certain state agencies; and

requiring Matritech's products to be manufactured in accordance with complex regulations known as Quality System Regulations, which include procedural and documentation requirements for manufacturing and quality assurance activities.

If Matritech fails to comply with any FDA requirement, Matritech may face a number of costly and/or time consuming enforcement actions, including:

finances;

injunctions;

civil penalties;

recall or seizure of products;

total or partial suspension of production;

delay or refusal of the agency to grant premarket clearance or premarket approval for other devices in Matritech's development pipeline;

withdrawal of marketing approvals; and

criminal prosecution.

The FDA and foreign governmental agencies have the authority to request the repair, replacement or refund of the cost of any device that Matritech manufactures or distributes if it is non-compliant. Failure to comply with medical device and quality regulations in countries outside the United States where Matritech sells its products can result in fines, penalties, seizure or return of products and the inability to sell the product in those countries either on Matritech's own or through its distributors.

Labeling and promotional activities are subject to scrutiny in the United States by the FDA and, in certain instances, by the Federal Trade Commission, and by regulatory bodies in most countries outside the United States where Matritech sells products. For example, Matritech's NMP22 Lab Test Kit has received FDA approval and may be promoted by Matritech only as an aid in the management of patients with bladder cancer or as a diagnostic aid for use for previously undiagnosed individuals who have symptoms of or are at risk for bladder cancer. The FDA actively enforces regulations prohibiting the promotion of devices for unapproved uses and the promotion of devices for which premarket approval or clearance has not been obtained. In order to permit Inverness, Matritech's distributor, to sell Matritech's NMP22 BladderChek Test in the non-prescription, over-the-counter market in the U.S., Matritech will have to conduct clinical trials, make an additional submission to the FDA and secure FDA approval. There is no guarantee that clinical trials Matritech conducts will support a non-prescription, over-the-counter use of the NMP22 BladderChek Test, that Matritech will be able to secure FDA approval for sale in that market or that Inverness will ever commence sale of Matritech's NMP22 BladderChek Test in that market.

In addition to federal regulations regarding manufacture and promotion of medical devices, Matritech is also subject to a number of state laws and regulations that may hinder its ability to market its products in those states or localities. Manufacturers in general are also subject to numerous federal, state and local laws relating to such matters as safe working conditions, manufacturing practices, environmental protection, fire hazard control, and disposal of hazardous or potentially hazardous substances. Matritech may be required to incur significant costs to comply with these laws and regulations in the future, which could increase future losses or reduce future profitability.

Matritech may encounter insurmountable obstacles or incur substantially greater costs and delays than anticipated in the development process.

From time to time, Matritech has experienced setbacks and delays in its research and development efforts and may encounter further obstacles in the course of the development of additional technologies, products and services. Matritech may not be able to overcome these obstacles or may have to expend significant additional funds and time. For example, in 1997, Matritech elected to terminate development of a blood-based test for PC1, a candidate marker for prostate cancer, due to unexpected difficulties. Despite encouraging initial results from an earlier low throughput research testing method, Matritech was unable to develop a kit for use in testing prostate cancer patients even when Matritech employed 1997 state-of-the-art detection methods. Matritech has subsequently announced that a different set of proteins (NMP48), discovered using a different discovery method, are the primary candidates in Matritech's prostate cancer program. More recently, Matritech and others

have observed that the testing results of a low throughput research mass spectrometry instrument are not readily reproducible or transferable to high throughput mass spectrometry instruments. As a result, the preliminary positive results Matritech's scientists have achieved using monoclonal antibody based immunoassays and reverse transcriptase polymerase chain reaction have caused Matritech to direct its product development resources to these methods for the past two years. If Matritech fails to develop clinical tests based upon any of these methods, Matritech may be forced to curtail or abandon these programs and others that share the same characteristics or approach. In 2006, Matritech reported that the sensitivity and specificity of the breast cancer tests it has had in development were not sufficient to begin clinical trials for submission to the FDA and that it was proceeding with testing of additional antibody pairs, including some focused on different targets. Technical obstacles and challenges Matritech encounters in its research and development process may result in delays in or abandonment of product commercialization, may substantially increase the costs of development, and may negatively affect Matritech's results of operations.

Matritech often faces challenges in replicating the research results it obtains in its laboratories in clinical trials and, as a result, Matritech may have difficulty commercializing its products.

Investors should not expect products that Matritech commercializes to perform as well in large-scale clinical trials as preliminary discovery research results in the small numbers of samples reported by Matritech may suggest. In large-scale clinical trials, such as those required by the FDA, Matritech expects to encounter greater variability and risks including but not limited to:

obtaining acceptable specimens from patients and healthy individuals;

testing a much larger population of individuals than Matritech tested in early discovery, which will be likely to include more biologic variability;

preparation methods for the specimens using lower cost, high-throughput procedures, which might result in performance different from those used in early discovery; and

inability to develop economic and reproducible test methods for the substance to be measured.

Matritech believes that testing its final products in a clinical setting may yield less accurate product performance than the performance reported during the discovery phase. Unfavorable, or less favorable, results in clinical trials may make commercializing Matritech products more difficult.

Successful technical development of Matritech's products does not guarantee successful commercialization.

Matritech may successfully complete technical development for one or all of its product development programs, but still fail to develop a commercially successful product for a number of reasons, including the following:

failure to obtain the required regulatory approvals for their use;

prohibitive production costs;

clinical trial results might differ from discovery-phase data; and

variation of perceived clinical value of products from physician to physician.

Matritech's success in the market for the diagnostic products it develops will also depend greatly on its ability to educate physicians, patients, insurers and distributors on the medical benefits of its new products. Even if Matritech successfully educates the market, competing products may prevent Matritech from gaining wide market acceptance of its products.

If Matritech does not adequately protect its intellectual property, Matritech could lose its ability to compete in the marketplace.

Protection of Matritech's intellectual property is necessary for the success of its products and business. Patent protection can be limited and not all intellectual property is or can be protected by patent. Matritech relies on a combination of patent, trade secret and trademark laws, nondisclosure and other contractual provisions and technical measures to protect its proprietary rights in its current and planned products. Matritech has little protection when it must rely on trade secrets and nondisclosure agreements. Matritech's competitors may independently develop technologies and products that are substantially equivalent or superior to Matritech's technology and products. If Matritech's competitors develop superior or competing technology and are able to produce products similar to or better than its own, Matritech's revenues could decrease.

While Matritech has obtained patents where advisable, patent law relating to the scope of certain claims in the biotechnology field is still evolving. In some instances, Matritech has taken an aggressive position in seeking patent protection for its inventions and, in those cases, the degree of future protection for Matritech's proprietary rights is uncertain. In addition, the laws of certain countries in which Matritech's products are, or may be, licensed or sold do not protect Matritech's products and intellectual property rights to the same extent as the laws of the United States.

If Matritech is unable to recruit and retain key management, scientific and sales personnel, its business would be negatively affected.

For Matritech's business to be successful, it needs to attract and retain highly qualified scientific, sales and management personnel. As of October 31, 2007, Matritech employed 65 employees. The loss of key members of Matritech's scientific staff or a number of Matritech's sales staff within a short period of time, and the failure to recruit the necessary additional or replacement personnel when needed with specific qualifications and on acceptable terms, might impede Matritech's research and development efforts and/or its direct-to-the-doctor marketing strategy. Matritech's success is also greatly dependent on the efforts and abilities of its management team. The simultaneous loss of multiple members of senior management may delay achievement of Matritech's business objectives due to the time that would be needed for replacements to be recruited and become familiar with Matritech's business. Matritech faces intense competition for qualified personnel from other companies, research and academic institutions, government entities and other organizations.

Matritech may be unable to establish distributor relationships with high revenue potential in jurisdictions where Matritech does not have a direct sales force.

Matritech relies primarily on distributors to market its NMP22 BladderChek Tests in territories other than the United States and Germany. To date, Matritech's distribution arrangements in those other territories have not produced sales levels or sales growth consistent with the progress achieved by Matritech's own direct-to-the-doctor sales forces operating in the United States and Germany. Matritech has limited experience in selecting and managing distributors and does not know whether its existing distributors or others it may engage in the future will achieve substantial sales levels of Matritech products in the near term or at all. Failure to establish successful product distribution could severely limit the growth potential for Matritech's products, and Matritech's revenue and results of operation could be negatively affected.

The operations of Matritech's German subsidiary involve currency exchange rate variability and other risks that could negatively affect Matritech's results of operations.

Historically, Matritech's German subsidiary has accounted for a large portion of Matritech's product sales. Accounts of Matritech's German subsidiary are maintained in euros and are translated

into U.S. dollars. To the extent that foreign currency exchange rates fluctuate, Matritech may be exposed to significant financial variability, both favorable and unfavorable.

In addition, although Matritech has integrated the operations of its German subsidiary since it acquired it in June 2000, Matritech still must coordinate geographically separate organizations, manage personnel with disparate business backgrounds and conduct business in a different regulatory and corporate culture. It remains to be seen whether the use of this subsidiary to spearhead the marketing effort of Matritech's products in Europe outside of Germany will be successful in the long term.

If Matritech is sued on the basis of product-related claims, the cost of defending those claims could be prohibitive.

The testing, marketing and sale of human healthcare products entail an inherent exposure to product liability claims. Third parties may successfully assert product liability claims against Matritech. Although Matritech currently has insurance covering product liability claims, Matritech may not be able to maintain this insurance at acceptable cost in the future, if at all. In addition, Matritech's insurance may not be sufficient to cover particularly large claims. Significant product liability claims could result in large and unexpected expenses as well as a costly distraction of management resources, potential negative publicity and reduced demand for Matritech's products.

If the products Matritech distributes that are made by other companies become unavailable or do not meet quality standards, Matritech may lose revenues and may face liability claims.

If the products Matritech distributes, but does not manufacture, become unavailable for any reason or fail to meet Matritech's quality standards, Matritech would need to seek alternative sources of supply. If Matritech is unable to find alternative sources of an equivalent product, it may be required to cease distribution of those products affected by this supply issue, which could cause revenues to decrease or to be lost permanently. Furthermore, if products that Matritech distributes, but does not manufacture, should be found defective, Matritech could be sued on the basis of product liability or other claims.

Matritech's activities involve the use of hazardous materials, and Matritech may be held liable for any accidental injury from these hazardous materials.

Matritech's research and development and assembly activities involve the use of hazardous materials, including carcinogenic compounds. Although Matritech believes that its safety procedures for handling and disposing of these hazardous materials comply with the standards prescribed by federal, state and local laws and regulations, Matritech cannot completely eliminate the risk of accidental contamination or injury from these materials. In the event of an accident or exposure, Matritech could be held liable for resulting damages, and significant and unexpected costs, as well as costs related to increased insurance premiums or even the inability to obtain adequate insurance at a reasonable price, could result. Matritech might also face costs associated with loss of operations during any required clean-up. Any costs or liabilities resulting from Matritech's use of hazardous materials may negatively impact its financial condition and results of operations.

CAUTIONARY STATEMENT CONCERNING FORWARD-LOOKING STATEMENTS

The Securities and Exchange Commission, or SEC, encourages companies to disclose forward-looking information so that investors can better understand a company's future prospects and make informed investment decisions. This proxy statement/prospectus contains such "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995. These statements may be made directly in this proxy statement/prospectus, and they may also be made a part of this proxy statement/prospectus by reference to other documents filed with the SEC, which is known as "incorporation by reference."

Words such as "may," "anticipate," "estimate," "expects," "projects," "intends," "plans," "believes" and words and terms of similar substance used in connection with any discussion of future operating or financial performance identify forward-looking statements. All forward-looking statements represent present expectations of Inverness and Matritech management regarding future events and are subject to a number of assumptions, risks and uncertainties that could cause actual results to differ materially from those described in the forward-looking statements. These risks include, but are not limited to, the risks and uncertainties set forth in "Risk Factors" beginning on page 25 of this proxy statement/prospectus, as well as those set forth in the other SEC filings incorporated by reference herein.

In light of these assumptions, risks and uncertainties, the results and events discussed in the forward-looking statements contained in this proxy statement/prospectus or in any document incorporated by reference might not occur. You are cautioned not to place undue reliance on the forward-looking statements, which speak only as of the date of this proxy statement/prospectus or the date of the document incorporated by reference in this proxy statement/prospectus. Inverness and Matritech do not undertake any obligation to update or alter any forward-looking statements, whether as a result of new information, future events or otherwise. All subsequent forward-looking statements attributable to Inverness or Matritech, or to any person acting on their behalf, are expressly qualified in their entirety by the cautionary statements contained or referred to in this section.

SPECIAL MEETING OF THE STOCKHOLDERS OF MATRITECH

When and Where the Special Meeting Will Be Held

The special meeting of the stockholders of Matritech will be held at the offices of Choate, Hall & Stewart LLP, Two International Place, Boston, MA 02110 on December 12, 2007, at 10:30 a.m. Eastern Time.

What Will Be Voted Upon

The purpose of the special meeting is to consider and vote upon the following proposals:

1. To approve the sale of substantially all of the assets of Matritech, Inc. to Milano Acquisition Corp., a wholly owned subsidiary of Inverness Medical Innovations, Inc., pursuant to and on the terms set forth in an Asset Purchase Agreement dated August 27, 2007 by and among Inverness, Milano and Matritech.
2. To approve the plan of complete liquidation and dissolution of Matritech, including the liquidation and dissolution of Matritech contemplated thereby following the closing of the asset sale.
3. To approve an amendment to Matritech's certificate of incorporation to change Matritech's name to MZT Holdings, Inc., subject to the approval of the asset sale proposal and following the closing of the asset sale.
4. To grant discretionary authority to the Matritech board of directors to adjourn or postpone the special meeting, even if a quorum is present, to solicit additional votes to approve the asset sale, the plan of dissolution or the name change proposals, if necessary.
5. To consider and transact such other business as may properly come before the special meeting and any adjournments or postponements thereof.

The Matritech board of directors does not currently intend to bring any business before the special meeting other than the specific proposals set forth above and specified in the notice of the special meeting. The Matritech board of directors does not know of any other matters that are to be brought before the special meeting. If any other business properly comes before the special meeting, it is the intention of the persons named in the enclosed form of proxy to vote the shares they represent as the Matritech board of directors may recommend.

The matters to be considered at the special meeting are of great importance to Matritech's stockholders. Accordingly, stockholders are urged to read and carefully consider the information presented in this proxy statement/prospectus, and to complete, date, sign and promptly return the enclosed proxy in the enclosed postage-paid envelope. Proxies may also be returned to Matritech by telephone or on the Internet.

The Matritech Board of Directors' Recommendation

The Matritech board of directors has approved the asset sale proposal, the plan of dissolution proposal, the name change proposal and the adjournment proposal and recommends that you vote **FOR** the asset sale proposal, **FOR** the plan of dissolution proposal, **FOR** the name change proposal and **FOR** the adjournment proposal.

Which Stockholders May Vote

The Matritech board of directors has fixed the close of business on November 9, 2007 as the record date for determining stockholders entitled to receive notice of the special meeting, and to vote their shares at the special meeting and any adjournment or postponement of the special meeting. Only

holders of record of Matritech common stock and Series A convertible preferred stock at the close of business on the record date will be entitled to notice of, and to vote at, the special meeting and any adjournment or postponement of the special meeting. Each share of Matritech common stock is entitled to one vote. When the holders of the shares of Series A convertible preferred stock are entitled to vote together with the holders of the shares of Matritech common stock as a single class, each share of Series A convertible preferred stock is entitled to 6.56 votes.

At the close of business on November 9, 2007, Matritech had issued and outstanding 62,200,272 shares of Matritech common stock and 81,399 shares of Series A convertible preferred stock, representing voting power equivalent to 533,973 shares of Matritech common stock.

How Do Matritech Stockholders Vote

The Matritech proxy card accompanying this proxy statement/prospectus is solicited on behalf of the Matritech board of directors for use at the special meeting. Matritech's stockholders are requested to complete, date and sign the accompanying proxy card and promptly return it in the accompanying envelope or otherwise mail it to Matritech. Matritech's stockholders can also submit their proxy by telephone or the Internet. All proxies that are properly executed and returned, or submitted by telephone or the Internet, and that are not revoked, will be voted at the special meeting in accordance with the instructions indicated thereon. Executed or submitted but unmarked proxies will be voted **FOR** approval of all of the proposals listed on the proxy card.

Quorum and Vote Required to Approve Each Proposal

The presence at the meeting, in person or by proxy, of the holders of a majority in voting power of the issued and outstanding shares of capital stock entitled to vote at the special meeting will be necessary to constitute a quorum.

Voting requirements for the approval of the asset sale proposal. Assuming a quorum is present, approval of the asset sale proposal will require the affirmative vote of both the holders of a majority in voting power of the outstanding shares of the Matritech common stock and Series A convertible preferred stock, voting together as a single class, and the holders of at least 75% of the outstanding shares of Series A convertible preferred stock, voting as a separate class.

Voting requirements for the approval of the plan of dissolution proposal and the name change proposal. Assuming a quorum is present, approval of the plan of dissolution proposal and the name change proposal each will require the affirmative vote of the holders of a majority in voting power of the outstanding shares of the Matritech common stock and Series A convertible preferred stock, voting together as a single class.

Voting requirements for the adjournment proposal. Assuming a quorum is present, the approval of the adjournment proposal will require the affirmative vote of the holders of a majority in voting power of the Matritech common stock and Series A convertible preferred stock, voting together as a single class, present, either in person or by proxy, and entitled to vote at the special meeting.

Abstentions; Broker Non-Votes

The inspector of elections at Matritech's special meeting will treat abstentions and shares represented by proxies that reflect abstentions as shares that are present and entitled to vote for the purpose of determining the presence of a quorum and as having voting power for the purpose of determining the outcome of any matter submitted to Matritech's stockholders for a vote. Abstentions will have the effect of votes against any proposal to be considered at the special meeting.

Broker non-votes occur when a broker holding stock in street name does not vote the shares on some or all matters. Brokers are permitted to vote on routine, non-controversial proposals in instances where they have not received voting instruction from the beneficial owner of the stock but are not permitted to vote on non-routine matters. Uncast votes on non-routine matters are referred to as "broker non-votes." The inspector of elections will treat broker non-votes as shares that are present and entitled to vote for the purpose of determining the presence of a quorum. However, for the purpose of determining the outcome of any matter as to which the broker or nominee has indicated on the proxy that it does not have discretionary authority to vote, the inspector of elections will be required to treat those shares as not having voting power with respect to that matter (even though their shares may represent voting power with respect to other matters, such as routine matters). Broker non-votes will not be considered to have been voted for or against the approval of the asset sale proposal, the plan of dissolution proposal or the name change proposal. However, because the votes required to approve the asset sale proposal, the plan of dissolution proposal and the name change proposal are based on a percentage of the total number of shares outstanding, rather than as a percentage of the voting power represented at the meeting, broker non-votes will have the effect of a vote against those proposals. Broker non-votes will have no effect on the adjournment proposal.

Revocability of Proxies

Stockholders of record who execute proxies may revoke them by giving written notice to, or by signing and delivering a new, valid proxy bearing a later date to, Matritech's Secretary at any time before such proxies are voted. Stockholders who submit a proxy by telephone or the Internet can revoke them by submitting another proxy by telephone or the Internet at any time before such proxy is voted. Attendance at the special meeting will not have the effect of revoking a proxy unless the stockholder attending the special meeting notifies the Secretary, in writing, of the revocation of the proxy at any time prior to the voting of the shares represented by the proxy. If a stockholder's shares are held in "street name," the stockholder must contact its broker, bank or other nominee to change its vote.

Solicitation of Proxies and Expenses of Solicitation

Matritech and Inverness will both bear the costs of printing, filing and mailing this proxy statement/prospectus. Matritech will bear the costs of holding the special meeting and the cost of soliciting proxies. In addition to solicitation by mail, Matritech's directors, officers and regular employees (who will not be specifically compensated for such services) may solicit proxies by telephone, facsimile, email and personal meetings. Matritech has retained Georgeson, Inc. to aid in the solicitation of proxies from stockholders for an initial retainer of \$20,000 plus additional out-of-pocket expenses.

Assistance

If you need assistance in completing your proxy card or have questions regarding the special meeting, please contact Richard Sandberg at 1-617-928-0820 ext. 224 or toll free at 1-800-320-2521 or Georgeson Inc. toll free at 1-877-278-6775.

PROPOSAL ONE THE ASSET SALE PROPOSAL

The following is a description of the material aspects of the asset sale, including the asset purchase agreement. While Inverness and Matritech believe that the following description covers the material terms of the asset purchase agreement and the asset sale, the description may not contain all of the information that is important to you. Inverness and Matritech encourage you to read carefully this entire proxy statement/prospectus, including the asset purchase agreement attached to this proxy statement/prospectus as Annex A, for a more complete understanding of the asset sale.

Background of the Asset Sale

In May 2004, Matritech entered into an exclusive distribution agreement with Wampole Laboratories, a subsidiary of Inverness, under which Wampole would distribute Matritech's NMP22 Lab Test Kit, a laboratory-based bladder cancer diagnostic test, in certain markets.

Soon thereafter, Matritech began seeking another manufacturer for its point-of-care bladder cancer diagnostic product, the NMP22 BladderChek Test. One company identified as likely to have the capability to manufacture and supply this product reliably and economically was Applied Biotech Inc., or ABI, another subsidiary of Inverness.

In July 2004, Inverness and Matritech entered into a non-disclosure agreement regarding technical and business information that might be exchanged in connection with the parties' exploration and carrying on of a future business relationship.

Over a period of months, Matritech and ABI explored in detail an arrangement whereby ABI would manufacture Matritech's NMP22 BladderChek Test. In mid-2005, ABI ended these discussions.

Thereafter, in late 2005, Matritech began exploring whether British Biocell Incorporated, or BBI, a company headquartered in Wales, UK, might be a suitable manufacturing partner for Matritech's NMP22 BladderChek Test. Matritech commenced discussions with BBI in part because Inverness had recommended BBI, a company with which Inverness had a relationship. Ultimately, however, in the summer of 2006, Matritech and BBI concluded that they would instead pursue an arrangement whereby Matritech would engage Inverness to manufacture its product and Inverness would engage BBI as its manufacturing subcontractor. Matritech, BBI and Inverness subsequently commenced discussions regarding such an arrangement.

In the summer of 2006, Matritech engaged in discussions with a number of health care companies regarding the possibility of entering into a marketing and/or distribution arrangement for the sale of Matritech's NMP22 BladderChek Test to selected target markets in the United States. Matritech had discussions with two large publicly held diagnostics companies.

During these discussions in the summer of 2006, a senior executive of one of the companies, referred to as Company A, discussed with David L. Corbet, Matritech's President and Chief Operating Officer, its own expansion plans and the role Matritech's NMP22 BladderChek Test might play in its business. Company A's senior executive also told Mr. Corbet that Company A might be interested in acquiring Matritech or its NMP22 product line. Thereafter, Stephen D. Chubb, Matritech's Chief Executive Officer, discussed this overture from Company A with some members of the Matritech board of directors, including Walter O. Fredericks. At management's request, Mr. Fredericks, who knew the senior executive at Company A, called this executive to explore further Company A's strategic initiatives and the executive's views of how a transaction with Matritech might affect the timeline and prospects for Company A's new venture.

On August 5, 2006, Matritech retained an investment banking firm (other than CIBC World Markets) to assist Matritech in securing a new round of financing. The investment banking firm evaluated an equity financing for Matritech, but determined that it could not secure investors for an

equity offering and advised Matritech that its only realistic funding options involved offering secured debt or secured convertible debt.

At a regularly scheduled meeting of the Matritech board of directors in September 2006, Mr. Chubb reported on Messrs. Corbet's and Fredericks' discussions with Company A. In addition, at this meeting, both Mr. Chubb and Richard A. Sandberg, Matritech's Chief Financial Officer, briefed the Matritech board of directors on Matritech's financial position and projected cash needs. Mr. Chubb also reviewed for the board of directors Matritech's available strategic options, including options related to securing additional financing and the possibility of being acquired, whether by Company A or another party. The Matritech board of directors instructed management to continue discussions with Company A about a potential acquisition, explore possible strategic transactions with other parties, and seek further financing. The Matritech board of directors also directed management to investigate which investment banking firms might be best suited to assist Matritech in considering its strategic alternatives.

Following the September 2006 meeting of the Matritech board of directors, Messrs. Corbet and Sandberg had a conference call with a senior executive of Company A to discuss Company A's possible acquisition of Matritech and how such a transaction would enhance Company A's expansion efforts. In October 2006, Mr. Corbet had a follow-up call with this senior executive from Company A to ascertain the status of its venture, other acquisition activity and expected timing for further consideration of a transaction with Matritech.

Throughout the summer and into the fall of 2006, Matritech and Inverness conducted negotiations about the terms of supply and distribution agreements. The negotiations were conducted by Mr. Chubb and representatives of Inverness, including primarily Ron Zwanziger, Inverness' Chief Executive Officer. In August 2006, Messrs. Chubb and Zwanziger discussed a two-part arrangement, covering, first, the manufacture and supply of Matritech's NMP22 BladderChek Test by Inverness and, second, the distribution by Inverness of the NMP22 BladderChek Test in the future for over-the-counter, non-prescription use in the United States. During this period, Matritech and Inverness continued negotiations and exchanged various drafts of both a distribution and a supply agreement.

On October 18, 2006, Messrs. Chubb and Zwanziger met to discuss the proposed distribution and supply agreements. During this meeting, Messrs. Chubb and Zwanziger also discussed the possibility of Inverness acquiring Matritech and the potential synergies that might result from such a combination. Following this meeting, Messrs. Chubb and Zwanziger asked that the respective vice presidents of research and development for their respective companies Gary Fagan from Matritech and Jerry McAleer from Inverness confer to discuss Matritech's business, products and research and development efforts. On October 21, 2006, Drs. Fagan and McAleer had a telephone conversation about Matritech's breast cancer program.

On November 3, 2006, Matritech and Inverness entered into two agreements a manufacturing agreement, pursuant to which Inverness would manufacture Matritech's NMP22 BladderChek Test, and a distribution agreement, pursuant to which Matritech granted Inverness exclusive distribution rights to the NMP22 BladderChek Test in the United States for sale in the over-the-counter, non-prescription market.

Later, in November 2006, Mr. Corbet met again with the senior executive of Company A to continue discussions about the possibility of Company A acquiring Matritech.

Simultaneously, during November 2006, as an extension of discussions between the respective business development representatives of Matritech and a second publicly held diagnostic company, referred to as Company B, regarding distribution of the NMP22 BladderChek Test, Mr. Chubb had a number of telephone conversations with the chief executive officer of Company B, which had in the past made periodic overtures about acquiring Matritech. After several exchanges between the chief

executive officers of Matritech and Company B, Company B decided to defer further discussions until after it completed a pending management change.

In November and December 2006, Messrs. Chubb and Sandberg conducted discussions with the holders of some of Matritech's outstanding debt about the possibility of providing additional financing to Matritech or, alternatively, agreeing to relinquish existing security interests to enable Matritech to secure funds from other sources.

In late November 2006, Mr. Zwanziger informed Mr. Chubb that, although Inverness remained interested in the possibility of acquiring Matritech, Inverness would not make a firm offer for Matritech at that time.

On or about November 28, 2006, Messrs. Chubb and Zwanziger met and discussed the possibility of Inverness making a loan to Matritech in an amount sufficient to allow Matritech to maintain operations until such time as Inverness might be ready to move forward with an acquisition.

Between mid-November and December 1, 2006, in furtherance of discussions regarding a possible acquisition and loan, Inverness conducted due diligence on Matritech's patent portfolio. Matritech authorized its outside patent counsel to disclose unprivileged information about its intellectual property portfolio to in-house patent counsel for Inverness, Jay Fister. Thereafter, attorneys from Matritech's outside patent counsel spoke by telephone with Mr. Fister on November 21, 2006, provided unprivileged information and materials to Mr. Fister on November 29 and 30, 2006 and met with Mr. Fister to review unprivileged patent prosecution files on December 1, 2006.

In early December 2006, Messrs. Chubb and Zwanziger discussed specific terms for a loan from Inverness to Matritech, including Inverness' requirement that Matritech include as part of the loan financing a grant of substantially exclusive distribution rights to Inverness related to Matritech's existing products and those in development. Although no agreement was reached on loan terms, Messrs. Chubb and Zwanziger instructed Matritech's outside legal counsel, Choate, Hall & Stewart LLP, and Inverness' outside legal counsel, Foley Hoag LLP, to begin preparing loan documentation.

On December 4, 2006, at a special telephonic meeting of the Matritech board of directors, Messrs. Chubb and Sandberg reported on the status of discussions with Inverness and existing note holders. During this call, the Matritech board of directors directed management to continue discussions with existing note holders regarding terms on which they might consent to Matritech's incurring additional debt.

On December 8, 2006, the Matritech board of directors held a regularly scheduled meeting during which Mr. Chubb reported on discussions with both Inverness and existing investors relative to providing additional funding to Matritech. Based on the positions taken by Inverness and the existing investors, the Matritech board of directors directed management to abandon discussions of loan arrangements with Inverness and to move forward to negotiate a new loan from a core group of existing note holders, possibly supplemented by new investors.

In the fall and early winter of 2006, Matritech's management met with three investment banking firms in order to select a firm to assist Matritech in pursuing a potential sale of Matritech or another strategic transaction. At the meeting of the Matritech board of directors held on December 8, 2006, Mr. Chubb updated the board on management's meetings with such firms. Thereafter, in December 2006, Matritech formally retained CIBC World Markets Corp. as its financial advisor.

In late December 2006, Matritech executed a non-binding term sheet with some of its existing debt holders to provide a new round of debt financing. Matritech closed on the new debt financing in January 2007.

On January 5, 2007, Mr. Chubb spoke with Mr. Zwanziger by telephone to advise him that Matritech had retained a financial advisor and that Inverness would be included in Matritech's exploration of potential arrangements with strategic partners.

Beginning in January 2007, twenty-five potential strategic partners (including Inverness) in the medical diagnostics, women's health, cancer, urology, consumer products and pharmaceuticals industries were contacted to determine their interest in a potential acquisition of Matritech. Twenty-three of these parties chose to receive a corporate summary containing public, non-confidential information. Nine parties subsequently signed confidentiality agreements with Matritech. Ultimately, Matritech established a web-based data-site, to which seven parties received access. Five parties attended presentations by members of Matritech's senior management and were provided instructions for the submission of indications of interest.

In January 2007, Mr. Corbet spoke by telephone with a senior official of a large, public medical device company, referred to as Company C. Mr. Corbet had previously been in discussions with Company C about a possible distribution arrangement relative to Matritech's NMP22 BladderChek Test. The official of Company C called Mr. Corbet a few days later to inform him that Company C was not interested in a transaction with Matritech.

In February 2007, Mr. Corbet spoke by telephone with a senior official of a major unit of a NYSE-listed multinational corporation, referred to as Company D and inquired about Company D's interest in an acquisition of Matritech. Messrs. Chubb and Corbet had previously discussed a possible distribution arrangement for Matritech's NMP22 BladderChek test with Company D. A few days later, a senior official of Company D called Mr. Corbet to inform him that Company D was not interested in acquiring Matritech.

On February 15, 2007, Matritech entered into a confidentiality agreement with Company B with respect to a potential acquisition transaction.

On February 20, 2007, Mr. Chubb had a telephone conversation with Dr. John Bridgen, Inverness' vice president, business development, to discuss common interests and to schedule a meeting with Matritech representatives.

On February 22, 2007, Messrs. Chubb and Corbet met with Dr. Bridgen to provide an overview of Matritech, its products, research programs and staffing.

On March 2, 2007, Inverness signed a new confidentiality agreement related to a proposed acquisition of Matritech. Thereafter, Inverness conducted due diligence through Matritech's web-based data-site. On March 5, 2007, Mr. Chubb had a telephone conversation with Dr. Bridgen regarding Inverness' preparation of an offer to acquire Matritech. On or about March 7, 2007, two representatives from Inverness' Binax subsidiary, Roger Piasio and Jason Hallee, met with Mr. Corbet to review Matritech's manufacturing capability and the feasibility of incorporating this activity into Inverness' operations.

On March 7, 2007, a European pharmaceutical company, referred to as Company E, signed a confidentiality agreement with Matritech related to a proposed acquisition of Matritech. On March 15, 2007, three business development representatives of Company E met with Messrs. Chubb and Sandberg, together with representatives of Matritech's financial advisor, in Newton, Massachusetts. Mr. Corbet participated in this meeting by telephone conference call.

On March 9, 2007, a large public health care company, referred to as Company F, signed a confidentiality agreement with Matritech related to a proposed acquisition of Matritech. On March 14, 2007, Mr. Chubb, together with representatives of Matritech's financial advisor and Mr. Corbet (who attended by phone), met with business development representatives of Company F in Boston, Massachusetts.

On March 12, 2007, Company A signed a confidentiality agreement with Matritech related to a proposed acquisition of Matritech. On March 13, 2007, Messrs. Chubb and Corbet met with the senior executive of Company A with whom members of Matritech's management previously had spoken. Also in attendance at this meeting for Company A was Company A's vice president of business development, representatives of Matritech's financial advisor and Company A's financial advisor.

Also on March 12, 2007, those potential buyers which had signed confidentiality agreements with Matritech received a form of merger agreement prepared by Choate to be used as the basis for the submission of bids, which were due on March 21, 2007. No party submitted an offer to acquire Matritech on that date, although discussions with a number of potentially interested parties continued.

On April 5, 2007, Inverness submitted a non-binding letter of intent to acquire Matritech through a merger with a newly formed Inverness subsidiary. Inverness proposed to pay \$36-\$40 million on a debt-free basis, with payment to be made in cash to the extent required to satisfy Matritech's outstanding obligations and the balance to be paid in shares of Inverness common stock. The offer was subject to further due diligence and negotiation of a mutually acceptable definitive merger agreement.

On April 6, 2007, the Matritech board of directors met to consider Inverness' offer. Mr. Sandberg discussed the preliminary estimated value that common stockholders of Matritech would receive based on a sale transaction valued at \$40 million. The Matritech board of directors also discussed ways to increase the value that Matritech's common stockholders would receive upon such a transaction, including efforts Matritech could make to reduce its expenses and negotiate a higher price and improve the terms of the offer from Inverness. The Matritech board of directors instructed management to work with Matritech's legal and financial advisors to negotiate a potential acquisition transaction with Inverness, while simultaneously continuing discussions with other interested parties that had not submitted offers at that time.

Following this meeting of the Matritech board of directors, on the afternoon of April 6, 2007, Mr. Chubb met with Mr. Zwanziger to discuss increasing Inverness' offer price. Mr. Zwanziger indicated that the price contained in the letter of intent represented the assessment Inverness' financial advisor had made of the enterprise value of Matritech's business. Mr. Chubb presented additional information regarding Matritech that Mr. Chubb believed would lead to higher revenues, including developments with Matritech's German operations, its breast cancer program and fire fighter screening initiatives.

On or about April 9, 2007, Mr. Corbet spoke by telephone with Dr. Bridgen about the human resources of Matritech and the process for moving forward with an acquisition transaction.

Between April 6 and 11, 2007, in accordance with the instructions of the Matritech board of directors, Matritech's financial advisor engaged in discussions with Inverness' financial advisor, Covington & Associates LLC, about financial aspects of Inverness' proposed acquisition of Matritech, and Covington & Associates was provided with an overview prepared by Matritech's management of potential cost savings that could be achieved through a combination of the two businesses.

On April 11, 2007, the Matritech board of directors met to receive updates from management on efforts to increase the price and improve the terms of Inverness' proposed offer. Mr. Chubb reported that management had requested that Matritech's financial advisor canvass other potentially interested parties again, but that Inverness was the only prospective purchaser actively interested in negotiating an acquisition of Matritech. Further, Mr. Chubb explained to the Matritech board of directors that it did not appear, based on discussions with Inverness and its representatives, that the efforts to increase the valuation range or otherwise improve the terms of the proposed transaction with Inverness would be fruitful. At this meeting, Mr. Sandberg also discussed how Matritech might be able to remain independent for a more extended period, and the Matritech board of directors discussed the risks, uncertainties, potential stockholder benefits and likely substantial stockholder dilution associated with

such an approach. Ultimately, the Matritech board of directors directed management to continue to explore alternative purchasers.

In mid-April 2007, in accordance with the directives of the Matritech board of directors and in an effort to obtain a competing offer, Matritech's financial advisor re-contacted Company A, Company B and Company E. Each of these parties subsequently indicated that it would not submit a bid.

Between mid-April and the end of May 2007, Mr. Chubb briefed the Matritech board of directors through numerous conference calls on the status of discussions with potential acquirers.

On April 17, 2007, Inverness provided a mark-up of the form of merger agreement that Matritech's outside legal counsel, Choate, had prepared in March 2007.

On or about April 20, 2007, Mr. Chubb and Dr. Fagan had a telephone conversation with Dr. McAleer about Matritech's breast cancer program.

On April 21, 2007, Mr. Chubb received a telephone call from the president of a large Japanese diagnostics company with which Matritech had previously held discussions about business development opportunities, referred to as Company G. The parties discussed the possible acquisition of Matritech by Company G, including the time Company G might take before it was ready to proceed with such a transaction.

On April 24, 2007, Mr. Chubb provided regulatory information to Judith Howard, Inverness' corporate vice president of quality assurance.

In April 2007, Mr. Corbet met with the chief executive officer of a European medical products company, referred to as Company H, about the possibility of Company H acquiring all of the assets and technology associated with Matritech's NMP22 BladderChek Test.

Between April 17 and May 3, 2007, Inverness' and Matritech's respective outside legal counsel and financial advisors engaged in discussions and negotiations about the terms of the merger agreement. On May 1, 2007, at Inverness' request, Matritech provided detailed information regarding its outstanding warrants to purchase Matritech common stock. On May 3, 2007, Matritech's outside legal counsel, Choate, sent Inverness' outside legal counsel, Foley Hoag, a revised draft of the merger agreement, updated to reflect the ongoing negotiations between the parties.

On or about May 7, 2007, Mr. Corbet had a telephone conversation with a representative of Inverness' Binax subsidiary regarding Inverness' culture and fit with Matritech employees.

On May 23, 2007, Mr. Chubb received a telephone call from a European oncology company, referred to as Company I, inquiring about a possible acquisition of Matritech.

On May 29, 2007, Company I executed a confidentiality agreement with Matritech related to a possible acquisition transaction. Also on May 29, 2007, Messrs. Chubb and Corbet met with the chief financial officer of Company I to discuss the possibility of Company I acquiring Matritech. Mr. Sandberg participated in this meeting by telephone.

In late May 2007, Melodie Domurad, Matritech's vice president of clinical and regulatory affairs, provided regulatory data to Dr. Howard at Inverness. Thereafter, Drs. Domurad and Howard met at Matritech's offices on June 4, 2007 to enable Dr. Howard to conduct due diligence with respect to regulatory matters relating to Matritech's products and operations.

During May 2007, Matritech's and Inverness' respective legal counsel continued to negotiate the terms of a merger agreement and of a separate loan commitment by Inverness to provide bridge financing to Matritech.

On June 1, 2007, Mr. Chubb met with the chief executive officer of Company I to continue discussions regarding a possible acquisition transaction.

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On June 4, 2007, Mr. Chubb spoke by telephone with the chief executive officer of Company I regarding Matritech's products, manufacturing arrangements, financing needs and outstanding securities.

On June 5, 2007, Inverness and Matritech determined that they could not reach mutual agreement on the terms of a merger in view of certain of Matritech's outstanding obligations that Inverness was unwilling to assume. As a result, Inverness and Matritech instructed their respective legal counsel to draft an asset purchase agreement pursuant to which Inverness would acquire substantially all of the assets of and certain liabilities of Matritech. The parties arrived at this transaction structure because an asset sale would allow Inverness to acquire substantially all of Matritech's business, but would not require it to assume certain of Matritech's liabilities that Inverness would not accept.

On June 8, 2007, at a regularly scheduled meeting of the Matritech board of directors, Mr. Chubb reported to the Matritech board of directors on the status of discussions with all parties with which Matritech had engaged in substantive exchanges under a confidentiality agreement about a possible acquisition and noted that two of those companies had themselves agreed to be acquired. Mr. Chubb also informed the Matritech board of directors of the change in the structure of Inverness' acquisition proposal from a merger to an asset sale. In addition, Mr. Sandberg provided the Matritech board of directors with a preliminary overview of a dissolution process for Matritech that would follow an asset sale. Mr. Sandberg also briefed the Matritech board of directors on certain tax issues and obligations that would flow from the change of transaction structure.

On June 10, 2007, Choate forwarded an initial draft of an asset purchase agreement to Foley Hoag.

During June 2007, Mr. Chubb had several telephone conversations with Company I's chief financial officer regarding the possibility of Company I making a loan to Matritech, the potential timing of an acquisition transaction with Company I and the status of other strategic activities in which Company I was engaged. At the end of June 2007, however, the chief financial officer of Company I informed Mr. Chubb that the board of directors of Company I was unwilling to make any offer for Matritech at that time because of the inability of Company I to secure additional financing.

During June 2007, Inverness' and Matritech's respective legal counsel negotiated terms and exchanged draft documentation related to a potential bridge loan to be provided by Inverness to Matritech. In late June 2007, however, Matritech located an alternative lender for a bridge loan.

During June and July 2007, Inverness continued to conduct due diligence on Matritech, particularly relative to Matritech's contractual obligations.

Between June 10 and June 29, 2007, Matritech's and Inverness' respective legal counsel exchanged further drafts of an asset purchase agreement and continued to negotiate material terms of the agreement.

On June 25, 2007, Franz Maier, President of Matritech GmbH, Matritech's German subsidiary, had a telephone conversation with Dr. Bridgen regarding Matritech's German operations.

On July 2, 2007, Messrs. Corbet and Sandberg had a conference call with Dr. Bridgen to review estimated revenues for Matritech's just completed second fiscal quarter and to discuss a final valuation of the transaction relative to the initially proposed \$36-40 million range. After discussion about Matritech's business, Inverness offered to pay \$36 million for substantially all of Matritech's assets and agreed to assume those of Matritech's liabilities specified in the proposed asset purchase agreement. Inverness' offer included a combination of cash to pay certain of Matritech's obligations at closing with the remainder payable in