THERASENSE INC
Form PREM14A
January 27, 2004

SCHEDULE 14A
(Rule 14a-101)
INFORMATION REQUIRED IN PROXY STATEMENT
SCHEDULE 14A INFORMATION
Proxy Statement Pursuant to Section 14(a) of the SecuritiesExchange Act of 1934
(Amendment No.)

Filed by the Registrant [X]
Filed by a Party other than the Registrant [ ]

Check the appropriate box:
[X] Preliminary Proxy Statement
[ ] Definitive Proxy Statement
[ ] Definitive Additional Materials
[ ] Soliciting Material Under Rule 14a-12
[ ] Confidential, For Use of the Commission Only (as permitted by Rule14a-6(e)(2))

THERASENSE, INC.

(Name of Registrant as Specified In Its Charter)

(Name of Person(s) Filing Proxy Statement, if Other Than the Registrant)

Payment of Filing Fee (Check the appropriate box):

[ ] No fee required.

[X] Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11.

(1) Title of each class of securities to which transaction applies:
Common stock, par value $0.001 per share, of TheraSense, Inc.

(2) Aggregate number of securities to which transaction applies:
42,032,783 shares of common stock and options to purchase 8,808,246 shares of common stock

(3) Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (set forth the amount on which the filing fee is calculated and state how it was determined):
The filing fee of $159,805 was calculated pursuant to applicable rules and orders of the Commission and is equal to $126.70 per $1,000,000 of the proposed aggregate merger consideration of $1,261,283,471, which represents the sum of (a) the product of 42,032,783 issued and outstanding shares of common stock and merger consideration of $27.00 per share and (b) the product of (i) 8,808,246 shares of common stock underlying options and (ii) the difference between $27.00 per share and the weighted average exercise price of such options of $12.65 per share.

(4) Proposed maximum aggregate value of transaction:
$1,261,283,471

(5) Total fee paid:

$159,805

[ ] Fee paid previously with preliminary materials.

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

(1) Amount previously paid:

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

(3) Filing Party:

(4) Date Filed:

Dear Stockholder:

The board of directors of TheraSense, Inc. has approved a merger combining Abbott Laboratories and TheraSense.

If the merger is completed, holders of TheraSense's common stock will receive $27.00 in cash, without interest, for each share of TheraSense's common stock they own.

Stockholders of TheraSense will be asked, at a special meeting of TheraSense's stockholders, to approve and adopt the merger agreement and the merger. The board of directors has approved and declared the merger, the merger agreement and the transactions contemplated by the merger agreement advisable, and has declared that it is in the best interests of TheraSense's stockholders that TheraSense enter into the merger agreement and consummate the merger on the terms and conditions set forth in the merger agreement. **The board of directors recommends that TheraSense's stockholders vote FOR approval and adoption of the merger agreement and the merger.**

The date, time and place of the special meeting to consider and vote upon a proposal to approve and adopt the merger agreement and the merger are as follows:

[ ]
[ ]
[ ]
[ ]
[ ]

The proxy statement attached to this letter provides you with information about the proposed merger and the special meeting of TheraSense's stockholders. We encourage you to read the entire proxy statement carefully. You may also obtain more information about TheraSense from documents we have filed with the Securities and

Exchange Commission.

YOUR VOTE IS IMPORTANT REGARDLESS OF THE NUMBER OF SHARES OF THE COMPANY□S COMMON STOCK YOU OWN. BECAUSE APPROVAL AND ADOPTION OF THE MERGER AGREEMENT AND THE MERGER REQUIRES THE AFFIRMATIVE VOTE OF THE HOLDERS OF A MAJORITY OF OUR ISSUED AND OUTSTANDING SHARES OF COMMON STOCK ENTITLED TO VOTE THEREON, A FAILURE TO VOTE WILL COUNT AS A VOTE AGAINST THE MERGER. ACCORDINGLY, YOU ARE REQUESTED TO PROMPTLY VOTE YOUR SHARES BY COMPLETING, SIGNING AND DATING THE ENCLOSED PROXY CARD AND RETURNING IT IN THE ENVELOPE PROVIDED, WHETHER OR NOT YOU PLAN TO ATTEND THE SPECIAL MEETING.

Voting by proxy will not prevent you from voting your shares in person if you subsequently choose to attend the special meeting.

Thank you for your cooperation and continued support.

Very truly yours,

W. Mark Lortz
Chairman, President and Chief Executive Officer

THIS PROXY STATEMENT IS DATED [□], 2004,

AND IS FIRST BEING MAILED TO STOCKHOLDERS ON OR ABOUT [□], 2004.

THERASENSE, INC.
1360 SOUTH LOOP ROAD
ALAMEDA, CALIFORNIA 94502

NOTICE OF SPECIAL MEETING OF STOCKHOLDERS

TO BE HELD [□], 2004

To the stockholders of TheraSense, Inc.:

A special meeting of stockholders of TheraSense, Inc., a Delaware corporation, will be held at [□], on [□], local time, for the following purposes:

1. To consider and vote on a proposal to approve and adopt the Agreement and Plan of Merger dated as of January 12, 2004, by and among the Company, Abbott Laboratories and Corvette Acquisition Corp., a wholly-owned subsidiary of Abbott, and the merger contemplated thereby, pursuant to which, upon the merger becoming effective, each share of common stock, par value $0.001 per share, of TheraSense, Inc. will be converted into the right to receive $27.00 in cash, without interest; and

2. To transact such other business as may properly come before the special meeting or any adjournment or postponement thereof.

Only stockholders of record at the close of business on [□] are entitled to notice of and to vote at the special meeting and at any adjournment or postponement of the special meeting. All stockholders of record are cordially invited to attend the special meeting in person. To assure your representation at the meeting in case you cannot attend, however, you are urged to vote your shares by marking, signing, dating and returning the enclosed proxy

card as promptly as possible in the postage prepaid envelope enclosed for that purpose. Any stockholder attending the special meeting may vote in person even if he or she has returned a proxy card.

Holders of TheraSense's common stock have the right to dissent from the merger and obtain payment in cash of the fair value of their common stock as appraised by the Delaware Court of Chancery under applicable provisions of Delaware law. This amount could be more, the same or less than the value a stockholder would be entitled to receive under the terms of the merger agreement. In order to perfect and exercise their appraisal rights, stockholders must give written demand for appraisal of their shares before the taking of the vote on the merger at the special meeting and must not vote in favor of the merger. A copy of the applicable Delaware statutory provisions is included as Annex D to the accompanying proxy statement, and a summary of these provisions can be found under "Dissenters' Rights of Appraisal" in the accompanying proxy statement.

The approval and adoption of the merger agreement and the merger requires the approval of the holders of a majority of the outstanding shares of the Company's common stock entitled to vote thereon**Even if you plan to attend the special meeting in person, we request that you complete, sign, date and return the enclosed proxy and thus ensure that your shares will be represented at the special meeting if you are unable to attend.** If you sign, date and mail your proxy card without indicating how you wish to vote, your vote will be counted as a vote in favor of approval and adoption of the merger agreement and the merger. If you fail to return your proxy card, the effect will be that your shares will not be counted for purposes of determining whether a quorum is present at the special meeting and will effectively be counted as a vote against approval and adoption of the merger agreement and the merger. If you do attend the special meeting and wish to vote in person, you may withdraw your proxy and vote in person.

By order of the board of directors,

Robert D. Brownell
Vice President, General Counsel and Secretary

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QUESTIONS AND ANSWERS ABOUT THE MERGER

Q: What is the proposed transaction?

A: The proposed transaction is the acquisition of TheraSense, Inc. ("**TheraSense**" or the "**Company**") by Abbott Laboratories ("**Abbott**") pursuant to an Agreement and Plan of Merger (the "**merger agreement**") dated as of January 12, 2004 among TheraSense, Abbott and Corvette Acquisition Corp., a wholly-owned subsidiary of Abbott ("**merger sub**"). Once the merger agreement has been approved and adopted by TheraSense's stockholders and the other closing conditions under the merger agreement have been satisfied or waived, merger sub will merge with and into TheraSense. TheraSense will be the surviving corporation in the merger (the "**surviving corporation**") and will become a wholly-owned subsidiary of Abbott.

Q: What will TheraSense's stockholders receive in the merger?

A: Upon completion of the merger, TheraSense's stockholders will receive $27.00 in cash, without interest, for each share of our common stock that they own. For example, if you own 100 shares of our common stock, you will receive $2,700.00 in cash in exchange for your TheraSense shares.

Q: Where and when is the special meeting?

A: The special meeting will take place at [ ], on [ ], at [ ], local time.

Q: What vote of our stockholders is required to approve and adopt the merger agreement and the merger?

A: For us to complete the merger, stockholders holding at least a majority of the shares of our common stock outstanding at the close of business on the record date must vote "FOR" the approval and adoption of the merger agreement and the merger.

Q: How does the TheraSense board of directors recommend that I vote?

A: Our board of directors unanimously recommends that our stockholders vote "FOR" the proposal to approve and adopt the merger agreement and the merger. You should read "*The Merger—The Company's Reasons for the Merger*" for a discussion of the factors that our board of directors considered in deciding to recommend the approval and adoption of the merger agreement and the merger.

Q: What do I need to do now?

A: We urge you to read this proxy statement carefully, including its annexes, and to consider how the merger affects you. Then just mail your completed, dated and signed proxy card in the enclosed return envelope as soon as possible so that your shares can be voted at the special meeting of our stockholders.

Q: What happens if I do not return a proxy card?

A: Because the required vote of our stockholders is based upon the number of outstanding shares of our common stock, rather than upon the shares actually voted, the failure to return your proxy card will have the same effect as voting against the merger.

Q: If my shares are held in "street name" by my broker, will my broker vote my shares for me?

A: Yes, but only if you provide instructions to your broker on how to vote. You should follow the directions provided by your broker regarding how to instruct your broker to vote your shares. Without such instructions, your shares will not be voted, which will have the same effect as voting against the merger. See "*The Special Meeting of the Company's Stockholders—Voting by Proxy*."

Q: May I vote in person?

A: Yes. If your shares are not held in "street name" through a broker you may attend the special meeting of our stockholders and vote your shares in person, rather than signing and returning your proxy card. If your shares are held in "street name", you must first get a proxy card from your broker in order to attend the special meeting and vote.

Q: Am I entitled to appraisal rights?

A: Yes. Under the General Corporation Law of the State of Delaware, holders of our common stock who do not vote in favor of approving and adopting the merger agreement and the merger will have the right to seek appraisal of the fair value of their shares as determined by the Delaware Court of Chancery if the merger is completed, but only if they submit a written demand for an appraisal prior to the vote on the approval and adoption of the merger agreement and the merger and they comply with the Delaware law procedures explained in this proxy statement.

Q: Is the merger expected to be taxable to me?

A: Generally, yes. The receipt of $27.00 in cash for each share of our common stock pursuant to the merger will be a taxable transaction for U.S. federal income tax purposes. For U.S. federal income tax purposes, generally you will recognize gain or loss as a result of the merger measured by the difference, if any, between $27.00 per share and your adjusted tax basis in that share. You should read *"The Merger—Material United States Federal Income Tax Consequences"* for a more complete discussion of the federal income tax consequences of the merger. Tax matters can be complicated and the tax consequences of the merger to you will depend on your particular tax situation. You should also consult your tax advisor on the tax consequences of the merger to you.

Q: When do you expect the merger to be completed?

A: We are working toward completing the merger as quickly as possible, and we anticipate that it will be completed in the second quarter of 2004. In order to complete the merger, we must obtain stockholder approval and satisfy a number of other closing conditions under the merger agreement. See "*The Merger Agreement—General*" and "*The Merger Agreement—Conditions to the Merger*".

Q: Should I send in my stock certificates now?

A: No. Shortly after the merger is completed, you will receive a letter of transmittal with instructions informing you how to send in your stock certificates to Abbott's paying agent in order to receive the merger consideration. You should use the letter of transmittal to exchange stock certificates for the merger consideration to which you are entitled as a result of the merger. DO NOT SEND ANY STOCK CERTIFICATES WITH YOUR PROXY.

Q: Who can help answer my other questions?

A: If you have more questions about the merger, you should contact our proxy solicitation agent:

The Altman Group
1275 Valley Brook Avenue
Lyndhurst, New Jersey 07071
Telephone: (201) 460-1200
Fax: (201) 460-0050

SUMMARY

This summary does not contain all of the information that is important to you. You should carefully read the entire proxy statement to fully understand the merger. The merger agreement is attached as Annex A to this proxy statement. We encourage you to read the merger agreement because it is the legal document that governs the merger.

The Proposed Transaction

- *Stockholder Vote*. You are being asked to vote to approve and adopt a merger agreement with respect to a merger in which the Company will be acquired by Abbott.
- *Price for Your Stock*. Upon completion of the merger, you will receive $27.00 in cash, without interest, for each of your shares of the Company's common stock.
- *The Acquiror*. Abbott, an Illinois corporation, is engaged in the discovery, development, manufacture and

sale of a broad and diversified line of health care products.

Board Recommendation

The Company's board of directors, by the unanimous vote of the directors, has determined that the merger agreement is advisable, has approved and adopted the merger agreement and the merger and unanimously recommends that the Company's stockholders vote "FOR" approval and adoption of the merger agreement and the merger. See *"The Merger—Recommendation of the Company's Board of Directors".*

Reasons for the Merger

Our board of directors carefully considered the terms of the proposed transaction and approved the merger based on a number of factors, including the following:

- the merger consideration of $27.00 per share in cash was higher than any price at which the Company's common stock has ever traded and represents a 33.0% premium to the closing price of $20.30 on January 12, 2003, the last trading day prior to the public announcement of the execution of the merger agreement;
- a review of the Company's financial condition, results of operations and business and earnings prospects in remaining independent and the potential for alternative transactions;
- the financial presentation of Piper Jaffray & Co. ("**Piper Jaffray**") on January 12, 2004, and the written opinion of Piper Jaffray delivered to the board of directors as of the same date, to the effect that, as of that date and based upon and subject to the matters and assumptions stated in the opinion, the merger consideration was fair, from a financial point of view, to the Company's stockholders;
- the terms of the merger agreement and the stockholder agreement, including the termination fee payable under the merger agreement and the ability of the Company and the board of directors to respond to a superior proposal;
- the likelihood of closing in light of the limited closing conditions contained in the merger agreement;
- compensation and benefits to our employees, including the extent to which the interests of our directors and executive officers in the merger may differ from those of our stockholders; and
- taxability of the merger to TheraSense stockholders and our stockholders' lack of participation in future growth as a result of receiving cash for their stock.

See *"The Merger—The Company's Reasons for the Merger".*

Fairness Opinion

Piper Jaffray delivered to the Company's board of directors its written opinion, dated January 12, 2004, to the effect that, as of that date and based upon and subject to the matters and assumptions stated in that opinion, the merger consideration of $27.00 in cash per share was fair from a financial point of view to the Company's stockholders. See *"The Merger—Fairness Opinion Delivered to the Company's Board of Directors".*

The full text of Piper Jaffray's written opinion, which sets forth the assumptions made, procedures followed, matters considered and limitations on the review undertaken in connection with the opinion, is attached as Annex C to this proxy statement. We urge you to read it carefully in its entirety. **Piper Jaffray's opinion is directed to our board of directors and relates only to the fairness of the merger consideration from a financial point of view as of the date of the opinion. The opinion does not address any other aspect of the**

proposed transaction and is not a recommendation as to how any of our stockholders should vote with respect to the merger agreement or the merger.

Stockholder Agreement

As a condition to its entering into the merger agreement, Abbott required certain of our stockholders to enter into a stockholder agreement under which they have agreed to vote in favor of approval and adoption of the merger agreement and related matters, and against any competing transaction or proposal or any proposal or transaction that could reasonably be expected to prevent or impede the completion of the merger. The stockholder agreement terminates upon the earlier of the effective time of the merger and the termination of the merger agreement in accordance with its terms. As of the close of business on the record date, the parties to the stockholder agreement held an aggregate of [ ] shares of the Company's common stock, representing approximately [ ]% of the votes eligible to be cast at the special meeting. See *"The Merger—Stockholder Agreement"* and the stockholder agreement attached as Annex B to this proxy statement.

Material United States Federal Income Tax Consequences

The merger will be a taxable transaction to you. For United States federal income tax purposes, your receipt of cash in exchange for your shares of the Company's common stock generally may cause you to recognize a gain or loss measured by the difference, if any, between the cash you receive in the merger and your tax basis in your shares of the Company's common stock. You should consult your own tax advisor for a full understanding of how the merger will affect your taxes. See *"The Merger—Material United States Federal Income Tax Consequences".*

The Special Meeting of the Company's Stockholders

- *Place, Date and Time*. The special meeting will be held at [ ] local time at [ ], on [ ], 2004.

- *What Vote is Required for Approval and Adoption of the Merger Agreement and the Merger*. The approval and adoption of the merger agreement and the merger requires the approval of the holders of a majority of the outstanding shares of the Company's common stock entitled to vote at the special meeting. The failure to vote has the same effect as a vote against approval and adoption of the merger agreement and the merger. Stockholders who together own approximately [ ]% of the outstanding shares of the Company's common stock have already agreed to vote in favor of approval and adoption of the merger agreement and the merger. See *"The Merger—Stockholder Agreement".*

- *Who Can Vote at the Meeting*. You can vote at the special meeting all of the shares of the Company's common stock you own of record as of [ ], 2004, which is the record date for the special meeting. If you own shares that are registered in someone else's name, for example, a broker, you need to direct that person to vote those shares or obtain an authorization from them and vote the shares yourself at the meeting. As of the close of business on [ ], 2004, there were [ ] shares of the Company's common stock outstanding held by approximately [ ] holders of record.

- *Procedure for Voting*. You can vote shares you hold of record by attending the special meeting and voting in person or by mailing the enclosed proxy card. If your shares are held in "street name" by your broker, you should instruct your broker on how to vote your shares using the instructions provided by your broker. If you do not instruct your broker to vote your shares, your shares will not be voted, which will have the same effect as a vote "AGAINST" approval and adoption of the merger agreement and the merger. See *"The Special Meeting of the Company's Stockholders".*

- *How to Revoke Your Proxy*. You may revoke your proxy at any time before the vote is taken at the meeting. To revoke your proxy, you must either advise the Company's Secretary in writing, deliver a proxy dated after the date of the proxy you wish to revoke, or attend the meeting and vote your shares in

person. Merely attending the special meeting will not constitute revocation of your proxy. If you have instructed your broker to vote your shares, you must follow the directions provided by your broker to change these instructions.

Dissenters Rights of Appraisal

Delaware law provides you with appraisal rights in the merger. This means that if you are not satisfied with the amount you are receiving in the merger, you are entitled to have the value of your shares determined by the Delaware Court of Chancery and to receive payment based on that valuation. The ultimate amount you receive as a dissenting stockholder in an appraisal proceeding may be more or less than, or the same as, the amount you would have received under the merger agreement.

To exercise your appraisal rights, you must deliver a written objection to the merger to the Company at or before the special meeting and you must not vote in favor of approval and adoption of the merger agreement and the merger. Your failure to follow exactly the procedures specified under Delaware law will result in the loss of your appraisal rights. See *Dissenters Rights of Appraisal.*

The Company s Stock Price

Shares of the Company s common stock are listed on The Nasdaq National Stock Market (**NASDAQ**) under the trading symbol THER. On January 12, 2004, which was the last trading day before we announced the merger, the Company s common stock closed at $20.30 per share. On [ ], 2004, which was the last practicable trading day before this proxy statement was printed, the Company s common stock closed at $[ ] per share. See *Market Price of the Company s Common Stock.*

When the Merger Will be Completed

We are working to complete the merger as soon as possible. We anticipate completing the merger in the second quarter of 2004, subject to receipt of stockholder approval and satisfaction of other requirements, including the conditions described below. See *The Merger Agreement General.*

Non-Solicitation of Other Offers

The merger agreement contains restrictions on our ability to solicit or engage in discussions or negotiations with a third party regarding a proposal to acquire a significant interest in our Company. Notwithstanding these restrictions, under certain limited circumstances, our board of directors may respond to an unsolicited written bona fide proposal for an alternative acquisition or terminate the merger agreement and enter into an acquisition agreement with respect to a superior proposal. See *The Merger Agreement No Solicitation of Other Offers.*

Conditions to Completing the Merger

Our and Abbott s respective obligations to effect the merger are subject to the satisfaction or waiver of a number of conditions, including the following:

- approval and adoption of the merger agreement and the merger by stockholders holding at least a majority of the shares of our common stock;

- expiration or termination of the waiting period under the Hart-Scott-Rodino Antitrust Improvements Act 1976 and expiration or termination of all applicable waiting periods (or the receipt of any required approvals) under pre-merger notification requirements in Germany and Ireland; and

- the absence of any applicable law, court order, injunction or other legal restraint prohibiting the merger.

Abbott will not be obligated to effect the merger unless the following conditions have been satisfied or waived:

- the Company's representations and warranties set forth in the merger agreement must be true and correct (disregarding any qualifications as to materiality or any company material adverse effect), in each case as of the date of the merger agreement and as of the closing date of the merger (or, if applicable, as of an earlier date), with only such exceptions as would not individually or in the aggregate have a company material adverse effect;

- the Company must have performed in all material respects all of its obligations under the merger agreement;

- the Company must have delivered to Abbott a certificate dated as of the closing date of the merger and signed by its Chief Executive Officer certifying that the conditions in the two preceding sentences have been satisfied;

- the absence of any governmental litigation seeking to block the merger, seeking to obtain material damages from the Company, Abbott or merger sub, seeking to impose any limitations on Abbott's ownership of the Company or its common stock, seeking to prohibit Abbott from effectively controlling the business or operations of the Company or that is reasonably likely to have a company material adverse effect; and

- the absence of any event that has had a company material adverse effect.

The Company will not be obligated to effect the merger unless the following conditions have been satisfied or waived:

- Abbott's representations and warranties set forth in the merger agreement must be true and correct (disregarding any qualifications as to materiality or material adverse effect), in each case as of the date of the merger agreement and as of the closing date of the merger (or, if applicable, as of an earlier date), with only such exceptions as would materially impair Abbott's ability to perform its obligations under the merger agreement or would prevent or materially delay the closing of the merger;

- Abbott must have performed in all material respects all of its obligations under the merger agreement; and

- Abbott must have delivered to the Company a certificate dated as of the closing date of the merger and signed by its Chief Executive Officer or Chief Financial Officer certifying that the conditions in the two preceding sentences have been satisfied.

Either the Company or Abbott could choose to waive a condition to its obligation to complete the merger even though that condition has not been satisfied. See *"The Merger Agreement—Conditions to the Merger".*

Termination of the Merger Agreement

Abbott and TheraSense can terminate the merger agreement under certain circumstances, including:

- by mutual written consent of Abbott and us;

- by either Abbott or us, if the merger has not been completed by September 30, 2004 for any reason, provided, however, that this right to terminate the merger agreement will not be available to a party whose

failure to fulfill in any material respect its obligations under the merger agreement caused or resulted in the failure of the merger to be completed by September 30, 2004;

- by either Abbott or us, if there is any final court order, injunction or other legal restraint prohibiting the merger;

- by either Abbott or us, if our stockholders do not approve and adopt the merger agreement and the merger at the special meeting;

- by either Abbott or us, if the other party has breached any of its representations, warranties, covenants or obligations contained in the merger agreement, which breach would result in the failure to satisfy any of the conditions to the merger related to truth and correctness of the breaching party's representations and warranties or performance of the breaching party's obligations under the merger agreement and which breach has not been, or is incapable of being, cured within 30 days after written notice;

- by Abbott, if our board of directors or any of its committees takes, or resolves to take, any action:

  - withdrawing or modifying in a manner adverse to Abbott or merger sub its recommendation of the merger agreement or the merger, or failing within 10 business days to reconfirm such recommendation if requested by Abbott; or

  - approving or recommending any alternative acquisition proposal, or failing to recommend against, or taking a neutral position with respect to, a tender or exchange offer related to an alternative acquisition proposal.

- by Abbott, if we violate our non-solicitation obligations under the merger agreement;

- by Abbott, if there has been a company material adverse effect that cannot be cured; and

- by us, if prior to our stockholders approving and adopting the merger agreement and the merger, we receive a superior proposal and:

  - our board of directors determines in good faith after consultation with outside legal counsel that such termination is required by its fiduciary obligations under Delaware law;

  - before exercising our termination right, we send Abbott a written notice advising it that our board of directors has received a superior proposal and stating that our board of directors intends to withdraw its recommendation of the merger agreement and the merger;

  - we wait until after the fourth business day following Abbott's receipt of such written notice and Abbott has not during that time proposed adjustments to the terms and conditions of the merger agreement that would make it as financially favorable to us as the superior proposal; and

  - we pay a $44,500,000 termination fee concurrently with termination of the merger agreement.

See *"The Merger Agreement—Termination of the Merger Agreement" and "The Merger Agreement—Termination Fee; Expenses".*

Termination Fee

We have agreed to pay Abbott a termination fee of $44,500,000 if the merger agreement is terminated:

- by Abbott, in the event that:

- our board of directors or any of its committees withdraws or modifies in a manner adverse to Abbott or merger sub its recommendation of the merger agreement or the merger, fails within 10 business days to reconfirm such recommendation if requested by Abbott, or resolves to take any such action;
- our board or any of its committees approves or recommends any alternative acquisition proposal, fails to recommend against, or takes a neutral position with respect to, a tender or exchange offer related to an alternative acquisition proposal, or resolves to take any such action; or
- we violate our obligations under the merger agreement not to solicit other offers

- by us, in accordance with the terms of the merger agreement after our receipt of a superior proposal;
- by any party, following a failure by us to hold the special meeting in violation of our obligations under the merger agreement, if within twelve months following termination of the merger agreement we either consummate an alternative acquisition or enter into an agreement providing for an alternative acquisition that is subsequently consummated; and
- by any party, in the event that prior to the special meeting a proposal for an alternative acquisition is publicly announced and our stockholders do not vote to approve and adopt the merger agreement and the merger at the special meeting, if within twelve months following termination of the merger agreement we either consummate an alternative acquisition or enter into an agreement providing for an alternative acquisition that is subsequently consummated.

See *The Merger Agreement Termination Fee; Expenses.*

Employee Benefits Matters; Stock Options

The merger agreement contains a number of provisions relating to the benefits that our employees will receive in connection with and following the merger. In particular, under the merger agreement:

- Abbott has agreed to provide our employees who continue to be employed by Abbott or the surviving corporation following the merger with compensation and benefits substantially comparable in the aggregate to those of similarly situated employees of Abbott, subject to certain limitations with respect to benefit accruals and Abbott s retiree health plans; and
- we have agreed to cause the vested and unvested stock options held by our directors, executive officers, employees and consultants to be cashed out in connection with the merger, meaning that holders of those stock options will receive cash payments for each share underlying their options equal to the excess of $27.00 per share over the exercise price per share of their options, subject to any required withholding of taxes.

See *The Merger Agreement Additional Agreements Employee Benefits Matters.*

Interests of the Company s Directors and Executive Officers in the Merger

When considering the recommendation by our board of directors in favor of the merger, you should be aware that our directors and executive officers have interests in the merger that are different from, or in addition to, yours, including the following:

- our directors, executive officers, employees and consultants will have their unvested stock options effectively accelerated and their vested and unvested stock options "cashed out" in connection with the merger, meaning that they will receive cash payments for each share underlying their options equal to the excess of $27.00 per share over the exercise price per share of their options, subject to any required withholding for taxes;

- our executive officers will be entitled to benefits under certain change of control severance agreements, which provide for various lump sum payments in the event that an executive officer is terminated involuntarily or without cause, and in some cases provide for an additional "gross-up" lump sum payment to cover the costs of any excise taxes to which certain executive officers may be subject; and

- certain indemnification and insurance arrangements for our current and former directors and officers will be continued for six years following the closing date of the merger if the merger is completed.

See *"The Merger—Interests of the Company's Directors and Executive Officers in the Merger"*.

Shares Held by Directors and Executive Officers

As of the close of business on the record date, the directors and executive officers of the Company were deemed to beneficially own [ ] shares of our common stock, which represented [ ]% of the shares of our common stock outstanding on that date. The Company expects all of the outstanding shares owned by its directors and executive officers to be voted in favor of the proposal to approve and adopt the merger agreement and the merger. Pursuant to the stockholder agreement, certain stockholders of the Company, including certain of our directors and executive officers, have agreed with Abbott to vote their shares in favor of approval and adoption of the merger agreement and the merger. As of the close of business on the record date, the parties to the stockholder agreement held an aggregate of [ ] shares of the Company's common stock, representing approximately [ ]% of the votes eligible to be cast at the special meeting. See *"Security Ownership by Certain Beneficial Owners and Management"* and *"The Merger—Stockholder Agreement"*.

Procedure for Receiving Merger Consideration

Abbott will appoint a paying agent to coordinate the payment of the cash merger consideration following the merger. The paying agent will send you written instructions for surrendering your certificates and obtaining the cash merger consideration after we have completed the merger. Do not send in your Company share certificates now. See *"The Merger Agreement—Exchange of Certificates"*.

Questions

If you have additional questions about the merger or other matters discussed in this proxy statement after reading this proxy statement, you should contact our proxy solicitation agent:

The Altman Group
1275 Valley Brook Avenue
Lyndhurst, New Jersey 07071
Telephone: (201) 460-1200
Fax: (201) 460-0050

CAUTIONARY STATEMENT CONCERNING FORWARD-LOOKING INFORMATION

This proxy statement, and the documents to which we refer you in this proxy statement, contain forward-looking statements based on estimates and assumptions. Forward-looking statements include information concerning possible or assumed future results of operations of each of the Company and Abbott, the expected completion and timing of the merger and other information relating to the merger. There are forward-looking statements throughout this proxy statement, including, among others, under the headings "*Summary*", "*The Merger*", "*Fairness Opinion Delivered to the Company's Board of Directors*" and "*Financial Projections*", and in statements containing the words "believes", "expects", "anticipates", "intends", "estimates" or other similar expressions. For each of these statements, the Company claims the protection of the safe harbor for forward-looking statements contained in the Private Securities Litigation Reform Act of 1995. You should be aware that forward-looking statements involve known and unknown risks and uncertainties. Although we believe that the expectations reflected in these forward-looking statements are reasonable, we cannot assure you that the actual results or developments we anticipate will be realized, or even if realized, that they will have the expected effects on the business or operations of each of the Company and Abbott. These forward-looking statements speak only as of the date on which the statements were made. In addition to other factors and matters contained or incorporated in this document, we believe the following factors could cause actual results to differ materially from those discussed in the forward-looking statements:

- the financial performance of each of the Company and Abbott through the completion of the merger;
- volatility in the stock markets;
- the timing of, and regulatory and other conditions associated with, the completion of the merger;
- intensified competitive pressures in the markets in which we compete;
- risks associated with other consolidations, restructurings or other ownership changes in the glucose self-monitoring systems industry;
- the loss of key employees;
- general economic conditions;
- our history of losses and variable quarterly results;
- our dependence on FreeStyle for future revenues;
- our limited sales and marketing experience;
- substantial competition;
- risks related to failure to protect our intellectual property and litigation in which we may become involved;
- risks relating to development of innovative products;
- risks related to noncompliance with regulations of the U.S. Food and Drug Administration;
- limited manufacturing experience and our reliance on single manufacturers and sole source suppliers; and

- other factors that are described from time to time in our periodic filings with the Securities and Exchange Commission.

THE PARTIES TO THE MERGER

TheraSense, Inc. is a Delaware corporation with its executive offices located at 1360 South Loop Road, Alameda, California, 94502. Its telephone number is (510) 749-5400. TheraSense develops, manufactures and sells glucose self-monitoring systems that reduce the pain of testing for people with diabetes. The Company's first product, the FreeStyle Blood Glucose Monitoring System, received clearance from the U.S. Food and Drug Administration, or FDA, in January 2000. It began selling FreeStyle in the United States in June 2000. The Company's direct sales force promotes FreeStyle in the United States to health care professionals who advise patients on the monitoring and management of their diabetes. It distributes and sells FreeStyle in the United States to 10 national retailers, including Walgreens, Wal-Mart and Rite Aid, through wholesalers, including Cardinal Health, McKesson and AmerisourceBergen, and directly to end-users over the telephone and through its website.

Abbott Laboratories is an Illinois corporation with its executive offices located at 100 Abbott Park Road, Abbott Park, Illinois 60064. Its telephone number is (847) 937-6l00. Abbott is engaged in the discovery, development, manufacture and sale of a broad and diversified line of health care products. It has five revenue segments: Pharmaceutical Products, Diagnostic Products, Hospital Products, Ross Products and International. The Pharmaceutical Products segment offers a broad line of adult and pediatric pharmaceuticals. Abbott's Diagnostic Products segment markets diagnostic systems and tests. The Hospital Products segment, a portion of which Abbott currently intends to spin off to its stockholders, offers drugs and drug delivery systems, perioperative and intensive care products, cardiovascular products, products for treating pain, renal products, oncology products, intravenous and irrigation solutions and related manual and electronic administration equipment. The Ross Products segment offers a broad line of pediatric and adult nutritionals and specialty pharmaceuticals. The International segment offers a broad line of hospital, pharmaceutical, adult and pediatric nutritional products and consumer products.

Corvette Acquisition Corp., or merger sub, is a wholly-owned subsidiary of Abbott, with its executive offices located at 100 Abbott Park Road, Abbott Park, Illinois 60064. Its telephone number is (847) 937-6l00. Merger sub was formed solely for the purpose of facilitating Abbott's acquisition of the Company.

THE SPECIAL MEETING OF THE COMPANY'S STOCKHOLDERS

Time, Place and Purpose of the Special Meeting

The special meeting will be held on [ ] at [ ] local time at [ ]. The purpose of the special meeting is to consider and vote on the proposal to approve and adopt the merger agreement and the merger. **The Company's board of directors has unanimously determined that the merger agreement is advisable, has approved and adopted the merger agreement and the merger and recommends that the Company's stockholders vote "FOR" approval and adoption of the merger agreement and the merger.**

Who Can Vote at the Special Meeting

Only holders of record of our common stock as of the close of business on [ ], 2004, which is the record date for the special meeting, are entitled to receive notice of and to vote at the special meeting. If you own shares that are registered in someone else's name, for example, a broker, you need to direct that person to vote those shares or obtain an authorization from them and vote the shares yourself at the meeting. On [ ], there were [ ] shares of the Company's common stock outstanding held by approximately [ ] holders of record.

Vote Required; Quorum

The approval and adoption of the merger agreement and the merger requires the affirmative vote of the holders of a majority of the outstanding shares of the Company's common stock entitled to vote at the special meeting. Each share of common stock is entitled to one vote. Because the required vote of stockholders is based upon the number of outstanding shares of our common stock, rather than upon the shares actually voted, failure to submit a proxy or to vote in person will have the same effect as a vote "AGAINST" approval and adoption of the merger agreement and the merger.

If your shares are held in "street name" by your broker, you should instruct your broker how to vote your shares using the instructions provided by your broker. Under the rules of NASDAQ, brokers who hold shares in "street name" for customers may not exercise their voting discretion with respect to non-routine matters such as the approval and adoption of the merger agreement and the merger. As a result, if you do not instruct your broker to vote your shares, it will have the same effect as a vote "AGAINST" approval and adoption of the merger agreement and the merger.

Pursuant to the stockholder agreement, certain stockholders who together own approximately [ ]% of the outstanding shares of the Company's common stock as of the close of business on the record date have already agreed to vote in favor of approval and adoption of the merger agreement and the merger. The parties to the stockholder agreement include certain of our directors and executive officers. See *"The Merger—Stockholder Agreement".*

The holders of a majority of the outstanding shares of the Company's common stock entitled to be cast as of the record date, represented in person or by proxy, will constitute a quorum for purposes of the special meeting. A quorum is necessary to hold the special meeting. Once a share is represented at the special meeting, it will be counted for the purpose of determining a quorum and any adjournment of the special meeting, unless the holder is present solely to object to the special meeting. However, if a new record date is set for an adjourned meeting, a new quorum will have to be established.

Voting By Proxy

This proxy statement is being sent to you on behalf of the board of directors of the Company for the purpose of requesting that you allow your shares of the Company's common stock to be represented at the special meeting by the persons named in the enclosed proxy card. All shares of the Company's common stock represented at the meeting by properly executed proxy cards will be voted in accordance with the instructions indicated on that proxy. If you sign and return a proxy card without giving voting instructions, your shares will be voted as recommended by the Company's board of directors**The board recommends a vote "FOR" approval and adoption of the merger agreement and the merger.**

The Company does not expect that any matter other than the proposal to approve and adopt the merger agreement and the merger will be brought before the special meeting. If, however, such a matter is properly presented at the special meeting, the persons named in the proxy card will use their own judgment to determine how to vote your shares.

You may revoke your proxy at any time before the vote is taken at the special meeting. To revoke your proxy, you must either advise the Company's Secretary in writing, deliver a proxy dated after the date of the proxy you wish to revoke or attend the special meeting and vote your shares in person. Attendance at the special meeting will not by itself constitute revocation of a proxy. If you have instructed your broker to vote your shares, you must follow the directions provided by your broker to change these instructions.

Solicitation of Proxies

The Company will pay the cost of this proxy solicitation. In addition to soliciting proxies by mail, directors, officers and employees of the Company may solicit proxies personally and by telephone, e-mail or otherwise. None of these persons will receive additional or special compensation for soliciting proxies. The Company will, upon request, reimburse brokers, banks and other nominees for their expenses in sending proxy materials to their customers who are beneficial owners and obtaining their voting instructions.

The Company has engaged The Altman Group to assist in the solicitation of proxies for the special meeting and will pay The Altman Group a fee of approximately [], plus reimbursement of out-of-pocket expenses. The address of The Altman Group is 1275 Valley Brook Avenue, Lyndhurst, New Jersey 07071. The Altman Group's telephone number is (201) 460-1200.

THE MERGER

The discussion of the merger in this proxy statement is qualified by reference to the merger agreement and the stockholder agreement, which are attached to this proxy statement as Annexes A and B, respectively. You should read each agreement carefully.

Background of the Merger

Since 2001, our management has had discussions with various other participants in the pharmaceutical and medical device industries regarding potential collaborations in the insulin, insulin delivery and blood glucose monitoring businesses that would be complementary to our business.

Beginning in early 2001, members of our management engaged in discussions with representatives of a company, referred to in this proxy statement as "Company A", regarding the distribution of FreeStyle Navigator, our continuous glucose monitoring system, which was then and is still now in development. We signed a confidentiality agreement with Company A in conjunction with these discussions. At the end of 2001 and in early 2002, these discussions centered upon the negotiation of a detailed non-binding term sheet that outlined the material terms of a distribution agreement. In April 2002, while we were preparing definitive agreements, these discussions ended when Company A's senior management determined that Company A would not go forward with the FreeStyle Navigator distribution agreement.

Beginning in early 2002, members of our management engaged in discussions with representatives of a company, referred to in this proxy statement as "Company B", regarding a possible collaboration. We signed a confidentiality agreement with Company B in conjunction with these discussions and subsequently submitted a detailed term sheet to Company B with regard to the proposed collaboration. We received only limited comments on our term sheet and discussions ended in June 2002. Subsequent to the termination of our discussions, Company B entered into a similar collaboration with another company.

In December 2002 and early January 2003, members of our management and representatives of Abbott discussed various possible business relationships and scheduled a meeting in Bedford, Massachusetts for January 31, 2003, to engage in more detailed discussions. We signed a confidentiality agreement with Abbott relating to these discussions. During the January 31, 2003, meeting, we discussed the possibilities of Abbott's international distribution of our existing, approved FreeStyle products, the co-development with and distribution by Abbott of our FreeStyle Navigator system and incorporation of our existing, approved FreeStyle system into a hospital product application.

On January 28, 2003, members of our management approached Company A regarding Company A's international distribution of our FreeStyle products in certain countries. Company A expressed interest, but negotiations did not ensue.

On February 20, 2003, representatives of Abbott approached Piper Jaffray, the Company's financial advisor, regarding an acquisition of our company, and Piper Jaffray promptly communicated Abbott's indication of interest to us. On February 24 and 25, 2003, we held regularly scheduled meetings of our board of directors and its committees and a strategic planning session. During the strategic planning session our board of directors discussed our various strategic alternatives, including Abbott's interest in a potential acquisition and possible distribution and other business relationships with Abbott and other parties, including Company A and Company B. Our board determined that we would not consider a potential acquisition except at a price significantly in excess of the then-prevailing market price for our stock, which during the period from February 1 through 20, 2003, traded in a range of $6.43 to $7.54 per share. Our board of directors also determined that we should continue our discussions with Abbott regarding possible distribution and other business relationships.

On February 28, 2003, we communicated our board of directors conclusions to Abbott. As a result, acquisition discussions with Abbott did not progress further at that time. However, we did continue our discussions with Abbott regarding possible distribution of our existing, approved FreeStyle products and our FreeStyle Navigator product. We were unable to settle upon mutually agreeable terms, and these discussions ended in June 2003.

On March 26, 2003, representatives of Company A approached us regarding a potential acquisition of our company. In accordance with the directive of our board of directors from the February 25, 2003, strategic planning session, our management informed Company A that our stock was substantially undervalued and that we would not consider a potential acquisition except at a price significantly in excess of the then-prevailing market price for our stock, which during the period from March 1 through 26, 2003, traded in a range of $6.96 to $8.40 per share. As a result, acquisition discussions with Company A did not progress further at that time.

In May and June 2003, we held several meetings with Company A regarding a possible collaboration with respect to our FreeStyle Navigator system. We ended these discussions in June 2003 following our determination that senior management of Company A had not demonstrated the appropriate commitment to proceed.

On June 11, 2003, representatives of Piper Jaffray met with representatives of Abbott to discuss Abbotts strategy for its blood glucose monitoring business. Representatives of Piper Jaffray and Abbott discussed whether Abbott would be willing to enter into a business combination with TheraSense.

On June 27, 2003, representatives of Company B and members of our management met at our offices in Alameda, California to reopen discussions regarding collaboration opportunities within the diabetes management industry. During those discussions, a representative of Company B indicated that Company B might have an interest in discussing a potential business combination transaction.

On July 22, 2003, W. Mark Lortz, our Chairman, President and Chief Executive Officer, informed a representative of Company B that in light of the trading price of our stock, any acquisition would need to be at a price significantly in excess of the then-prevailing market price for our stock and we would not be able to engage in discussions regarding a potential acquisition until Company B signed a confidentiality agreement that included acceptable standstill provisions. From July 1 through July 22, 2003, our stock had traded in a range of $10.00 to $11.64 per share. During the period from this discussion until the middle of October 2003, there were additional intermittent discussions between TheraSense and Company B concerning a new confidentiality agreement with standstill provisions.

In September 2003, our management and Piper Jaffray held further discussions with representatives of Abbott in which we reiterated our position that we would be unwilling to consider a potential acquisition except at a price significantly in excess of the then-prevailing market price for our stock.

On September 24, 2003, members of our management met with Abbotts senior management in Oakland, California. At that meeting Abbott expressed a willingness to pursue a potential acquisition at a price in excess of the then-prevailing market price of our stock. From September 1, 2003, through the September 24 meeting, our stock traded in a range of $13.05 to $15.75 per share. We reiterated to Abbott that, in light of the trading price of our stock, any acquisition would need to be at a price significantly in excess of the then-prevailing market price of our stock, and we indicated that we would not be able to engage in further discussions regarding a potential acquisition until Abbott signed a confidentiality agreement that included acceptable standstill provisions.

Between October 1 and October 13, 2003, we and Abbott negotiated the terms of a confidentiality agreement. During this negotiation period Abbott requested that we commit to exclusive negotiations with them and that the confidentiality agreement not include any standstill provision. We indicated that we would not agree to exclusive negotiations and that we would not enter into an acquisition-related confidentiality agreement with any party unless it included standstill provisions acceptable to us. On October 13, 2003, we and Abbott entered into a confidentiality agreement that included mutually acceptable standstill provisions.

On October 2, 2003, our management met with representatives of Piper Jaffray and Davis Polk & Wardwell, the Companys legal advisor, to discuss Abbotts interest in a potential acquisition and to structure a process for identifying other potential acquirors. Our management preliminarily identified three companies, Abbott, Company A and Company B, as the most likely potential acquirors of the Company with the assistance of Piper Jaffray and following a review of various participants in the medical device and pharmaceutical industries. Our

management based this determination on an assessment of each potential acquiror's possible strategic rationale for an acquisition, the financial and regulatory impediments that might exist for certain acquirors and the anticipated willingness and ability of each of them to pursue and complete such a transaction.

On October 7, 2003, representatives of Piper Jaffray met with senior management of Company B to discuss Company B's interest in pursuing a potential acquisition, and Company B's senior management indicated that it was interested in further discussions. As a result, the negotiation of a confidentiality agreement with standstill provisions that began in July of 2003 intensified in mid-October and we signed a confidentiality agreement containing standstill provisions acceptable to us on November 13, 2003.

On October 16, 2003, our management had a day-long meeting with Abbott's senior management at the San Francisco offices of Piper Jaffray. During this meeting we presented our operating plans and strategy, product development efforts plans and financial position in detail and answered various questions from Abbott.

In mid-October of 2003, Piper Jaffray approached Company A to explore whether it might be interested in pursuing an acquisition of our Company. Company A informed Piper Jaffray shortly thereafter that it was not interested in pursuing such a transaction.

On October 23, 2003, representatives of Piper Jaffray met with executive officers of Abbott and indicated that any further discussions would require that Abbott indicate in writing its willingness to pursue an acquisition of TheraSense at a specified price significantly in excess of the then-prevailing market price for our stock. From October 1 through October 23, 2003, our stock traded in a range of $11.80 to $16.82 per share.

On November 13, 2003, we received from Abbott a written, non-binding expression of interest in acquiring our Company at a price of $25.00 to $27.00 per share, subject to due diligence and the ability to negotiate a satisfactory agreement with us. In addition, Abbott repeated its request for an exclusive negotiation period.

On November 19, 2003, our board of directors held a special meeting that was attended by representatives of Piper Jaffray and Davis Polk. Our management reviewed the status of discussions with Abbott, Company A and Company B, its process for identifying potential acquirors of the Company and its assessment of the most likely potential acquirors. The board of directors determined that management should continue discussions with Abbott and Company B. Following the board of directors meeting we communicated to Abbott that we would be willing to continue discussions but that they would not be on an exclusive basis.

On November 21, 2003, our management gave representatives of Company B a detailed presentation on our operating plans and strategy, product development efforts and plans and financial position. At the conclusion of the presentation, representatives of Company B indicated that Company B would not be able to pursue an acquisition due to an existing business relationship with another party.

Following the presentation to representatives of Company B through mid-December 2003, Piper Jaffray sought clarification from senior management of Company B regarding its previously expressed interest in pursuing an acquisition of our Company. During this period Piper Jaffray indicated that if Company B was interested in further discussions it would need to act quickly and would need to indicate in writing its willingness to pursue an acquisition at a specified price significantly in excess of the then-prevailing market price for our stock.

From December 2 through December 5, 2003, representatives of Abbott, Morgan Stanley & Co. Incorporated, Abbott's financial advisors, and Skadden, Arps, Slate, Meagher and Flom LLP, Abbott's legal advisors, conducted documentary due diligence and met in due diligence sessions with our management team and representatives of Piper Jaffray and Davis Polk at Davis Polk's offices in Menlo Park, California. During the same period, representatives from Abbott also conducted due diligence at our offices in Alameda, California. On December 6 and 7, 2003, representatives of Mayer, Brown, Rowe & Maw LLP, additional legal advisors to Abbott, conducted further documentary due diligence of our intellectual property at Davis Polk's offices in Menlo Park. During the period thereafter and leading up to the January 12, 2004 signing of the merger agreement, Abbott continued its due diligence review of us.

On December 4, 2003, our board of directors held a regular meeting that was attended by representatives of Piper Jaffray and Davis Polk. Our Chief Executive Officer updated the board of directors on the status of

discussions with Abbott and Company B. The board of directors determined that management should continue discussions with both Abbott and Company B.

On December 15, 2003, we received from Company B a written, non-binding expression of interest in acquiring our Company at a price of $20.00 to $24.00.

On December 16, 2003, Piper Jaffray informed senior management of Company B that its price range of $20.00 to $24.00 was not sufficient.

On December 19, 2003, we received from Company B a written, non-binding expression of interest in acquiring our Company at a price of $20.00 to $28.00 per share, subject to due diligence and the ability to negotiate a satisfactory agreement with us. Piper Jaffray indicated to Company B that we would be willing to continue discussions, but that Company B would need to proceed very quickly.

On December 24, 2003, Skadden delivered a draft of the merger agreement to us and our representatives.

On December 29 and for a brief period on the morning of December 30, 2003, representatives of Company B and its financial and legal advisors conducted documentary due diligence and met in due diligence sessions with our management team and representatives of Piper Jaffray and Davis Polk at Davis Polk's offices in Menlo Park. In addition, on December 29, 2003, representatives from Company B also conducted due diligence at our offices in Alameda, California. Late in the morning of December 30, 2003, Company B's representatives ceased their due diligence and left Davis Polk's offices. Following their departure, from December 30, 2003 through January 2, 2004, we and our financial advisors engaged in discussions and exchanged correspondence with Company B and its financial advisors regarding opportunities for Company B to conduct additional due diligence. During this period, Company B indicated to us that it wished to conduct additional due diligence, and we and our financial advisors repeatedly emphasized to Company B that it needed to proceed very quickly. However, we received no subsequent requests for additional due diligence information from Company B until January 9, 2004.

On December 30, 2003, Davis Polk delivered a revised draft of the merger agreement to Skadden.

On January 3, 2004, Skadden delivered a revised draft of the merger agreement to Davis Polk.

On January 5, 2004, our board of directors held a special meeting that was attended by representatives of Piper Jaffray and Davis Polk. Our Chief Executive Officer updated our board of directors on the status of negotiations with Abbott and Company B. A representative of Davis Polk summarized the terms of the proposed transaction and merger agreement with Abbott and discussed key business issues remaining to be resolved in the negotiations between Abbott and the Company. Our board of directors authorized management and our advisors to continue negotiations with Abbott.

On January 5, representatives of Company B indicated to Piper Jaffray that they would be sending a supplemental due diligence request list on approximately January 9. Piper Jaffray reiterated to Company B that it needed to proceed very quickly.

During the period beginning on January 5, 2004 and concluding early in the morning of January 12, 2004, we, Abbott and our respective representatives negotiated the terms of the merger agreement and stockholder agreement. During the same period, our management met telephonically with representatives of Abbott to discuss the communications plan for announcement of the transaction and integration issues.

On January 6, 2004, our Chief Executive Officer, Mr. Lortz, discussed the price range of the proposed transaction with Richard Gonzalez, the President and Chief Operating Officer of Abbott's Medical Products Group. Messrs. Lortz and Gonzalez agreed to continue these discussions later in that week.

On January 8, 2004, our Chief Executive Officer met with Mr. Gonzalez to continue their discussions regarding outstanding business issues remaining in the merger agreement other than the price to be paid by Abbott.

At the close of business on January 9, 2004, we received a supplemental due diligence request list from Company B.

During the afternoon of January 9, 2004, our and Abbott's respective financial advisors negotiated the price to be paid in the proposed transaction. Following the close of business on that day, Sean Murphy, Vice President, Global

Licensing/New Business Development at Abbott, informed Piper Jaffray that Abbott's offer would be $27.00 per share in cash.

On January 12, 2004, our board of directors held a special meeting that was attended by representatives of Piper Jaffray and Davis Polk. A representative of Davis Polk updated the board on the status of negotiations with both Abbott and Company B. Davis Polk then summarized the terms of the merger agreement with Abbott and the stockholder agreement, including the resolution of final issues related to each agreement. Davis Polk also provided an overview of the fiduciary duties applicable to the board of directors, both generally and within the specific context of a transaction involving the exchange of the Company's outstanding equity securities for cash. Representatives of Piper Jaffray then reviewed with our board of directors its financial analyses with respect to the proposed transaction. Following its presentation, Piper Jaffray delivered its written opinion to our board of directors that, as of January 12, 2004, and based upon and subject to the factors and assumptions set forth in its written opinion, the $27.00 per share in cash to be received by the holders of our common stock pursuant to the merger agreement was fair to those holders from a financial point of view. See "*The Merger—Fairness Opinion Delivered to the Company's Board of Directors*". Our board of directors discussed the proposed transaction and posed various questions to our management and the Company's legal and financial advisors. Based on the prior course of dealing with Company B regarding a possible acquisition, the fact that we had not received a formal offer from Company B and the fact that Company B would require additional time for due diligence and the drafting and negotiation of acceptable agreements that had already been accomplished by Abbott, our board of directors determined that it was in the best interests of our stockholders to pursue a potential acquisition transaction with Abbott rather than with Company B. In its deliberations, our board of directors also specifically weighed, among other things, the benefits of the proposed transaction against the advantages and disadvantages of remaining independent and passing on the opportunity presented by Abbott. After extensive discussion, our board of directors unanimously (1) approved and declared the merger, the merger agreement and the transactions contemplated by the merger agreement advisable, (2) declared that it is in the best interests of our stockholders that we enter into the merger agreement and consummate the merger on the terms and conditions set forth in the merger agreement, (3) resolved to recommend that our stockholders approve and adopt the merger agreement and the merger, (4) approved the transactions contemplated by the stockholder agreement, (5) approved an amendment to our Rights Agreement dated March 7, 2003 with ComputerShare Investor Services rendering it inapplicable to the merger agreement, the stockholder agreement, the merger and the other transactions contemplated by the merger agreement and the stockholder agreement, (6) approved the merger agreement and the agreements and transactions contemplated by the merger agreement and the stockholder agreement for purposes of Section 203 of the Delaware General Corporation Law and (7) authorized execution of the merger agreement.

After the close of trading on January 12, 2004, the parties executed the merger agreement.

Prior to the commencement of trading on January 13, 2004, we issued a joint press release with Abbott announcing the execution of the merger agreement.

On January 13, 2004, we sent a letter to Company B advising it that, pursuant to our obligations under the merger agreement with Abbott, we were immediately ceasing and terminating all discussions and negotiations regarding a potential transaction and that we would not be responding to its supplemental due diligence request list of January 9, 2004. Pursuant and subject to the terms of our mutual non-disclosure agreement with Company B, we also requested that Company B return or destroy all copies of our proprietary information in its or its representatives' possession.

Reasons for the Merger

The Company's board of directors consulted with senior management and the Company's financial and legal advisors and considered a number of factors, including those set forth below, in reaching its decision to approve the merger agreement and the transactions contemplated by the merger agreement, and to recommend that the Company's stockholders vote "FOR" approval and adoption of the merger agreement and the merger.

- *Merger Consideration*. The Company's board of directors considered the $27.00 per share cash consideration that the stockholders will receive if the merger is consummated and the likelihood that it will deliver greater value to the stockholders than might be expected if the Company remained independent. The board also considered that the $27.00 per share price was higher than any price at which the

Company's common stock has ever traded and represents a 33.0% premium to the closing price of $20.30 on January 12, 2003, the last trading day prior to the public announcement of the execution of the merger agreement.

- *Review of Prospects in Remaining Independent.* The Company's board of directors considered the Company's financial condition, results of operations and business and earnings prospects if it were to remain independent in light of the relevant factors, including consolidation and other developments o