

MATRIA HEALTHCARE INC

Form POS AM

February 22, 2005

Table of Contents

As filed with the Securities and Exchange Commission on February 22, 2005

Registration No. 333-116200

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

Post-Effective Amendment No. 3

To

Form S-3

REGISTRATION STATEMENT UNDER THE SECURITIES ACT OF 1933

MATRIA HEALTHCARE, INC.

(and certain subsidiaries identified in Footnote (*) below)
(Exact name of registrant as specified in its charter)

Delaware <i>(State or other jurisdiction of incorporation or organization)</i>	20-2091331 <i>(I.R.S. Employer Identification No.)</i>
--	--

**1850 Parkway Place
Marietta, Georgia 30067
(770) 767-4500**

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

**Roberta L. McCaw
Vice President Legal, Secretary and General Counsel
Matria Healthcare, Inc.
1850 Parkway Place
Marietta, Georgia 30067
(770) 767-4500**

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

With copies to:

James L. Smith, III
Troutman Sanders LLP
600 Peachtree Street, Suite 5200
Atlanta, Georgia 30308-2216

Approximate date of commencement of proposed sale to the public: From time to time after the effective date of this registration statement.

If the only securities being registered on this form are being offered pursuant to dividend or interest reinvestment plans, please check the following box.

If any of the securities being registered on this form are to be offered on a delayed or continuous basis pursuant to Rule 415 under the Securities Act of 1933, as amended, other than securities offered only in connection with dividend or interest reinvestment plans, 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, please 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(c) 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 delivery of the prospectus is expected to be made pursuant to Rule 434, please check the following box.

(*) Our wholly-owned subsidiaries, Matria Women s and Children s Health, Inc., a Delaware Corporation (58-2205984), Facet Technologies, LLC, a Georgia limited liability company (58-2180675) and Quality Oncology, Inc. (54-1776557) a Delaware corporation are guarantors for the 4.875% convertible notes registered hereunder.

Table of Contents

POST-EFFECTIVE AMENDMENT NO. 3

This post-effective amendment is being filed pursuant to Rule 414 under the Securities Act of 1933, as amended (the Securities Act), to reflect the adoption by Matria Healthcare, Inc., a Delaware corporation (the Predecessor Registrant), of a holding company form of organizational structure. The holding company organizational structure was implemented by the merger (the Merger) in accordance with Section 251(g) of the Delaware General Corporation Law, of Matria MergerSub, Inc., a Delaware corporation, with and into the Predecessor Registrant, with the Predecessor Registrant being the surviving corporation. In the Merger, which was consummated on December 31, 2004 (the Effective Time), each share of the issued and outstanding common stock of the Predecessor Registrant was converted into one share of common stock of Matria Holding Company, Inc., a Delaware corporation (the Registrant), which in connection with the Merger changed its name to Matria Healthcare, Inc. Pursuant to the Merger, the Predecessor Registrant became a direct, wholly-owned subsidiary of the Registrant and its name was changed to Matria Women s and Children s Health, Inc.

In accordance with Rule 414, the Registrant, as the successor issuer, hereby expressly adopts this Registration as its own for all purposes of the Securities Act and the Securities Exchange Act of 1934, as amended (the Exchange Act).

In addition, pursuant to a Supplemental Indenture entered into in connection with the Merger, the Registrant assumed all of the obligations of the Predecessor Registrant under the Indenture, dated May 5, 2004, (the Indenture) governing the Predecessor Registrant s 4.875% Convertible Senior Subordinated Notes due 2024 (the Convertible Notes). The Predecessor s obligations with respect to the Convertible Notes is that of guarantor. At the Effective Time, the Convertible Notes, which were convertible into shares of the Predecessor Registrant s common stock ceased to be convertible into shares of the Predecessor Registrant s common stock and became convertible, under the same terms and conditions as were applicable to the Convertible Notes immediately prior to the Effective Time, into shares of the Registrant s common stock. The number of shares of the Registrant s common stock issuable upon conversion of each Convertible Note shall be equal to the number of shares of the Predecessor Registrant s common stock that were issuable under the Convertible Note immediately prior to the Effective Date, subject to any adjustments under the Indenture.

Table of Contents

PROSPECTUS

\$86,250,000

Matria Healthcare, Inc.

**4.875% Convertible Senior Subordinated Notes due 2024
and the Shares of Common Stock Issuable Upon
Conversion or Redemption of the Notes**

On May 5, 2004 Matria Women's and Children's Health, Inc., formerly Matria Healthcare, Inc., or the Predecessor Registrant, issued \$75,000,000 of its 4.875% convertible senior subordinated notes due 2024 in a private placement in reliance on an exemption from registration under the Securities Act of 1933. Subsequently, on June 3, 2004, UBS Securities LLC, the initial purchaser of the notes, exercised its option to purchase an additional \$11.25 million aggregate principal amount of the notes. On December 31, 2004, the Predecessor Registrant adopted a holding company form of organizational structure and the Notes were assumed by a new holding company which adopted the name Matria Healthcare, Inc. This prospectus will be used by selling securityholders to resell their notes and the shares of our common stock issuable upon conversion of their notes. We will not receive any proceeds from the sale of these notes or these shares by the selling securityholders.

As a result of a three-for-two stock split consummated by us on February 4, 2004, the notes are convertible into shares of our common stock at a rate of 50.8729 shares per \$1,000 principal amount of the notes (which is equal to an initial conversion price of \$19.64 per share), subject to adjustment as described in this prospectus. Our common stock is listed on The Nasdaq National Market under the symbol MATR. On February 17, 2005, the last reported sale price of our common stock on Nasdaq was \$29.29 per share. The securities offered by this prospectus may be offered by the selling securityholders in negotiated transactions or otherwise, at negotiated prices or at the market prices prevailing at the time of sale.

The notes will accrue interest at an annual rate of 4.875%. We will pay interest on the notes on May 1 and November 1 of each year, beginning November 1, 2004. The notes are not secured and are subordinated to all of our existing and future senior indebtedness. The notes are guaranteed by the Predecessor Registrant and two of our other domestic subsidiaries, Facet Technologies, LLC and Quality Oncology, Inc.

Before May 1, 2009, we may redeem any of the notes at a redemption price equal to 100% of the principal amount of the notes we redeem plus the make-whole payment we describe in this prospectus, if the closing sale prices of our common stock reach certain levels and certain other conditions are satisfied. We may at our option, subject to certain conditions and exceptions, pay the make-whole payment in cash, shares of our common stock or a combination of cash and shares of our common stock, but we will pay the principal amount of, and certain other amounts relating to, the notes we redeem in cash. We have registered 675,595 shares of common stock under the registration statement, of which this prospectus is a part, to cover any shares of our common stock that we may issue to holders of the notes as a make-whole payment upon such redemption of the notes. See Description of Notes Redemption of Notes at Our Option Provisional Redemption. Beginning May 1, 2009, we may from time to time at our option redeem the notes, in whole or in part, for cash at a redemption price equal to 100% of the principal amount of the notes to be redeemed, plus accrued and unpaid interest to, but excluding, the purchase date. Holders may require us to repurchase the notes at a repurchase price of 100% of their principal amount, plus accrued and unpaid interest on May 1 of 2009, 2014 and 2019. Holders may require us to repurchase all or a portion of their notes upon a repurchase event, as described in this

prospectus, at a repurchase price in cash equal to 100% of the principal amount of the notes to be repurchased plus any accrued and unpaid interest to, but excluding the repurchase date.

The notes are eligible for trading in the Private Offerings, Resales and Trading through Automated Linkages or Portal Market of the National Association of Securities Dealers, Inc. The notes sold using this prospectus, however, will no longer be eligible for trading on PORTAL. We do not intend to apply for listing of the notes on any securities exchange or for the inclusion of the notes in any automated quotation system.

The securities offered hereby involve significant risks and uncertainties. These risks are described under the caption Risk Factors beginning on page 8 of this prospectus.

NEITHER THE SECURITIES AND EXCHANGE COMMISSION NOR ANY STATE SECURITIES COMMISSION HAS APPROVED OR DISAPPROVED OF THESE SECURITIES OR DETERMINED IF THIS PROSPECTUS IS TRUTHFUL OR COMPLETE. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

The date of this prospectus is February 22, 2005.

TABLE OF CONTENTS

SUMMARY

SUMMARY OF THE NOTES AND COMMON STOCK

RISK FACTORS

FORWARD-LOOKING STATEMENTS

RATIO OF EARNINGS TO FIXED CHARGES

USE OF PROCEEDS

DIVIDEND POLICY

DESCRIPTION OF NOTES

DESCRIPTION OF CERTAIN OTHER INDEBTEDNESS

DESCRIPTION OF CAPITAL STOCK

CERTAIN US FEDERAL INCOME AND ESTATE TAX CONSEQUENCES

SELLING SECURITYHOLDERS

PLAN OF DISTRIBUTION

LEGAL MATTERS

EXPERTS

WHERE YOU CAN FIND MORE INFORMATION

SIGNATURES

SIGNATURES

SIGNATURES

EXHIBIT INDEX

EX-5.1 OPINION OF TROUTMAN SANDERS LLP REGARDING LEGALITY OF THE SECURITIES

CONSENT OF INDEPENDENT ACCOUNTING FIRM

Table of Contents

TABLE OF CONTENTS

Summary	1
Summary of the Notes and Common Stock	3
Risk Factors	8
Forward-Looking Statements	22
Ratio of Earnings to Fixed Charges	24
Use of Proceeds	25
Dividend Policy	25
Description of Notes	26
Description of Certain Other Indebtedness	54
Description of Capital Stock	55
Certain US Federal Income And Estate Tax Consequences	57
Selling Securityholders	65
Plan of Distribution	67
Legal Matters	69
Experts	69
Where You Can Find More Information	70

We have not and the selling securityholders have not authorized anyone to provide you with information different from that contained or incorporated by reference in this prospectus. The selling securityholders are offering to sell, and seeking offers to buy, the securities only in jurisdictions where offers and sales are permitted. The information contained in this prospectus is accurate only as of the date of this prospectus, regardless of the time of delivery of this prospectus or of any sale of the securities.

Table of Contents

SUMMARY

This summary highlights information contained elsewhere in this prospectus and the documents incorporated into it by reference. Because this is a summary, it does not contain all of the information that you should consider before investing in our securities. You should read the entire prospectus and the documents incorporated by reference carefully, including the section entitled Risk Factors.

Unless we indicate otherwise in this prospectus, the use of Matria, we, us and our in connection with events occurring prior to December 31, 2004 refers to the Predecessor Registrant and its subsidiaries; and the use of Matria, we, us and our in connection with events occurring after December 31, 2004 refers to Matria Healthcare, Inc. formerly Matria Holding Company, Inc. and its subsidiaries.

COMPANY OVERVIEW

We provide comprehensive, integrated disease management services and related products that offer cost-saving solutions for many of the most costly medical conditions and chronic diseases, including diabetes, cardiovascular diseases, respiratory disorders, obstetrical conditions, cancer, depression, chronic pain and Hepatitis C. We seek to improve patient outcomes and lower healthcare costs through a broad range of disease management programs and direct clinical services. We emphasize a multidisciplinary approach to care that involves our clinicians working with physicians to oversee the adherence to treatment plans. We focus on the management of patients between visits to their physician, the improvement of the patient's compliance with the physician's care plan and the avoidance of controllable and costly events, such as emergency room visits and hospital admissions. To serve this critical aspect of patient care, we have invested heavily in disease management information technology, call center infrastructure, a national network of skilled multidisciplinary clinicians and supply distribution channels.

We operate through two business segments: Health Enhancement and Women's and Children's Health.

Health Enhancement. We provide disease management programs and disease management services and supplies. Our disease management customers include primarily Fortune 1000 employers, health plans, Medicare and Medicaid programs, pharmaceutical companies and patients. Our disease management services target patients who have or are at risk for chronic diseases or other high cost medical conditions, and the emerging pharmaceutical market in support of complex drug therapies. In addition, we offer diabetes disease management services and supplies in Germany and are a leading designer, developer, assembler and distributor of products for the diabetes market through our subsidiary, Facet Technologies LLC, or Facet. Facet serves large medical device manufacturers and distributors of blood glucose test kits and other point of care test kits, with an estimated 40% to 50% world market share in standard lancets, lancing devices and safety lancets used by diabetes patients to obtain blood samples for testing blood glucose levels.

Women's and Children's Health. We offer a wide range of clinical and disease management services designed to assist physicians and payors in the cost-effective management of maternity patients. We manage patients with gestational diabetes, hypertension, hyperemesis, anticoagulation disorders and preterm labor. In addition, we recently announced our strategic initiative to provide services for infants and children through neonatal intensive care case management and delivery of specialty pharmaceuticals.

HOLDING COMPANY REORGANIZATION

On December 31, 2004, our predecessor, Matria Healthcare, Inc., or the Predecessor Registrant, adopted a holding company form of organizational structure. In order to implement the Reorganization, the Predecessor Registrant incorporated a new holding company as a wholly owned subsidiary of the Predecessor Registrant and merged with an indirect, wholly owned subsidiary of the new holding company. The merger was effected without a vote of the

Predecessor Registrant's stockholders pursuant to Section 251(g) of the Delaware General Corporation Law. In connection with the merger, all of the issued common stock of the Predecessor Registrant was converted into a like number of shares of our common stock. Our capital structure is the same as that of the Predecessor Registrant prior to the merger. In connection with the merger, we also assumed all of the obligations of the Predecessor Registrant related to the notes registered hereby.

Table of Contents

RECENT DEVELOPMENTS

On January 6, 2005, we declared a three-for-two stock split in the form of a stock dividend at the rate of one additional share of common stock for each two issued and outstanding shares of our common stock. The additional shares were distributed on February 4, 2005 to holders of record as of January 19, 2005.

On September 17, 2004, an Entry of Dismissal was filed in the United States Court of Appeals, formally dismissing the plaintiffs appeal of the lower court's dismissal, with prejudice, of the class-action lawsuit alleging that we violated Sections 10(b) and 20(a) of the Securities Exchange Act of 1934 and Rule 10b-5 promulgated thereunder.

On June 30, 2004, we accepted for purchase \$120,000,000 in aggregate principal amount of our 11% Senior Notes tendered pursuant to our tender offer and consent and waiver solicitation which expired on June 30, 2004 at 9:00 a.m., Eastern time. In connection with the tender offer, we obtained a waiver from the holders of our 11% Senior Notes to the debt incurrence covenant contained in the indenture governing the 11% Senior Notes pursuant to which we sold the notes to the initial purchaser in reliance on an exemption from registration under the Securities Act. In addition, in connection with the tender offer, we obtained the consent of the holders of the 11% Senior Notes to amendments to the indenture governing the 11% Senior Notes to eliminate substantially all of the restrictive covenants, certain events of default and certain related provisions in the indenture with respect to any 11% Senior Notes not purchased in the tender offer. All conditions to the tender offer and consent solicitation, including the financing condition, have been satisfied, therefore, the amendments to the 11% Senior Notes indenture have become operative. We financed our purchase of the 11% Senior Notes in the tender offer with the proceeds we received from our sale of the notes to the initial purchaser and from a portion of the proceeds we received from the sale of substantially all of the assets of our business as a direct to consumer pharmacy and supplies business as described above. We recorded an estimated charge, after taxes, of approximately \$14.1 million in the second quarter in connection with the pharmacy and completion of the tender offer and a gain, after taxes, of approximately \$32.8 million from the sale of our direct to consumer pharmacy and supplies business.

On June 30, 2004, we completed the sale of certain assets of our direct to consumer pharmacy and supplies business to DEGC Enterprises (U.S.), Inc., a portfolio company of KRG Capital Partners, a Denver-based private equity firm. We operated the divested business through our wholly-owned subsidiaries, Diabetes Management Solutions, Inc. and Diabetes Self Care, Inc. At the closing, we received cash proceeds of approximately \$102 million and we retained the accounts receivable and certain other assets of the divested business. As part of the transaction, we and DEGC Enterprises entered into a strategic relationship where DEGC Enterprises will provide diabetes and respiratory supplies to our disease management customers. We used approximately \$20.5 million of the proceeds we received from the sale to satisfy the earn out payment owed to Quality Oncology, Inc. and we used approximately \$60 million of the proceeds we received from the sale to complete the funding of our tender offer for our 11% Senior Notes.

On June 30, 2004, we used approximately \$20.5 million of the proceeds we received from the sale of our pharmacy and supplies business to satisfy our earn-out payment obligation to LifeMetrix, Inc., Quality Oncology, Inc.'s former parent company. This payment obligation arose from our acquisition of Quality Oncology, Inc. in October 2002 and was based upon the financial performance of Quality Oncology during 2003.

OUR CORPORATE INFORMATION

We were incorporated on December 28, 2004 in connection with the Predecessor Registrant's adoption of a holding company structure. The Predecessor Registrant was incorporated under the laws of the state of Delaware on March 18, 1996. Our headquarters are located at 1850 Parkway Place, Marietta, GA 30067, and our telephone number is (770) 767-4500. Our website address is www.matria.com. We have not incorporated by reference into this prospectus the information on our website, and you should not consider it to be a part of this prospectus.

Table of Contents

SUMMARY OF THE NOTES AND COMMON STOCK

Issuer	Matria Healthcare, Inc.
Notes	\$86,250,000 aggregate principal amount of 4.875% convertible senior subordinated notes due May 1, 2024.
Maturity	The notes will mature on May 1, 2024, unless earlier redeemed, repurchased or converted.
Interest payment dates	We will pay 4.875% interest per annum on the principal amount of the notes, payable semi-annually in arrears on May 1 and November 1 of each year, starting on November 1, 2004, to holders of record at the close of business on the preceding April 15 and October 15, respectively. Interest will accrue on the notes from and including the last date in respect of which interest has been paid or provided for, as the case may be, to, but excluding, the next interest payment date or maturity date, as the case may be.
Subordination	<p>The notes are:</p> <ul style="list-style-type: none">unsecured;subordinated to all of our existing and future senior indebtedness;effectively subordinated to all existing and future liabilities of our subsidiaries other than Facet Technologies, LLC and Quality Oncology, Inc., including trade payables; andeffectively subordinated to senior indebtedness of Facet Technologies, LLC and Quality Oncology, Inc. <p>As of September 30, 2004, we had approximately \$3.5 million of consolidated indebtedness that would rank senior to the notes. Except to the very limited extent described in Description of Notes Limitation on Layering Indebtedness, the indenture for the notes does not restrict our or our subsidiaries ability to incur additional senior or other indebtedness. In addition, the indenture does not restrict our ability to incur liens or other encumbrances on our assets. On June 30, 2004, we accepted for purchase \$120,000,000 in outstanding principal amount of our 11% Senior Notes tendered pursuant to our tender offer. We used the proceeds we received from our sale of the notes and a portion of the proceeds we received from the sale of our</p>

direct to consumer pharmacy and supplies business to repurchase the 11% Senior Notes tendered in the tender offer. See Description of Notes Subordination.

Conversion rights

After giving effect to the three-for-two stock split effected in the form of a stock dividend as described above under Recent Developments, the notes are convertible prior to stated maturity into 50.8729

3

Table of Contents

shares of our common stock, \$0.01 par value per share, per \$1,000 principal amount of notes (which represents a conversion price of approximately \$19.64 per share), subject to adjustment, only in the following circumstances and to the following extent:

during any calendar quarter after the calendar quarter ending June 30, 2004, if the closing sale price of our common stock for each of 20 or more consecutive trading days in a period of 30 consecutive trading days ending on the last trading day of the immediately preceding calendar quarter exceeds 125% of the conversion price in effect on the last trading day of the immediately preceding calendar quarter;

during the five business day period after any five consecutive trading day period (the note measurement period) in which the average trading price for the notes during the note measurement period was equal to or less than 97% of the average conversion value for the notes during the note measurement period; however, you may not surrender your notes for conversion in reliance on this provision after May 1, 2019, if, on any trading day during the note measurement period, the closing sale price of our common stock is between 100% and 125% of the then current conversion price of the notes;

if we make certain distributions on our common stock or engage in certain transactions; or

if we call the notes for redemption.

See Description of Notes Conversion Rights.

Sinking fund

None.

Provisional redemption of notes at our option

We may redeem the notes at our option, in whole or in part, at any time before May 1, 2009, at a redemption price equal to 100% of the principal amount of the notes we redeem, plus a make-whole payment, if:

for each of at least 20 trading days in any consecutive 30 trading days ending on, and including, the trading day immediately before the date we mail the redemption notice, the closing sale price (as defined in the indenture) of our common stock exceeded 150% of the conversion price in effect on that trading day;

the shelf registration statement we describe in this prospectus for the resale of the notes and underlying shares of common stock is effective and available for use as of the date we mail the redemption notice through, and including, the redemption date and is reasonably expected to remain effective and available until at least the 30th day after the redemption date, unless there are no registrable securities outstanding;

no event has occurred that would require us to pay

Table of Contents

additional interest pursuant to the registration rights agreement and that has not ceased on or before the redemption date; and

there is no continuing default with respect to the notes that has not been cured or waived on or before the redemption date.

If we redeem the notes in these circumstances, we will make a "make-whole" payment equal to the sum of:

the present value, as of the redemption date, of all remaining scheduled interest payments on the notes we redeem from, and including, the redemption date through, and including, May 1, 2009;

any overdue interest that we have failed to pay on or prior to the redemption date, including unpaid interest that has accrued to, but excluding, the redemption date on any such overdue interest; and

any unpaid additional interest pursuant to the registration rights agreement that has accrued to, but excluding, the redemption date.

We will make these "make-whole" payments on all the notes we redeem pursuant to the provisional redemption, including notes that have been converted on or after the date we mail the redemption notice and before the redemption date. We may, at our option, subject to certain conditions and exceptions, pay the "make-whole" payment in cash, shares of our common stock or a combination of cash and shares of our common stock, but we will pay the principal amount of, and certain other amounts relating to, the notes we redeem in cash. See "Description of Notes - Redemption of Notes at Our Option - Provisional Redemption."

Optional redemption of notes at our option

On or after May 1, 2009, we may from time to time at our option redeem the notes, in whole or in part, at a redemption price in cash equal to 100% of the principal amount of the notes we redeem, plus any accrued and unpaid interest to, but excluding, the redemption date. See "Description of Notes - Redemption of Notes at Our Option - Optional Redemption."

Purchase of notes by us at the option of

the holder

On each of May 1, 2009, May 1, 2014 and May 1, 2019, you may require us to purchase all or a portion of your notes at a purchase price in cash equal to 100% of the principal amount of the notes to be purchased, plus any accrued and unpaid interest to, but excluding, the purchase date. See Description of Notes Purchase of Notes by Us at the Option of the Holder.

5

Table of Contents

Right of holder to require us to repurchase notes if a repurchase event occurs

If a repurchase event, as described in this prospectus, occurs, you may require us to repurchase all or a portion of your notes for cash at a repurchase price equal to 100% of the principal amount of the notes to be repurchased, plus any accrued and unpaid interest to, but excluding, the repurchase date. See Description of Notes Holders May Require Us to Repurchase Their Notes Upon a Repurchase Event.

Events of default

If an event of default on the notes has occurred and is continuing, the principal amount of the notes plus any accrued and unpaid interest may become immediately due and payable. These amounts automatically become due and payable upon certain events of default. See Description of Notes Events of Default.

Subsidiary guarantees

The notes are guaranteed by our wholly-owned subsidiaries Matria Women's and Children's Health, Inc., Facet Technologies, LLC and Quality Oncology, Inc.

Registration rights

We have agreed to:

file, within 90 days of May 5, 2004, a shelf registration statement (of which this prospectus is a part) relating to the resale of the notes, and the shares of common stock issuable upon conversion of the notes; and

use our reasonable best efforts to cause such registration statement to become effective under the Securities Act within 180 days after May 5, 2004.

We have also agreed to use our reasonable best efforts to keep the shelf registration statement effective until the earliest of the following:

the date when all registrable securities have been effectively registered under the Securities Act and disposed of in accordance with the shelf registration statement;

the date when all registrable securities may be resold without restriction pursuant to Rule 144(k) under the Securities Act; or

the date when all registrable securities have been publicly sold pursuant to Rule 144 under the Securities Act.

If we do not comply with these requirements or certain other covenants set forth in the registration rights agreement, we must, subject to certain exceptions, pay additional interest to holders of the notes and the shares of common stock issuable upon conversion of the notes. See Description of Notes Registration Rights, Additional Interest.

Use of proceeds

We will not receive any proceeds from the sale of the notes or the shares of common stock offered by this prospectus.

DTC eligibility

The notes were issued in book-entry form and are represented
6

Table of Contents

by one global certificate, without interest coupons, deposited with, or on behalf of, DTC and registered in the name of a nominee of DTC. Beneficial interests in the notes are shown on, and transfers are effected only through, records maintained by DTC and its direct and indirect participants. Except in limited circumstances, no such interests may be exchanged for certificated securities.

Listing and trading

The notes are not listed on any securities exchange or included in any automated quotation system. Any notes that are sold by means of this prospectus will no longer be eligible for trading in The Portal Market. Our common stock is listed on the NASDAQ National Market under the symbol MATR.

Certain US federal tax considerations

For a discussion of certain US federal tax considerations relating to the purchase, ownership and disposition of the notes and shares of common stock into which the notes are convertible, see Certain US Federal Income and Estate Tax Consequences.

Risk factors

You should carefully consider along with other matters included or incorporated by reference in this prospectus, the information set forth under Risk Factors.

For a more complete description of the terms of the notes, see Description of Notes. For a more complete description of our common stock, see Description of Capital Stock Description of Common Stock.

Table of Contents

RISK FACTORS

Investing in the notes and our common stock involves risks. Prior to making a decision about investing in our notes and common stock, you should carefully consider the risks described below and all other information contained or incorporated by reference in this prospectus. The risks and uncertainties described below and in our other filings incorporated by reference are not the only ones facing our company. Additional risks and uncertainties not currently known to us or that we currently consider immaterial may also adversely affect us. If any of the following risks occur, our business, financial condition or results of operations could be materially harmed.

RISKS RELATED TO OUR BUSINESS AND INDUSTRY

The disease management business is an evolving component of the overall healthcare industry.

Disease management services are a relatively new component of the overall healthcare industry. Accordingly, some of our potential customers have not had significant experience in purchasing, evaluating or monitoring such services, which can result in a lengthy sales cycle. The success of our business plan relative to our disease management operations depends on a number of factors. These factors include:

our ability to differentiate our products and service offerings from those of our competitors;

the extent and timing of the acceptance of our services as a replacement for, or supplement to, traditional managed care offerings;

our ability to implement new and additional services beneficial to health plans and employers;

our ability to effect cost savings for health plans and employers through the use of our programs; and

our ability to improve patient compliance with the complex drug therapies offered by our pharmaceutical customers.

Since the disease management business is continually evolving, we may not be able to anticipate and adapt to the developing market. Moreover, we cannot accurately predict the future growth rate or the ultimate size of the disease management market.

We are highly dependent on payments from third-party healthcare payors, which may implement cost reduction measures that adversely affect our business and operations.

In 2003, our revenues from continuing operations were derived from the following types of customers: approximately 47% from third-party private payors (including employers and pharmaceutical companies), 28% from original equipment manufacturers and distributors, 21% from foreign healthcare systems and 4% from domestic government payors. Third-party private and governmental payors exercise significant control over patient access and increasingly use their enhanced bargaining power to secure discounted rates and other concessions from providers. This trend, as well as other changes in reimbursement rates, policies or payment practices by third-party and governmental payors (whether initiated by the payor or legislatively mandated) could have an adverse impact on our business.

Table of Contents

Government regulations may adversely affect our business.

We are subject to extensive and frequently changing federal, state, local and foreign regulation. Changes in laws or regulations or new interpretations of existing laws or regulations can have a dramatic effect on operating methods, costs and reimbursement amounts provided by government and third-party payors. There can be no assurance that we are in compliance with all applicable existing laws and regulations or that we will be able to comply with new laws or regulations. Changes in applicable laws or any failure to comply with existing or future laws, regulations or standards could have a material adverse effect on our results of operations, financial condition, business and prospects.

Many states require providers of home health services such as our Women's and Children's Health segment, to be licensed as home health agencies and to have medical waste disposal permits. Our Matria Laboratories subsidiary is a licensed clinical laboratory in Kansas. Also, many states require Quality Oncology, Inc., or QO, our cancer disease management subsidiary, to be licensed as a utilization review provider. Moreover, certain of our employees are subject to state laws and regulations regarding the ethics and professional practice of pharmacy and nursing. We may also be required to obtain certification to participate in governmental payment programs, such as Medicare and Medicaid. Some states have established Certificate of Need, or CON, programs regulating the expansion of healthcare operations. The failure to obtain, renew or maintain any of the required licenses, certifications or CONs could adversely affect our business.

Many of the products utilized by us for the provision of our services are classified as medical devices under the Federal Food, Drug and Cosmetic Act, or the FDC Act, and are subject to regulation by the Food and Drug Administration or FDA. In addition some of our services involve the use of drugs that are regulated by the FDA under the FDC Act. Although medical devices and drugs used by us are labeled for specific indications and cannot be promoted for any other indications, the FDA allows physicians to prescribe drugs and medical devices for such off-label indications under the practice of medicine doctrine. Negative publicity concerning the off-label use of drugs and devices may adversely affect our Women's and Children's Health segment's business, which pursuant to physicians prescriptions, provides drugs for off-label indications. Facet's business serves as an original equipment manufacturer for FDA regulated products which have to abide by current good manufacturing practice regulations. Our failure to comply with FDA requirements could result in FDA enforcement actions which could include, but are not limited to, recalls, warning letters, fines, injunctions, and criminal prosecution. Any such enforcement actions could have a material adverse effect on our business, financial condition and results of operations.

The Health Insurance Portability and Accountability Act of 1996, or HIPAA, governs electronic healthcare transactions and the privacy and security of medical records and other individually identifiable patient data. Healthcare providers and other affected entities had until April 2003 to comply with these privacy regulations. Further regulations establishing healthcare information security requirements have been issued with compliance required by April 2005. Any failure to comply with HIPAA could result in criminal penalties and civil sanctions.

Our businesses that provide products and services that are reimbursed by government payors, such as Medicare and state Medicaid, are subject to particularly pervasive regulation by those agencies. These regulations impose stringent requirements for provider participation in those programs and for reimbursement of products and services. For example, we are required to maintain documentation supporting our reimbursement claims, including, without limitation, physician orders or prescriptions, assignments of benefits and proofs of delivery. We are subject to periodic audits or investigation by the federal Department of Health and Human Services, including CMS and/or its intermediaries, the Office of Inspector General, and State Medicaid programs, of our compliance with those requirements, and any deficiencies found may be extrapolated to cover a larger number of reimbursement claims. Additionally, many applicable laws and regulations are aimed at curtailing fraudulent and abusive practices in relation to those programs. These rules include the illegal remuneration provisions of the Social Security Act (sometimes referred to as the Anti-Kickback statute), which impose criminal and civil sanctions on persons who knowingly and

willfully solicit, offer, receive or pay any remuneration, whether directly or indirectly, in return for, or to induce, the referral of a patient covered by a federal healthcare program to a particular provider of healthcare

Table of Contents

products or services. Related federal laws make it unlawful, in certain circumstances, for a physician to refer patients covered by federal healthcare programs to a healthcare entity with which the physician and/or the physician's family have a financial relationship. Additionally, a large number of states have laws similar to the federal laws aimed at curtailing fraud and abuse and physician self-referrals. These rules have been interpreted broadly such that any financial arrangement between a provider and potential referral source may be suspect. While we believe our existing arrangements (and the arrangements that existed in the business we recently sold) are proper and do not include any allegedly improper practices, the government could take a contrary position or could investigate our practices.

In addition to the laws described above, the Federal False Claims Act imposes civil liability on individuals or entities that submit false or fraudulent claims for payment to the government. HIPAA created two new federal crimes:

Healthcare Fraud and False Statements Relating to Healthcare Matters. The Healthcare Fraud statute prohibits knowingly and willfully executing a scheme or artifice to defraud any healthcare benefit program. The False Statements Relating to Healthcare Matters statute prohibits knowingly and willfully falsifying, concealing or covering up a material fact by any trick, scheme or device or making any materially false, fictitious or fraudulent statement in connection with the delivery of or payment for healthcare benefits, items or services.

Violation of these and other applicable rules can result in substantial fines and penalties, required repayment of monies previously recognized as income, as well as exclusion from future participation in government-sponsored healthcare programs.

There can be no assurance that we will not become the subject of a regulatory or other investigation or proceeding or that our interpretations of applicable laws and regulations will not be challenged. The defense of any such challenge could result in adverse publicity, substantial cost to us and diversion of management's time and attention. Thus, any such challenge could have a material adverse effect on our business, regardless of whether it ultimately is sustained.

The outcome of the pending *qui tam* claim filed against us could result in the imposition of material liabilities or penalties and could result in our exclusion from participation in federal healthcare programs.

The Federal False Claims Act allows actions to be brought on the government's behalf by individuals under the Federal False Claims Act's *qui tam* provision. A *qui tam* claim has been filed against our former subsidiary, Diabetes Self Care, Inc. alleging possible improper claims for Medicare payments in the pharmacy, laboratory and supplies division of our Health Enhancement segment. Although we recently sold that business, the purchaser did not assume liability for the *qui tam* claim. As is required by law, the federal government is conducting an investigation into the complaint to determine if it will intervene or join in this suit. We are supplying information specified by the government and otherwise cooperating fully with the investigation. The matter is still in its preliminary stages, and we are unable to predict the ultimate disposition of the action or the investigation. An unfavorable outcome in the action could subject us to repayment obligations, loss of reimbursement, exclusion from participation in Medicare and Medicaid, substantial fines or penalties and other sanctions, which could have a material adverse effect on our business, financial position and results of operations. Defending a *qui tam* claim, even where there is little or no merit to the allegation, can be expensive and time consuming.

Many of our disease management fees are contingent upon performance.

Many of our existing disease management agreements contain a savings guarantee, which typically provides that we will repay all or some of our fees if the payor's cost savings as a result of our disease management programs do not meet expectations or if other quality performance measures are not met. Some contracts also provide that we will receive bonus compensation by meeting certain performance criteria. There is no guarantee that we will accurately forecast cost savings and clinical outcome improvements under our disease management agreements or meet the performance criteria necessary to receive the designated bonus compensation or to avoid repayment of fees under the

agreements.

Facet is substantially dependent on a few customers.

Facet's revenues are substantially dependent on sales to five customers. In 2003, these five customers represented approximately 92% of Facet's revenues, which in turn represented approximately 28% of our total revenues from continuing operations. We have multiple contracts covering various products and services with these customers that have expirations ranging from approximately six months to four years. Certain contracts

Table of Contents

may be terminated prior to expiration without cause and there is no guarantee that these contracts will be renewed on favorable terms, if at all, or that these customers will continue to purchase products or services at prior levels. If we do not generate as much revenue from our major customers as we expect, or if we lose certain of them as customers, our total revenue could be significantly reduced.

Facet and our Women s and Children s Health segment are both highly dependent on supplies from limited sources.

Facet s business is highly dependent on its exclusive supply relationship with Nipro Corporation, from which it purchases virtually all of the components for its products on terms we view as favorable. Under the agreement, some terms, such as pricing, are negotiated annually while others, such as the exclusivity arrangement, are renewable after longer periods. The exclusivity provisions of our agreement with Nipro expire in December 2005. In addition, there are an extremely limited number of suppliers of terbutaline sulfate, a prescription drug used in large supply by our Women s and Children s Health segment, and price increases in this drug during the second and third quarter of 2002 adversely affected the segment s cost of revenues. In September 2002, we entered into a three-year arrangement for the supply of this drug which has reduced its cost to us. We purchase substantially all of our requirements for this drug and are obligated to purchase a percentage of our requirements under this arrangement. Termination of any of these supply arrangements or failure to continue any of them on favorable terms could have a material adverse effect on the business of Facet or the Women s and Children s Health segment, as applicable, as would any interruption in the supply or significant increase in the price of these products, whatever the cause.

Our operating results have fluctuated in the past and could fluctuate in the future.

Our operating results have varied in the past and may fluctuate significantly in the future due to a variety of factors, many of which are outside of our control. These factors include:

- impact of substantial divestitures and acquisitions;
- loss or addition of customers and referral sources;
- investments required to support growth and expansion;
- changes in the mix of our products and customers;
- changes in healthcare reimbursement policies and amounts;
- length of sales cycle and implementation process for new disease management customers;
- increases in costs of revenues and operating expenses;
- increases in selling, general and administrative expenses;
- increased or more effective competition; and

Table of Contents

regulatory changes.

In addition, revenues from our Women's and Children's Health segment are historically less during the fourth and first calendar quarters than during the second and third calendar quarters. The seasonal variability of demand for these services significantly affects, and we believe will continue to affect, our quarterly operating results. Further, we sometimes recognize a disparate amount of our quarterly revenues from this segment late in the quarter, particularly in our first quarter.

Our profit margin may be adversely affected by the product mix and pricing pressure in the Women's and Children's Health segment.

Although our Women's and Children's Health segment is a leading provider in its market, its revenues have been reduced and its costs of revenues as a percentage of revenues have increased over the past several years. These trends, which have reduced our profit margins, have continued in 2004 and are largely a function of price pressure and physician prescription patterns towards the use of higher cost, lower margin therapies. If these trends continue, the profit margins for this business will continue to decline.

Facet operates in an industry that is becoming increasingly dominated by price competition.

In all of our product and service lines, we face strong competition from companies, both large and small, located in the United States and abroad, on factors including quality of care and service, reputation within the medical community, scope of products and services, geographical scope and price. Facet operates in an industry where price competition is becoming increasingly dominant over other factors, which has created downward pressure on pricing on this portion of our business. If this trend toward price dominated competition continues, the resulting downward pricing pressure may have a material adverse effect on Facet's business.

If our costs of providing products or services increase, we may not be able to pass these cost increases on to our customers.

In many of our markets, due to competitive pressures or the fact that reimbursement rates are set by law, we have very little control over the price at which we sell our products and services. If our costs increase, we may not be able to increase our prices, which would adversely affect results of operations. Accordingly, any increase in the cost of such products and services could reduce our overall profit margin.

Future acquisitions may cause integration problems, disrupt our business and strain our resources.

In the past we have made several significant business acquisitions, and may continue with such acquisitions in the future. Our success will depend, to a certain extent, on the future performance of these acquired business entities. These acquisitions, either individually or as a whole, could divert management attention from other business concerns and expose us to unforeseen liabilities or risks associated with entering new markets and integrating those new entities. Further, the integration of these entities may cause us to lose key employees or key customers. Integrating newly acquired organizations and technologies could be expensive and time consuming and may strain our resources. Consequently, we may not be successful in integrating these acquired businesses or technologies and may not achieve anticipated revenue and cost benefits.

We may face costly litigation that could force us to pay damages and harm our reputation.

Like other participants in the healthcare market, we are subject to lawsuits alleging negligence, product liability or other similar legal theories, many of which involve large claims and significant defense costs. Any of these claims, whether with or without merit, could result in costly litigation, and divert the time, attention, and resources of our

management. Although we currently maintain liability insurance intended to cover such claims, there can be no assurance that the coverage limits of such insurance policies will be adequate or that all such claims will be covered by the insurance. In addition, these insurance policies must be renewed annually. Although we have been able to obtain liability insurance, such insurance may not be available in the future on acceptable terms, if at all. A successful claim in excess of the insurance coverage could have a material adverse effect on our business, results of operations or financial condition.

Table of Contents

Claims against us, including the *qui tam* claim described above under Risk Factors The outcome of the pending *qui tam* claim filed against us could result in the imposition of material liabilities or penalties and could result in our exclusion from participation in federal healthcare programs, regardless of their merit or eventual outcome, could have a material adverse effect on our business and reputation.

If we do not manage our growth successfully, our growth and profitability may slow or stop.

If we do not manage our growth successfully, our growth and profitability may slow or stop. We have expanded our operations rapidly and plan to continue to expand. This expansion has created significant demands on our administrative, operational and financial personnel and other resources. Additional expansion in existing or new markets could strain our resources and increase our need for capital. Our personnel, systems, procedures, controls and existing space may not be adequate to support further expansion. In addition, because our business strategy emphasizes growth, the failure to achieve our stated growth objectives or the growth expectations of investors could cause our stock price to decline.

Our data management and information technology systems are critical to maintaining and growing our business.

Our disease management services are dependent on the effective use of information technology. We use our proprietary TRAX system and Integrated Care Management system in the provision of our disease management services. In the fourth quarter of 2002, we installed a state-of-the-art computer system to support the growth of the pharmacy, laboratory and supplies division of the Health Enhancement segment. Now that we have sold that division, we will have to rely on our ability to interface with the purchaser's information technology to monitor patient compliance in joint programs with the purchaser. (See Recent Developments). Although we believe that our systems provide us with a competitive advantage, we are exposed to technology failure or obsolescence. In addition, data acquisition, data quality control and data analysis, which are a cornerstone of our disease management programs, are intense and complex processes subject to error. Untimely, incomplete or inaccurate data, flawed analysis of such data or our inability to properly identify, implement and update systems could have a material adverse impact on our business and results of operations.

The development of improved technologies for glucose monitoring that eliminate the need for consumable testing supplies could adversely affect our business.

All of Facet's revenues are from the sale of consumable testing supplies used to draw and test small quantities of blood for the purpose of measuring and monitoring blood glucose levels. Numerous research and development efforts by other parties are underway to develop more convenient and less intrusive glucose measurement techniques. The commercialization and widespread acceptance of new technologies that eliminate or reduce the need for consumable testing supplies could negatively affect sales of supplies and pharmaceuticals in conjunction with our disease management business and Facet's business.

Our foreign operations are subject to additional risks.

Although the majority of our operations are in the United States, the Health Enhancement segment derives substantial revenue from outside of the United States. The risks of doing business in foreign countries include potential adverse changes in the stability of foreign governments and their diplomatic relations, hostility from local populations, adverse effects of currency fluctuations and exchange controls, deterioration of foreign economic conditions and changes in tax laws. Due to the foregoing risks, any of which, if realized, could have a material adverse effect on us, we believe that our business activities outside of the United States involve a higher degree of risk than our domestic activities.

Our diabetes supply business in Germany distributes its products to customers primarily from physician offices, and substantially all of its revenues are received from the German national healthcare system. Doctors participating in this method of distribution, both for us and other providers, have been the subject of lawsuits brought by pharmacies alleging that this practice constitutes a violation by such doctors of German law. There is a split of authority among German courts on this issue. Although we have not been a party to any of these lawsuits or claims, such lawsuits

Table of Contents

could indirectly affect our operations, and unfavorable resolution of this issue could require us to seek alternative channels of distribution and could have a material adverse effect on our German operations.

We have recorded a significant amount of intangible assets, whose values could become impaired.

Our acquisitions have resulted in the recognition of intangible assets, primarily goodwill. Goodwill, which represents the excess of cost over the fair value of net assets of businesses acquired, was approximately \$133.5 million at September 30, 2004, representing approximately 45% of our total assets. Approximately \$17 million of our goodwill and intangibles were included in the assets sold in connection with our pharmacy and supplies business. On an ongoing basis, we will make an evaluation to determine whether events and circumstances indicate that all or a portion of the carrying value of intangible assets may no longer be recoverable, in which case an additional charge to earnings may be necessary. Any future determinations requiring an asset impairment of a significant portion of intangible assets could materially affect our results of operations for the period in which the adjustment occurs.

Our inventory management is complex, and excess inventory may harm our results of operations.

Our management makes estimates regarding our inventory requirements based on assumptions about future demand. Furthermore, a substantial portion of our products supplied by Facet are tailored to the specifications of particular customers. If future demand changes or actual market conditions are less favorable than as projected by management, we may become subject to inventory obsolescence and may have to sell excess inventory at reduced prices, or, in the case of products tailored to specific customers, excess inventory may not be marketable at all. Any excess inventory held by us may therefore adversely affect our results of operations.

The competition for staff may cause us to restrict growth in certain areas or to realize increased labor costs in existing areas.

Our operations are dependent on the services provided by qualified management and staff, including nurses and other healthcare professionals, for which we compete with other health care providers. In addition, our opportunities for growth are limited to our ability to attract and retain such personnel. In certain markets, there is a shortage of nurses and other medical providers, thereby increasing competition and requiring us to improve working conditions, including wages and benefits, for such personnel. Our potential inability to maintain and grow an appropriate workforce may inhibit our expansion and even have a material adverse effect on our financial results.

Impairment of our intellectual property rights could negatively affect our business or allow competitors to minimize any advantage that our proprietary technology may give us.

We own a number of trademarks and service marks which, in the aggregate, are important to the marketing and promotion of our products and services. Patents owned by Facet or its suppliers are material to the continued marketing of those products. Also, we consider our disease management programs to be proprietary and material to the portion of our business to which they relate. In addition, our future success depends in part upon our proprietary technology and product development, and our ability to obtain patent and other intellectual property rights with respect to such technology and development.

We hold patents or have an exclusive, perpetual right to use the only uterine activity monitors that have received pre-market approval from the FDA for home use on patients with a history of previous preterm birth. Our rights to the monitors had been a material competitive advantage in marketing our uterine activity monitoring services. In 2001, the FDA reclassified the monitors from Class III into Class II devices, which makes substantially equivalent devices available to our competitors, without their having to receive pre-market approval. As part of the reclassification, the FDA may impose special controls on the use of such devices. Although these developments have not had a negative

impact on our home uterine activity monitoring business, we cannot predict what future impact these changes may have.

Patent positions are uncertain and involve complex legal, scientific and factual questions. Our patent positions might not protect us against competitors with similar products or technologies because competing products or technologies may not infringe our patents. For certain of our products in development, there may be third parties who have patents or pending patents that they may claim effectively prevent us from commercializing these products in certain territories. If our patent or other intellectual property rights or positions are infringed, challenged, invalidated,

Table of Contents

prevented or otherwise impaired, or we fail to prevail in any future intellectual property litigation, our business could be adversely affected.

Effective trademark and other intellectual property protection may not be available in every country in which our products are made available. This could have a material adverse effect on our business, results of operation and financial condition. To date, we have not been notified that our products infringe the proprietary rights of third parties, but we cannot assure you that third parties will not claim infringement by us with respect to past, current and future products. We expect that participants in our markets increasingly will be subject to infringement claims as the number of competitors in our industry segment grows. Any such claim, whether or not it has merit, could be time-consuming, result in costly litigation, cause product delays or require us to enter into royalty or licensing agreements. As a result, any such claim could have a material adverse effect on our business, results of operations and financial condition.

Our actual financial results might vary from our publicly disclosed forecasts.

Our actual financial results might vary from those anticipated by us, and these variations could be material. On October 19, 2004, we announced revenue and profit expectations for the fourth quarter ending December 31, 2004. These forecasts reflect numerous assumptions concerning our expected performance, as well as other factors, which are beyond our control, and which might not turn out to have been correct. Although we believe that the assumptions underlying the projections are reasonable, actual results could be materially different. Our financial results are subject to numerous risks and uncertainties, including those identified throughout these Risk Factors and elsewhere in this prospectus and the documents incorporated by reference.

RISKS RELATED TO THE NOTES

The notes are unsecured, subordinated to all of our existing and future senior indebtedness and effectively subordinated to liabilities of our subsidiaries.

The notes are unsecured and subordinated in right of payment to all of our existing and future senior indebtedness and are effectively subordinated to all liabilities, including trade payables, of our subsidiaries (except to the extent that Facet, QO and Matria Women's and Children's Health, Inc. have agreed to guarantee the notes as described in this prospectus, in which case with respect to the guarantors the notes are effectively subordinated to senior indebtedness of the guarantors). Following the recent sale of our direct to consumer pharmacy and supplies business and the completion of the tender offer for our 11% Senior Notes, only \$3.5 million of indebtedness ranking senior to the notes remained outstanding as of September 30, 2004 (see Recent Developments). In the event of our insolvency, bankruptcy, liquidation, reorganization, dissolution or winding up, our assets will be

Table of Contents

available to pay the amounts due on the notes only after all of our senior indebtedness has been paid in full. There may not be sufficient assets remaining to pay amounts due on any or all of the notes then outstanding. See Description of Notes Subordination.

A significant amount of our operations is conducted through our subsidiaries. Facet and QO have agreed to guarantee the notes on a senior subordinated basis. These guarantees became effective upon the closing and satisfaction of all conditions of the tender offer described in this prospectus. In connection with the Reorganization described above under Holding Company Reorganization, the Predecessor Registrant has also agreed to guarantee the notes on a senior subordinated basis. Accordingly, our right to receive assets from any of our subsidiaries upon its liquidation or reorganization, and the right of holders of the notes to participate in those assets, are effectively subordinated to claims of that subsidiary's creditors, including trade creditors. Even if we were a creditor of any of our subsidiaries, our rights as a creditor would be subordinate to any security interest in the assets of that subsidiary and any indebtedness of that subsidiary senior to that held by us. Furthermore, none of our subsidiaries is under any obligation to make payments to us, and any payments to us would depend on the earnings or financial condition of our subsidiaries and various business considerations. Statutory, contractual or other restrictions may also limit our subsidiaries' ability to pay dividends or make distributions, loans or advances to us. For these reasons, we cannot assure you that we will have access to any assets or cash flows of our subsidiaries to make payments on the notes.

Your ability to enforce the guarantees of the notes may be limited.

The performance by each subsidiary guarantor of its obligations with respect to its guarantee may be subject to review under relevant federal and state fraudulent conveyance and similar statutes in a bankruptcy or reorganization case or lawsuit by or on behalf of unpaid creditors of that subsidiary guarantor. Under these statutes, if a court were to find under relevant federal or state fraudulent conveyance law that a subsidiary guarantor did not receive fair consideration or reasonably equivalent value for incurring its guarantee of the notes, and that, at the time of incurrence, the subsidiary guarantor either:

was insolvent;

was rendered insolvent by reason of incurring the guarantee;

was engaged in a business or transaction for which the assets remaining with the subsidiary guarantor constituted unreasonably small capital; or

intended to incur, or believed that it would incur, debts beyond its ability to pay such debts as they matured, then the court could void the subsidiary guarantor's obligation under its guarantee, recover payments made under the guarantee, subordinate the guarantee to other indebtedness of the subsidiary guarantor or take other action detrimental to the holders of the notes.

The measure of insolvency for these purposes will depend on the governing law of the relevant jurisdiction.

Table of Contents

Generally, however, a company will be considered to be insolvent for these purposes if:

the sum of that company's debts is greater than the fair value of all of that company's property;

the present fair salable value of that company's assets is less than the amount that would be required to pay its probable liability on its existing debts as they become absolute and matured; or

the company is not able to pay its debts as they become due.

Moreover, regardless of insolvency, a court could avoid an incurrence of indebtedness, including the guarantees, if it determined that the transaction was made with the intent to hinder, delay or defraud creditors. In addition, a court could subordinate the indebtedness, including the guarantees, to the claims of all existing and future creditors on similar grounds. The guarantees could also be subject to the claim that, since the guarantees were incurred for our benefit and only indirectly for the benefit of the subsidiary guarantors, the obligations of the subsidiary guarantors under the guarantees were incurred for less than reasonably equivalent value or fair consideration.

We cannot assure you what standard a court would apply to determine whether a subsidiary guarantor was insolvent upon the sale of the notes or that, regardless of the method of valuation, a court would not determine that a subsidiary guarantor was insolvent upon consummation of the sale of the notes.

Volatility of the market price of our common stock may depress the trading price of the notes.

The market price of our common stock has experienced, and may continue to experience, substantial volatility. Between January 1, 2002 and February 21, 2005 and after giving effect to the three-for-two stock split effected in the form of a stock dividend, the trading price of our common stock on The Nasdaq National Market has ranged from a low of \$3.92 per share to a high of \$32.01 per share. Because the notes are convertible into shares of our common stock in certain circumstances, volatility in the price of our common stock may depress the trading price of the notes. The risk of volatility and depressed prices of our common stock also applies to holders who receive shares of common stock upon conversion of their notes.

Numerous factors, including many over which we have no control, may have a significant impact on the market price of our common stock, including, among other things:

the integration of people, operations and products from acquisitions;

Table of Contents