ACCUMED INC
Form 424B5
December 01, 2010
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Registration No. 333-166710

The information in this prospectus supplement is not complete and may be changed. This prospectus is part of an effective registration statement filed with the Securities and Exchange Commission. This prospectus is not an offer to sell these securities and it is not soliciting an offer to buy these securities in any state where the offer or sale is not permitted.

Subject to Completion, dated November 30, 2010

PROSPECTUS SUPPLEMENT

(To Prospectus dated May 10, 2010)

$500,000,000

Omnicare, Inc.

% Convertible Senior Subordinated Notes due 2025

We are offering $500,000,000 of our % Convertible Senior Subordinated Notes due 2025, which we refer to as the convertible notes. The convertible notes will be guaranteed on an unsecured senior subordinated basis by substantially all of our existing and future direct and indirect domestic subsidiaries (subject to certain exceptions). The convertible notes and guarantees will be our general senior subordinated obligations ranking equally with our other senior subordinated debt and will be subordinated to all of our and the guarantors senior debt, including our senior credit facility. The convertible notes will be structurally subordinated to all indebtedness and obligations of our subsidiaries that do not guarantee the convertible notes and effectively subordinated to our and the guarantors secured debt.

The convertible notes will be convertible into cash and shares of our common stock, if applicable, initially based on a conversion rate of shares per $1,000 principal amount of convertible notes (equivalent to an initial conversion price of approximately $ per share), subject to adjustment as described in this prospectus supplement at any time on or prior to the close of business on the business day immediately preceding the maturity date, only under the circumstances described in this prospectus supplement.

Upon conversion, we will pay cash and shares of our common stock, if any, based on a daily conversion value (as described herein) calculated on a proportionate basis for each day of the 25 trading-day cash settlement average period. See Description of Convertible Notes Conversion Rights Settlement Upon Conversion. In the event certain types of fundamental changes occur, we will increase the conversion rate as described herein.

The convertible notes will bear interest at a rate of % per year. Beginning with the six-month period commencing December 15, 2018, we will also pay contingent interest during any six-month period in which the trading price of the convertible notes, measured over a specified number of trading days, is 120% or more of the principal amount of the convertible notes. Interest on the convertible notes is payable on June 15 and December 15 of each year, beginning on June 15, 2011. The convertible notes will mature on December 15, 2025.

We and each holder of convertible notes will agree in the indenture relating to the convertible notes to treat the convertible notes as contingent payment debt instruments for U.S. federal income tax purposes. For a discussion of the special tax regulations governing contingent payment debt instruments, see Certain United States Federal Income Tax Consequences.

After December 15, 2018, we may redeem some or all of the convertible notes at a redemption price of 100% of the principal amount of the convertible notes being redeemed plus accrued and unpaid interest to, but excluding, the applicable redemption date, if the closing sale price of our common stock has exceeded 120% of the then current conversion price for at least 20 trading days in any consecutive 30-day trading period ending on the trading day prior to the mailing of the notice of redemption.

You may require us to repurchase all or a portion of your convertible notes upon a fundamental change at a cash repurchase price equal to 100% of the principal amount plus accrued and unpaid interest (including contingent interest, if any).

Our common stock is listed on the New York Stock Exchange under the symbol OCR. The last reported sale price of our common stock on November 29, 2010 was $23.45 per share.

We do not intend to apply for listing of the convertible notes on any securities exchange or for inclusion of the convertible notes in any automated quotation system.

Investing in the convertible notes involves risks. See Risk factors beginning on page S-12 of this prospectus supplement and page 2 of the accompanying prospectus.

	Per Note	Total
Price to the public	%	$
Underwriting discount	%	$
Proceeds to Omnicare (before expenses)1	%	$

(1) Plus accrued interest, if any, from December , 2010.

We have granted the underwriters an option to purchase, for a 13-day period beginning with the original date of issuance of the convertible notes, up to an additional $75 million aggregate principal amount of convertible notes at the public offering price less underwriting discounts and commissions. This option may be exercised only if the underwriters sell more than $500 million principal amount of convertible notes in connection with this offering. The offering of the convertible notes by the underwriters is subject to receipt and acceptance and subject to the underwriters right to reject any order in whole or in part.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these convertible notes or determined if this prospectus supplement or the accompanying prospectus is truthful or complete. Any representation to the contrary is a criminal offense.

We expect that delivery of the convertible notes to purchasers will be made on or about December , 2010.

Joint Book-Running Managers

Barclays Capital **Goldman, Sachs & Co.** **J.P. Morgan**

Prospectus Supplement dated December , 2010

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Prospectus Supplement

Prospectus

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ABOUT THIS PROSPECTUS SUPPLEMENT

This document is in two parts. The first part is this prospectus supplement, which describes the terms of the offering of our convertible notes and also adds to and updates information contained in the accompanying prospectus and the documents incorporated by reference into the prospectus. The second part is the accompanying prospectus, which gives more general information, some of which may not apply to our convertible notes. To the extent there is a conflict between the information contained in this prospectus supplement, on the one hand, and the information contained in the accompanying prospectus or any document incorporated by reference, on the other hand, the information in this prospectus supplement shall control.

You should rely only on the information contained or incorporated by reference in this prospectus supplement and the accompanying prospectus. Neither we nor any underwriter or agent has authorized any other person to provide you with different or additional information. If anyone provides you with different or additional information, you should not rely on it. Neither we nor any underwriter or agent is making an offer to sell our convertible notes in any jurisdiction where the offer or sale is not permitted. You should assume that the information contained or incorporated by reference in this prospectus supplement and the accompanying prospectus is accurate only as of the date of the applicable document. Our business, financial condition, results of operations and prospects may have changed since that date.

References in this prospectus supplement and the accompanying prospectus to Omnicare, the Company, we, us or our are to Omnicare, Inc. unless otherwise indicated or the context otherwise requires. This section contains basic information about us and this offering. Because it is a summary, it does not contain all of the information that you should consider before investing. You should carefully read this entire prospectus supplement, the accompanying prospectus and the other documents we refer to or incorporate by reference, including the Risk factors in this prospectus supplement and the accompanying prospectus, before making an investment decision.

We own the service marks and trademarks for Omnicare Geriatric Pharmaceutical Care Guidelines®, Omnicare Guidelines®, OSC2OR® and Omnicare Senior Health Outcomes .

FORWARD-LOOKING STATEMENTS

In addition to historical information, this prospectus supplement contains certain statements that constitute forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. These forward-looking statements include, but are not limited to, all statements regarding the intent, belief or current expectations regarding the matters discussed or incorporated by reference in this document (including statements as to beliefs, expectations, anticipations, intentions or similar words) and all statements which are not statements of historical fact. Such forward-looking statements, together with other statements that are not historical, are based on management s current expectations and involve known and unknown risks, uncertainties, contingencies and other factors that could cause results, performance or achievements to differ materially from those stated.

The most significant of these risks and uncertainties are described in the Company s Form 10-K, Form 10-Q and Form 8-K reports filed with the Securities and Exchange Commission and include, but are not limited to: overall economic, financial, political and business conditions; trends in the long-term healthcare, pharmaceutical and contract research industries; the ability to attract new clients and service contracts and retain existing clients and service contracts; the ability to consummate pending acquisitions; trends for the continued growth of the Company s businesses; trends in drug pricing; delays and reductions in reimbursement by the government and other payors to customers and to the Company; the overall financial condition of the Company s customers and the ability of the Company to assess and react to such financial condition of its customers; the ability of vendors and business partners to continue to provide products and services to the Company; the continued successful

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integration of acquired companies; the continued availability of suitable acquisition candidates; the ability to attract and retain needed management; competition for qualified staff in the healthcare industry; variations in demand for the Company s products and services; variations in costs or expenses; the ability to implement productivity, consolidation and cost reduction efforts and to realize anticipated benefits; the ability of clinical research projects to produce revenues in future periods; the potential impact of legislation, government regulations, and other government action and/or executive orders, including those relating to Medicare Part D, including its implementing regulations and any subregulatory guidance, reimbursement and drug pricing policies and changes in the interpretation and application of such policies, including changes in calculation of average wholesale price; government budgetary pressures and shifting priorities; federal and state budget shortfalls; efforts by payors to control costs; changes to or termination of the Company s contracts with Medicare Part D Plan sponsors or to the proportion of the Company s Part D business covered by specific contracts; the outcome of disputes and litigation; potential liability for losses not covered by, or in excess of, insurance; the impact of executive separations; the impact of benefit plan terminations; the impact of differences in actuarial assumptions and estimates as compared to eventual outcomes; events or circumstances which result in an impairment of assets, including but not limited to, goodwill and identifiable intangible assets; the final outcome of divestiture activities; market conditions; the outcome of audit, compliance, administrative, regulatory, or investigatory reviews; volatility in the market for the Company s stock and in the financial markets generally; access to adequate capital and financing; changes in international economic and political conditions and currency fluctuations between the U.S. dollar and other currencies; changes in tax laws and regulations; changes in accounting rules and standards; and costs to comply with the Company s Corporate Integrity Agreement.

Should one or more of these risks or uncertainties materialize or should underlying assumptions prove incorrect, the Company s actual results, performance or achievements could differ materially from those expressed in, or implied by, such forward-looking statements. Readers are cautioned not to place undue reliance on these forward-looking statements, which speak only as of the date hereof. Except as otherwise required by law, the Company does not undertake any obligation to publicly release any revisions to these forward-looking statements to reflect events or circumstances after the date hereof or to reflect the occurrence of unanticipated events.

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SUMMARY

This section contains basic information about us and this offering. Because it is a summary, It does not contain all of the information that you should consider before investing. You should carefully read this entire prospectus supplement, the accompanying prospectus and the other documents we refer to or incorporate by reference before making an investment decision. References in this prospectus supplement and the accompanying prospectus to Omnicare, the Company, we, us or our are to Omnicare, Inc. unless otherwise indicated or the context otherwise requires.

Our Company

Omnicare is a leading pharmaceutical services company. We are the nation s largest provider of pharmaceuticals and related pharmacy and ancillary services to long-term healthcare institutions. Our clients include primarily skilled nursing facilities (SNFs), assisted living facilities (ALFs), retirement centers, independent living communities, hospitals, hospices, and other healthcare settings and service providers. We are also a provider of specialty pharmaceutical products and support services. We serve long-term care facilities as well as chronic care and other settings which comprised approximately 1,385,000 beds, including approximately 81,000 patients served by the patient assistance programs of our specialty pharmacy services business, as of September 30, 2010. The comparable number at September 30, 2009 was approximately 1,389,000 (including 63,000 patients served by the patient assistance programs of the specialty pharmacy services business). We provide our pharmacy services in 47 states in the United States, the District of Columbia and in Canada as of September 30, 2010. We also provide operational software and support systems to long-term care pharmacy providers across the United States. Our contract research organization provides comprehensive product development and research services for the pharmaceutical, biotechnology, nutraceutical, medical devices and diagnostic industries in 32 countries worldwide as of September 30, 2010.

We operate in two business segments. Our primary line of business, Pharmacy Services, provides distribution of pharmaceuticals, related pharmacy consulting and other ancillary services, data management services and medical supplies to SNFs, ALFs, retirement centers, independent living communities, hospitals, hospice, and other healthcare settings and service providers. Pharmacy Services purchases, repackages and dispenses pharmaceuticals, both prescription and non-prescription, and provides computerized medical record-keeping and third-party billing for residents in these facilities. We also provide consultant pharmacist services, including evaluating monthly patient drug therapy, monitoring the drug distribution system within the nursing facility, assisting in compliance with state and federal regulations and providing proprietary clinical and health management programs. In addition, our Pharmacy Services segment provides a variety of other products and services, including intravenous medications and nutrition products (infusion therapy services), respiratory therapy services, medical supplies and equipment, clinical care planning and financial software information systems, electronic medical records systems, pharmaceutical informatics services, pharmacy benefit management services, retail and mail-order pharmacy services, pharmaceutical care management for hospice agencies and product support and distribution services for specialty pharmaceutical manufacturers. We also provide pharmaceutical case management services for retirees, employees and dependents who have drug benefits under corporate-sponsored healthcare programs. Since 1989, we have been involved in a program to acquire providers of pharmaceutical products and related pharmacy management services and medical supplies to long-term care facilities and their residents. The Pharmacy Services segment comprised approximately 97% of our total net sales for the year ended December 31, 2009 and 98% for the three months ended September 30, 2010.

Our other business segment is contract research organization services (CRO Services). CRO Services provides comprehensive product development and research services to client companies in the pharmaceutical, biotechnology, nutraceutical, medical devices and diagnostics industries. The CRO Services segment comprised approximately 3% of our total net sales for the year ended December 31, 2009 and 2% for the three months

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ended September 30, 2010. We recorded a goodwill impairment charge of $91 million during the three months ended September 30, 2010 in connection with the CRO Services segment. See note 4 to the consolidated financial statements included in our Form 10-Q Quarterly Report for the three months ended September 30, 2010. We continue to evaluate our investment in the CRO business.

In mid-2009, we commenced activities to divest certain home healthcare and related ancillary businesses (the disposal group) that are non-strategic in nature. The disposal group, historically part of our Pharmacy Services segment, primarily represents ancillary businesses which accompanied other more strategic assets obtained by us in connection with our institutional pharmacy acquisition program. The results from continuing operations for all periods presented have been revised to reflect the results of the disposal group as discontinued operations, including certain expenses of ours related to the divestiture.

Our principal executive offices are located at 1600 RiverCenter II, 100 East RiverCenter Boulevard, Covington, Kentucky, 41011, and our telephone number is (859) 392-3300. Our corporate website address is www.omnicare.com. Information contained on our website is not part of this prospectus supplement.

Our Concurrent Tender Offer

On November 17, 2010 we commenced a tender offer to purchase for cash up to $525 million of our 3.25% convertible senior debentures due 2035 at a purchase price of $950 per $1,000 principal amount of the convertible debentures. The consummation of the tender offer is conditioned on, among other things, the completion of this offering of convertible notes. This offering of convertible notes, however, is not conditioned on the consummation of the tender offer.

We intend to use the net proceeds from this offering of convertible notes to finance the tender offer. We cannot assure you that we will be successful in consummating our tender offer or that any of the 3.25% convertible debentures will be tendered pursuant to the tender offer. The tender offer is being made pursuant to an Offer to Purchase, dated November 17, 2010, and related Letter of Transmittal, which more fully set forth the terms and conditions of the tender offer. Nothing in this prospectus supplement should be construed as an offer to purchase any of our 3.25% convertible debentures.

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The Offering

The following summary contains basic information about the convertible notes and is not intended to be complete. For a more complete understanding of the convertible notes, please refer to Description of Convertible Notes.

Issuer	Omnicare, Inc.
Securities Offered	$500 million aggregate principal amount of % Convertible Senior Subordinated Notes due 2025, which we refer to as convertible notes. We have also granted the underwriters an option to purchase up to an additional $75 million aggregate principal amount of convertible notes to cover over-allotments.
Offering Price	Each convertible note will be issued at a price of % of its principal amount plus accrued interest, if any, from December , 2010.
Maturity	December 15, 2025 unless earlier converted, redeemed or repurchased.
Interest Rate	% per year. Interest will be payable in cash on June 15 and December 15 of each year, beginning June 15, 2011.
Contingent Interest	Beginning with the six-month interest period commencing December 15, 2018, we will pay contingent interest in cash during any six-month interest period in which the trading price of the convertible notes for each of the five trading days ending on the second trading day immediately preceding the first day of the applicable six-month interest period equals or exceeds 120% of the principal amount of the convertible notes. During any interest period when contingent interest shall be payable, the contingent interest payable per $1,000 principal amount of convertible notes will equal 0.375% of the average trading price of $1,000 principal amount of the convertible notes during the five trading days ending on the second trading day immediately preceding the first day of the applicable six-month interest period.
Ranking	The convertible notes will be our unsecured senior subordinated obligations. Accordingly, they will rank: • subordinated in right of payment to all of our existing and future senior indebtedness (including our obligations under our senior credit facility); • equal in right of payment to our existing and future senior subordinated indebtedness (including obligations under our existing senior subordinated notes); • senior in right of payment to our existing and future subordinated indebtedness;

structurally subordinated in right of payment to all existing and future indebtedness and other liabilities of any of our existing or future non guarantor subsidiaries; and

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	effectively subordinated in right of payment to our secured debt to the extent of the value of the assets securing such debt.
Guarantees	The convertible notes will be fully and unconditionally, jointly and severally guaranteed on an unsecured subordinated basis by substantially all of our existing and future direct and indirect domestic subsidiaries (subject to certain exceptions). Each subsidiary guarantee will rank:
	subordinated in right of payment to the guarantors existing and future senior indebtedness (including the guarantors obligations under our senior credit facility);
	equal in right of payment to the guarantors existing and future senior subordinated indebtedness (including obligations under our existing senior subordinated notes);
	senior in right of payment to the guarantors existing and future subordinated indebtedness;
	structurally subordinated in right of payment to all existing and future indebtedness and other liabilities of any subsidiary of a guarantor if that subsidiary is also not a guarantor under the convertible notes; and
	effectively subordinated in right of payment to the secured debt of the guarantors to the extent of the value of the assets securing such debt.
Conversion Rights	You may convert your convertible notes into shares of our common stock at any time on or prior to the close of business on the business day immediately preceding the maturity date only under the following circumstances:
	prior to December 15, 2023, on any date during any calendar quarter beginning after March 31, 2011 (and only during such calendar quarter) if the closing sale price of our common stock was more than 130% of the then current conversion price for at least 20 trading days in the period of the 30 consecutive trading days ending on, and including, the last trading day of the previous calendar quarter;
	at any time on or after December 15, 2023;
	with respect to any convertible notes called for redemption, until the close of business on the business day prior to the redemption date;

if we distribute to all or substantially all holders of our common stock rights or warrants entitling them to purchase, for a period expiring not more than 60 calendar days following the record date for the distribution, shares of our common stock at a price per share less than the average closing sale price for the ten trading days preceding the announcement date for such distribution;

if we distribute to all or substantially all holders of our common stock, cash or other assets, debt securities or rights to purchase our

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securities, which distribution has a per share value exceeding 10% of the closing sale price of our common stock on the trading day preceding the announcement date for such distribution;

during a specified period if certain types of fundamental changes occur; or

during the five consecutive business-day period following any five consecutive trading-day period if on each trading day during that five consecutive trading-day period, the trading price per $1,000 principal amount of convertible notes on that trading day was less than 98% of the product of the closing sale price per share of our common stock on that trading day and the conversion rate in effect on that trading day.

The convertible notes will be convertible based on an initial conversion rate of shares of common stock per $1,000 principal amount of the convertible notes (equivalent to an initial conversion price of approximately $ per share). The conversion rate, and thus the conversion price, may be adjusted under certain circumstances as described under Description of Convertible Notes Conversion Rights Conversion Rate Adjustments.

Upon a conversion, we will pay cash and shares of our common stock, if any, based on a daily conversion value (as described herein) calculated on a proportionate basis for each day of the 25 trading-day cash settlement averaging period. See Description of Convertible Notes Conversion Rights Settlement Upon Conversion.

Upon any conversion, subject to certain exceptions, you will not receive any cash payment representing accrued and unpaid interest (including contingent interest, if any). See Description of Convertible Notes Conversion Rights.

Adjustment to conversion rate upon a non-stock change of control

If and only to the extent holders elect to convert the convertible notes in connection with a transaction described under the first clause or fourth clause of the definition of fundamental change as described in Description of Convertible Notes Fundamental Change Put pursuant to which 10% or more of the consideration for our common stock (other than cash payments for fractional shares and cash payments made in respect of dissenters appraisal rights) consists of cash or securities (or other property) that are not common equity interests traded or scheduled to be traded immediately following such transaction on the New York Stock Exchange, Nasdaq Global Select Market or Nasdaq Global Market, which we refer to as a non-stock change of control, we will increase the conversion rate by a number of additional shares. The number of additional shares will be determined by reference to the table in Description of Convertible Notes Conversion Rights Adjustment to Conversion Rate Upon a Non-Stock Change of Control, based on the effective date and the price paid per share of our common stock in such non-stock change of control.

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If holders of our common stock receive only cash in the type of transaction described above, the price paid per share will be the cash amount paid per share. Otherwise, the price paid per share will be the average of the last reported sale prices of our common stock on the five trading days prior to but not including the effective date of such non-stock change of control.

Provisional Redemption By Omnicare	After December 15, 2018, we may redeem all or a part of the convertible notes for cash at a redemption price equal to 100% of the principal amount of the convertible notes being redeemed, plus accrued and unpaid interest (including contingent interest, if any) to, but not including, the redemption date if the closing sale price of our common stock was more than 120% of the then current conversion price for at least 20 trading days in the period of 30 consecutive trading days ending on, and including, the trading day prior to the mailing of the notice of redemption.
Fundamental Change Repurchase Right of Holders	If we undergo a fundamental change (as defined in this prospectus supplement) prior to maturity, you will have the right, at your option, to require us to repurchase for cash some or all of your convertible notes at a repurchase price equal to 100% of the principal amount of the convertible notes being repurchased, plus accrued and unpaid interest (including contingent interest, if any) to, but not including, the repurchase date. See Description of Convertible Notes Fundamental Change Put.
Events of Default	If an event of default on the convertible notes occurs, the principal amount of the convertible notes, plus accrued and unpaid interest (including contingent interest, if any) may be declared immediately due and payable, subject to certain conditions set forth in the indenture. These amounts automatically become due and payable in the case of certain types of bankruptcy or insolvency events of default involving us.
Absence of a Public Market for the Convertible Notes	The convertible notes will be a new issue of securities. We cannot assure you that any active or liquid market will develop for the convertible notes. See Underwriting.
Trading	We do not intend to apply for listing of the convertible notes on any securities exchange or for inclusion of the convertible notes in any automated quotation system.
NYSE Symbol for Our Common Stock	Our common stock is listed on the New York Stock Exchange under the symbol OCR.
Use of Proceeds	We estimate that the net proceeds from this offering of convertible notes will be approximately $486 million (or approximately $560 million if the underwriters exercise their option to purchase additional convertible notes in full) after deducting the underwriting discount and estimated offering expenses payable by us.

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	We intend to use the net proceeds from this offering of convertible notes to repurchase up to $525 million aggregate principal amount of our 3.25% convertible debentures pursuant to a tender offer launched on November 17, 2010. See Our Concurrent Tender Offer. If all of the net proceeds are not needed to finance the tender offer, we currently intend to use all or a portion of the excess proceeds to repurchase or repay outstanding debt. The remaining net proceeds from this offering, if any, will be used for general corporate purposes. See Use of Proceeds.
U.S. Federal Income Tax Considerations	We and each holder of convertible notes will agree in the indenture to treat the convertible notes as contingent payment debt instruments for U.S. federal income tax purposes. Holders subject to U.S. federal income taxation will agree to accrue original issue discount on a constant yield to maturity basis at a rate comparable to the rate at which we would borrow in a noncontingent, nonconvertible borrowing %, compounded semi-annually even though the convertible notes will have a significantly lower stated interest rate. You may recognize ordinary income in each year significantly in excess of interest payments (whether fixed or contingent) actually received that year. Additionally, you will generally be required to recognize as ordinary income (rather than capital gain) gain, if any, realized on a sale, exchange, conversion or redemption of the convertible notes. In the case of a conversion, this gain will be measured by the fair market value of the stock and cash received. A summary of certain U.S. federal income tax consequences of ownership of the convertible notes and our common stock is described in this prospectus supplement under the heading Certain United States Federal Income Tax Consequences. Owners of the convertible notes should consult their own tax advisors as to the U.S. federal, state, local or other tax consequences of acquiring, owning and disposing of the convertible notes and our common stock.

Forward-Looking Statements

In addition to historical information, this prospectus supplement and the accompanying prospectus contain certain statements that constitute forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. See Forward-Looking Statements beginning on page ii of this prospectus supplement and Forward-Looking Statements beginning on page 1 of the accompanying prospectus.

Risk Factors

An investment in our convertible notes involves certain risks that you should carefully evaluate prior to making an investment in our convertible notes. See Risk Factors beginning on page S-12 of this prospectus supplement and Risk Factors beginning on page 2 of the accompanying prospectus.

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Summary Historical Consolidated Financial Information

The following summary consolidated financial information should be read in conjunction with our historical consolidated financial statements and related notes and Management s Discussion and Analysis of Financial Condition and Results of Operations included in our Annual Report on Form 10-K for the year ended December 31, 2009 and incorporated by reference into this prospectus supplement.

We derived the income statement data for the years ended December 31, 2007, 2008, 2009 and the balance sheet data as of December 31, 2008 and 2009 from our audited financial statements, which are incorporated by reference into this prospectus supplement. We derived the income statement data for the nine months ended September 30, 2009 and 2010 and the balance sheet data as of September 30, 2010 from our unaudited financial statements, which are incorporated by reference into this prospectus supplement. We derived the balance sheet data as of September 30, 2009 from our unaudited financial statements, which are not incorporated by reference into this prospectus supplement. We derived the balance sheet data as of December 31, 2007 from our financial statements, as adjusted for discontinued operations, which are not incorporated by reference into this prospectus supplement. In the opinion of management, the unaudited financial statements from which the information below is derived contain all adjustments, which consist only of normal recurring adjustments, necessary to present fairly our financial results of operations as of the applicable dates and for the applicable periods in all material respects. Historical results are not necessarily indicative of the results to be expected in the future. In addition, interim results may not be indicative of results for the remainder of the year.

	Years Ended December 31,			Nine Months Ended September 30,	
	2007(i)	2008(i)	2009(i)	2009(i)	2010(i)
Income Statement Data(a)(b):					
Total net sales(c)	$ 6,100,394	$ 6,205,715	$ 6,166,209	$ 4,626,513	$ 4,587,800
Operating income	345,506	401,021	470,542	337,629	119,734
Interest expense(d)	163,073	143,073	119,896	90,650	99,298
Income from continuing operations before income taxes	167,107	241,796	332,339	230,837	4,882
Ratio of earnings to fixed charges(e)(f)	1.8x	2.2x	2.9x	2.8x	1.0x
Balance Sheet Data (at end of period)(a):					
Cash and cash equivalents (including restricted cash)	$ 277,355	$ 216,559	$ 290,973	$ 327,066	$ 353,325
Working capital	1,803,990	1,730,904	1,599,558	1,520,676	1,820,335
Total assets	7,583,370	7,450,245	7,324,104	7,391,900	7,348,044
Long-term debt (excluding current portion)	2,416,131	2,352,824	1,980,239	1,972,952	2,206,073
Stockholders equity	3,540,823	3,654,869	3,875,993	3,811,640	3,796,580
Other Financial Data(a)(b):					
Net cash flows from operating activities of continuing operations	$ 501,850	$ 436,156	$ 482,349	$ 431,033	$ 269,554
Net cash flows used in investing activities of continuing operations	(194,446)	(283,786)	(144,280)	(97,755)	(119,564)
Net cash flows used in financing activities of continuing operations	(173,747)	(208,706)	(275,929)	(233,611)	(69,160)
Capital expenditures(g)	42,828	59,606	30,865	26,266	18,602
EBITDA from continuing operations(h)	452,605	513,080	582,141	422,203	217,100
Ratio of EBITDA from continuing operations to interest expense(d)(h)	2.8x	3.6x	4.9x	4.7x	2.2x
Ratio of total debt to EBITDA from continuing operations(h)	5.3x	4.6x	3.6x	3.8x	7.6x
Total debt to total capitalization	40.6%	39.2%	35.2%	36.1%	36.8%

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(a) We have had an active acquisition program in effect since 1989, which impacts the comparability of the Company s results. See the Acquisitions note to our 2009 consolidated financial statements for additional information concerning acquisitions.

(b) Included in income from continuing operations are the following items which primarily impacted the Pharmacy Services segment. Management believes that these special items are either infrequent occurrences or otherwise not related to our ordinary course of business and/or are non-cash in nature (in thousands):

	Years Ended December 31,			Nine Months Ended September 30,	
	2007(i)	2008(i)	2009(i)	2009(i)	2010(i)
Pre-tax:					
Restructuring and other related charges	$ 27,883(1)	$ 35,784(1)	$ 29,155(1)	$ 19,095(6)	$ 16,851(6)
Litigation and other related charges	42,516(2)	99,267(2)	77,449(2)	71,761(7)	71,598(7)
Repack matters	17,193(2)	6,445(2)	(1,139)(2)	5,221(7)	(1,117)(7)
Other expense			5,633(3)	4,237(8)	3,509(8)
Amortization of discount on convertible notes	24,041(4)	25,934(4)	27,977(4)	20,783(9)	22,419(9)
Acquisition and other related costs			1,399(5)	2,218(10)	3,978(10)
Separation costs					39,573(11)
Benefit plan termination and related costs					25,187(12)
Goodwill impairment charge					90,628(13)
Gain on rabbi trust assets					(3,164)(12)
Debt redemption costs					10,167(9)
Total special items	$ 111,633	$ 167,430	$ 140,474	$ 123,315	$ 279,629
Subtract special items already included in amortization or interest expense:					
Other expense(14)			(5,633)(3)	(4,237)(8)	(27,234)(8)
Amortization of discount on convertible notes(14)	(24,041)(4)	(25,934)(4)	(27,977)(4)	(20,783)(9)	(22,419)(9)
Total special items, excluding items already included in amortization or interest expense(14)	$ 87,592	$ 141,496	$ 106,864	$ 98,295	$ 229,976

(1) See the Restructuring and Other Related Charges note to the 2009 consolidated financial statements.
(2) See the Commitments and Contingencies note to the 2009 consolidated financial statements.
(3) See the Stock-Based Compensation note to the 2009 consolidated financial statements.
(4) See the Debt note to the 2009 consolidated financial statements.
(5) See the Acquisitions note to the 2009 consolidated financial statements.
(6) See the Restructuring and Other Related Charges note to the September 30, 2010 consolidated financial statements.
(7) See the Commitments and Contingencies note to the September 30, 2010 consolidated financial statements.
(8) See the Stock-Based Compensation note to the September 30, 2010 consolidated financial statements.
(9) See the Debt note to the September 30, 2010 consolidated financial statements.
(10) See the Acquisitions note to the September 30, 2010 consolidated financial statements.
(11) See the Separation Costs note to the September 30, 2010 consolidated financial statements.
(12) See the Employee Benefit Plans note to the September 30, 2010 consolidated financial statements.
(13) See the Goodwill and Other Intangible Assets note to the September 30, 2010 consolidated financial statements.

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(14) The noted special items are excluded for purposes of computing Total special items, excluding items already included in amortization or interest expense as they represent non-cash amortization or interest expense items and, thus, are already included in the amortization expense amount added to operating income along with depreciation expense or are already excluded from operating income to derive the corresponding EBITDA from continuing operations amounts disclosed above.

(c) In accordance with the adoption of the authoritative guidance for income statement characterization of reimbursements received for incurred out-of-pocket expenses, we have recorded reimbursements received for out-of-pocket expenses on a grossed-up basis in the income statement as revenues and direct costs. This authoritative guidance relates solely to our contract research services business.

(d) Our ratio of EBITDA from continuing operations to interest expense has been computed by dividing EBITDA from continuing operations by interest expense. Interest expense represents gross interest expense, rather than interest expense net of investment income.

(e) Our ratio of earnings to combined fixed charges has been computed by adding income from continuing operations and fixed charges to derive adjusted income, and dividing adjusted income by fixed charges. Fixed charges consist of interest expense on debt (including the amortization of debt expense) and one-third (the proportion management deemed representative of the interest portion) of rent expense.

(f) Our ratio of earnings to combined fixed charges and preferred stock dividends for all periods presented are the same as our ratio of earnings to fixed charges because we had no shares of preferred stock outstanding during any period presented, and currently have no shares of preferred stock outstanding.

(g) Primarily represents the purchase of computer equipment and software, machinery and equipment, and furniture, fixtures and leasehold improvements.

(h) EBITDA represents earnings before interest (net of investment income), income taxes, depreciation and amortization. Omnicare uses EBITDA primarily as an indicator of the Company s ability to service its debt, and believes that certain investors find EBITDA to be a useful financial measure for the same purpose. However, EBITDA does not represent net cash flows from operating activities, as defined by United States Generally Accepted Accounting Principles (U.S. GAAP), and should not be considered as a substitute for operating cash flows as a measure of liquidity. The Company s calculation of EBITDA may differ from the calculation of EBITDA by others. The following is a reconciliation of EBITDA to net cash flows from operating activities (in thousands):

	Years Ended December 31,			Nine Months Ended September 30,	
	2007(i)	2008(i)	2009(i)	2009(i)	2010(i)
EBITDA from continuing operations	$ 452,605	$ 513,080	$ 582,141	$ 422,203	$ 217,100
Subtract: Interest expense, net of investment income	(154,358)	(133,291)	(110,226)	(86,009)	(92,433)
Income tax provision	(65,123)	(97,270)	(97,523)	(77,869)	(30,827)
Write-off of debt issuance costs					2,060
Debt redemption tender offer premium					(7,591)
Goodwill impairment charge					90,628
Benefit plan termination and related costs					25,187
Change in assets and liabilities, net of effects from acquisition and divestiture of businesses	268,726	153,637	107,957	172,708	65,430
Net cash flows from operating activities of continuing operations	501,850	436,156	482,349	431,033	269,554
Net cash flows from operating activities of discontinued operations	3,679	2,041	1,445	568	1,154
Net cash flows from operating activities	$ 505,529	$ 438,197	$ 483,794	$ 431,601	$ 270,708

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(i) In mid-2009, the Company commenced activities to divest certain home healthcare and related ancillary businesses (the disposal group) that are non-strategic in nature. The disposal group, historically part of Omnicare s Pharmacy Services segment, primarily represents ancillary businesses which accompanied other more strategic assets obtained by Omnicare in connection with the Company s institutional pharmacy acquisition program. The results from continuing operations for all periods presented have been revised to reflect the results of the disposal group as discontinued operations, including certain expenses of the Company related to the divestiture. All amounts disclosed herein relate to the Company s continuing operations unless otherwise stated.

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RISK FACTORS

Investing in the convertible notes involves risks. You should carefully consider the risks described in this prospectus supplement and the accompanying prospectus, in addition to the other information contained or incorporated by reference in this prospectus supplement and the accompanying prospectus, before making an investment decision. These risks are not the only ones facing us. Additional risks and uncertainties not currently known to us or that we currently deem to be immaterial also may materially and adversely affect our business operations. Any of these risks could materially and adversely affect our business, financial condition or results of operations. In such cases, you may lose all or part of your investment.

Risks relating to our business

If we or our client facilities fail to comply with Medicaid and Medicare regulations, our revenue could be reduced, we could be subject to penalties and we could lose our eligibility to participate in these programs.

Historically, prior to Part D, approximately one-half of our pharmacy services billings were directly reimbursed by government sponsored programs (including Medicaid and, to a lesser extent, Medicare). Beginning January 1, 2006, the prescription drug benefit under Part D became effective. As a result, we experienced a shift in payor mix (as a percentage of annual sales) in 2006, such that payments under Part D now represent approximately 43% of total Company revenues for the year ended December 31, 2009. In particular, Medicare beneficiaries who are also entitled to benefits under a state Medicaid program (so-called dual eligibles), including the nursing home residents we serve whose drug costs were previously covered by state Medicaid programs, now have their outpatient prescription drug costs covered by the Medicare drug benefit. In 2005, the year immediately preceding Part D, approximately 46% of our revenue was derived from beneficiaries covered under state Medicaid programs. Under the Part D benefit, payment is determined in accordance with the agreements we have negotiated with the Part D Plans. The remainder of our billings are paid or reimbursed by individual residents, long-term care facilities and other third party payors, including private insurers. A portion of these revenues also are indirectly dependent on government programs.

The table below represents our approximated payor mix (as a percentage of annual sales) for the last three years ended December 31:

	2009	2008	2007
Private pay, third-party and facilities(a)	42%	43%	42%
Federal Medicare program (Part D & Part B)(b)	44%	42%	43%
State Medicaid programs	9%	10%	11%
Other sources(c)	5%	5%	4%
Totals	100%	100%	100%

(a) Includes payments from SNFs on behalf of their federal Medicare program-eligible residents (Medicare Part A) and for other services and supplies, as well as payments from third-party insurers and private pay.
(b) Includes direct billing for medical supplies under Part B totaling 1% in each of the 2009, 2008 and 2007 years.
(c) Includes our contract research organization.

The Medicaid and Medicare programs are highly regulated. The failure, even if inadvertent, of us and/or our client facilities to comply with applicable regulations could adversely affect our reimbursement under these programs and our ability to continue to participate in these programs. As disclosed under the heading Government Regulation in Item 1 of our Annual Report on Form 10-K for the year ended December 31, 2009, our client long-term care facilities are required to be certified to be in compliance with requirements pertaining to participation in the Medicare and Medicaid programs. Facilities are surveyed for compliance with these program requirements. On December 18, 2006, the Centers for Medicare & Medicaid Services (CMS) issued final

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updated Guidance to Surveyors on Long Term Care regarding the survey protocol for review of pharmacy services provided in long-term care facilities participating in the Medicare and Medicaid programs. The guidelines expanded the areas and detail in which surveyors assess pharmacy services at the facility, including ordering, acquiring, receiving, storing, labeling, dispensing and disposing of all medications at the facility; the provision of medication-related information to health care professionals and residents; the process of identifying and addressing medication-related issues through medication regimen reviews and collaboration between the licensed consultant pharmacist, the facility and other healthcare professionals; and the provision, monitoring and use of medication-related devices. The guidelines also emphasize the important role of consultative services of pharmacists in promoting safe and effective medication use through the coordination of all aspects of pharmacy services provided to all residents within a facility. While we have extensive policies and procedures involving the provisions of pharmacy services and consulting pharmacist service to long-term care facilities, there can be no assurance that the increased requirements and the enhanced focus on pharmacy services by government surveyors will not have an adverse impact on our clients or on our businesses. In addition, our failure to comply with applicable Medicare and Medicaid regulations could subject us to other penalties.

Continuing efforts to contain healthcare costs may reduce our future revenue.

Our sales and profitability are affected by the efforts of healthcare payors to contain or reduce the cost of healthcare by lowering reimbursement rates, limiting the scope of covered services, and negotiating reduced or capitated pricing arrangements. Any changes which lower reimbursement levels under Medicare, Medicaid or private pay programs, including managed care contracts, could reduce our future revenue. Furthermore, other changes in these reimbursement programs or in related regulations could reduce our future revenue. These changes may include modifications in the timing or processing of payments, limits on the number of days for which drugs may be dispensed and other changes intended to limit or decrease the growth of Medicare, Medicaid or third party expenditures. In addition, our profitability may be adversely affected by any efforts of our suppliers to shift healthcare costs by increasing the net prices on the products we obtain from them.

Federal and state healthcare legislation has significantly impacted our business, and future legislation and regulations are likely to affect us.

Over the years, federal legislation has resulted in major changes in the healthcare system, which significantly affected healthcare providers. Under the Prospective Payment System (PPS), Medicare pays SNFs a fixed fee per patient per day based upon the acuity level of the resident, covering substantially all items and services furnished during a Medicare-covered stay, including pharmacy services. PPS initially resulted in a significant reduction of reimbursement to SNFs. Congress subsequently sought to restore some of the reductions in reimbursement resulting from PPS. Although some of the reductions were subsequently mitigated, the PPS fundamentally changed the payment for Medicare SNF services.

SNF payments are updated annually to reflect inflation, although these amounts are subject to other adjustments. For fiscal year 2009, beginning October 1, 2008, SNFs received a 3.4 percent inflation update that increased overall payments to SNFs by $780 million. For fiscal year 2010, beginning on October 1, 2009, payments to SNFs were reduced by 1.1 percent, or $360 million to SNFs overall, compared to fiscal year 2009 levels. While the payment levels reflect a 2.2 percent market basket inflation update, that amount was more than offset by a 3.3 percent ($1.050 billion) adjustment intended to recalibrate case mix weights to compensate for increased expenditures resulting from refinements made in January 2006. On July 22, 2010, CMS published a notice with comment period updating SNF PPS rates for fiscal year 2011, which began October 1, 2010. CMS estimates that overall estimated payments for SNFs in fiscal year 2011 under the notice will increase by $542 million, or 1.7 percent, compared to 2010 levels. This payment amount reflects a market basket update of 2.3 percent, reduced by a negative 0.6 percent adjustment to account for the difference between the forecasted and actual change in the market basket index for fiscal year 2009.

Under the Patient Protection and Affordable Care Act, as amended by the Health Care and Education and Reconciliation Act of 2010 (collectively, the ACA), the market basket inflation update for SNFs will be

reduced by the full so-called productivity adjustment beginning in fiscal year 2012. This means that the market basket inflation increase will be reduced by a percent determined by the Department of Labor Statistics that reflects economy wide productivity gains in delivering health care services and to encourage more efficient care. Other ACA provisions impacting SNFs include, among others: a requirement that the Secretary of the Department of Health and Human Services (the Secretary) develop a plan for a SNF value-based purchasing payment system; the establishment of a national voluntary pilot program to bundle Medicare payments for hospital and post-acute services; new standards relating to quality assurance and performance improvement; a mandatory compliance program requirement; enhanced transparency disclosure and reporting requirements; and strengthened fraud and abuse and penalty provisions. These or other future reimbursement or operational changes could have an adverse effect on the financial condition of our SNF clients, which could, in turn, adversely affect the timing or level of their payments to us.

The Medicare Part D prescription drug benefit significantly shifted the payor mix for our pharmacy services. Effective January 1, 2006, the Part D drug benefit permits Medicare beneficiaries to enroll in Part D Plans for their drug coverage. Medicare beneficiaries generally have to pay a premium to enroll in a Part D Plan, with the premium amount varying from plan to plan, although the CMS provides various federal subsidies to Part D Plans to reduce the cost to beneficiaries. Medicare beneficiaries who are also entitled to benefits under a state Medicaid program (so-called dual eligibles) have their prescription drug costs covered by the new Medicare drug benefit, unless they elect to opt out of Part D coverage. Many nursing home residents we serve are dual eligibles, whose drug costs were previously covered by state Medicaid programs. For the nine months ended September 30, 2010, approximately 44% of our revenue was derived from beneficiaries covered under the federal Medicare Part D program.

We obtain reimbursement for drugs we provide to enrollees of a given Part D Plan pursuant to the agreement we negotiate with that Part D Plan. We have entered into such agreements with nearly all Part D Plan sponsors under which we provide drugs and associated services to their enrollees. We continue to have ongoing discussions with Part D Plans and renegotiate these agreements in the ordinary course. Further, the proportion of our Part D business serviced under specific agreements may change over time based upon beneficiary choice, reassignment of dual eligibles to different Part D Plans, Part D Plan consolidation and other factors. As such, reimbursement under these agreements is subject to change.

Moreover, as expected in the transition to a program of this magnitude, certain administrative and payment issues have arisen, resulting in higher operating expenses, as well as outstanding gross accounts receivable (net of allowances for contractual adjustments, and prior to any allowance for doubtful accounts), particularly for copays owed by Part D Plans for dual eligibles and other low income subsidy eligible beneficiaries. As of September 30, 2010, copays outstanding from Part D Plans were approximately $15 million relating to 2006 and 2007. We are pursuing solutions, including legal actions against certain Part D payors, to collect outstanding copays, as well as certain rejected claims. Participants in the long-term care pharmacy industry continue to address these issues with CMS and the Part D Plans and attempt to develop solutions. Among other things, on January 12, 2009, CMS finalized a change in its regulations requiring Part D Plan sponsors to accept and act upon certain types of documentation, referred to as best available evidence, to correct co-pays. On April 15, 2010, CMS issued final rules that make numerous changes to the regulations governing Part D, including certain Part D Plan payment rules and processes. In particular, a new rule requires that, beginning in 2011, Part D Plans will be required to correct and pay copay amounts within 45 days of receiving complete information indicating that a claim adjustment is required based on a beneficiary s low income subsidy status. We believe this will improve our collection of copays from Part D plans. While many of the other changes in these final rules codify into regulation existing CMS practice, and as such are not expected to have a significant effect, there can be no assurance that this or future regulatory changes to the Part D program will not adversely impact our results of operations, financial position or cash flows.

CMS has issued subregulatory guidance on many aspects of the Part D program, including the provision of pharmaceutical services to long-term care residents. CMS has also expressed some concerns about pharmacies

receipt of discounts, rebates and other price concessions from drug manufacturers. For 2007 and 2008, CMS instructed Part D Plan sponsors to require pharmacies to disclose to the Part D Plan sponsor any discounts, rebates and other direct or indirect remuneration designed to directly or indirectly influence or impact utilization of Part D drugs. We reported information specified by CMS with respect to rebates received by us for 2007 and the first quarter of 2008 to those Part D Plans which agreed to maintain the confidentiality of such information. In November 2008, CMS suspended collection of the long-term care pharmacy rebate data from Part D Plan sponsors for calendar years 2008 and 2009. Instead, CMS developed its plan to collect different non-rebate information to focus plan attention on network pharmacy compliance and appropriate drug utilization management. The final Part D reporting requirements for calendar year 2010 include instructions for plans to report to CMS the number and cost of formulary versus non-formulary prescription drugs dispensed in the aggregate by each long-term care pharmacy and by all retail pharmacies as a group in the Part D Plan s service area. CMS also issued a memo on November 25, 2008 reminding Part D Plan sponsors of the requirement to (1) provide convenient access to network long-term care pharmacies to all of their enrollees residing in long-term care facilities, and (2) exclude payment for drugs that are covered under a Medicare Part A stay that would otherwise satisfy the definition of a Part D drug. We will continue to work with Part D Plan sponsors to ensure compliance with CMS s evolving policies related to long-term care pharmacy services.

The Medicare Improvements for Patients and Providers Act of 2008 (MIPPA) includes further reforms to the Part D program. As of January 1, 2009, the law also requires Part D Plan sponsors to update the prescription drug pricing data they use to pay pharmacies at least every seven days. As of January 1, 2010, the law requires that long-term care pharmacies have between 30 and 90 days to submit claims to a Part D Plan. The law also expands the number of Medicare beneficiaries who will be entitled to premium and cost-sharing subsidies by modifying previous income and asset requirements, eliminates late enrollment penalties for beneficiaries entitled to these subsidies, and limits the sales and marketing activities in which Part D Plan sponsors may engage, among other things. On September 18, 2008, CMS published final regulations implementing many of the MIPPA Part D provisions, and the agency published another interim final rule with comment period on January 16, 2009 implementing additional MIPPA provisions related to drug formularies and protected classes of drugs.

The ACA also makes numerous changes to the Part D benefit, including: providing a $250 payment to Part D beneficiaries who reach the so-called donut hole coverage gap during 2010, and gradually eliminating the coverage gap beginning in 2011 and finishing in 2020; beginning January 1, 2011, requiring manufacturers of certain branded drug and biological products that are on the given Part D plan s formulary to provide a discount equal to 50% of the negotiated price of such drugs when dispensed to beneficiaries not eligible for the low income subsidy during the coverage gap period; permitting the Secretary to establish certain categories of drugs warranting special formulary treatment; requiring Part D plan sponsors to provide additional medication therapy management services; reducing Part D subsidies for high income beneficiaries (which will result in an increase in such beneficiaries premiums, beginning in 2011); and requiring the Secretary, beginning in 2012, to require Part D plan sponsors to utilize specific, uniform dispensing techniques as determined by the Secretary, such as weekly, daily, or automated dose dispensing, when dispensing drugs to enrollees in long-term care facilities to reduce prescription drug waste associated with 30-day fills. The Secretary is required to consult with relevant stakeholders, including nursing facility representatives and residents, pharmacists, retail and long-term care pharmacies, Part D plans and others determined appropriate by the Secretary, in determining what techniques it will require. On November 22, 2010, CMS published a proposed rule that would update Part D prescription drug benefit regulations to reflect ACA requirements and make other program changes for contract year 2012. Among other things, the proposed rule would: eliminate Part D cost-sharing for full-benefit dual eligible individuals who are receiving certain home and community-based services; codify statutory changes to close the Part D coverage gap; and provide for more frequent dispensing of certain branded drugs for Part D beneficiaries residing in long term care facilities to reduce waste. Several other ACA provisions will require CMS to promulgate regulations to establish the specific requirements under the statute. We cannot predict at this time whether such legislation and its implementing regulations, or future Part D legislation or regulations, will impact our business.

Moreover, CMS continues to issue guidance on and make revisions to the Part D program. We are continuing to monitor issues relating to implementation of the Part D benefit, and until further agency guidance is

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known and until all administrative and payment issues associated with the transition to this massive program are fully resolved, there can be no assurance that the impact of the Part D rules, future legislative changes, or the outcome of other potential developments relating to its implementation on our business, results of operations, financial position or cash flows will not change based on the outcome of any unforeseen future developments.

The Medicare Prescription Drug, Improvement, and Modernization Act of 2003 also changed the Medicare payment methodology and conditions for coverage of certain items of durable medical equipment prosthetics, orthotics, and supplies (DMEPOS) under Medicare Part B. Approximately 1% of our revenue is derived from beneficiaries covered under Medicare Part B. The changes impacted payment levels, clinical conditions for payment, quality standards (applied by CMS-approved accrediting organizations), and competitive bidding requirements. Only suppliers that are winning bidders will be eligible to provide competitively bid items to Medicare beneficiaries in the selected areas, and winning bidders will be paid based on the median of the winning suppliers bid for each of the selected items in the region, rather than the Medicare fee schedule amount.

In mid-2007, CMS conducted a first round of bidding for 10 DMEPOS product categories in 10 competitive bidding areas, and announced winning bidders in March 2008. Due to concerns about the bidding program in MIPPA, Congress terminated the contracts awarded by CMS in the first round of competitive bidding, and adopted a number of changes to the bidding program. CMS was required to rebid those areas in 2009, with bidding for round two delayed until 2011. The delay was financed by reducing Medicare fee schedule payments for all items covered under round one competitive bidding by 9.5 percent nationwide effective January 1, 2009, followed by a 2 percent increase in 2014 (with certain exceptions). Bidding for the current round began October 21, 2009, and ended December 21, 2009. The program is scheduled to go into effect January 1, 2011 in nine geographic areas. We participated in the bidding process and was awarded contracts to provide enteral nutrients, equipment and supplies in three regions. On July 2, 2010, CMS announced that reimbursement to contract suppliers under the Round 1 rebid will average 32% below the Medicare DMEPOS fee schedule amounts, with weighted average reimbursement levels for products in the enteral nutrients, equipment and supplies category reduced by 28% compared to fee schedule amounts.

The competitive bidding program has been subject to revision by Congress. The ACA requires the Secretary to expand the number of areas to be included in round two of the competitive bidding program to 100 of the largest MSAs. In addition, the ACA requires (rather than permits) the Secretary to use information regarding payments determined under competitive bidding to adjust DMEPOS payments in areas outside of competitive bidding areas beginning in 2016. Likewise, for items furnished on or after January 1, 2016, the Secretary is directed to continue to adjust prices as additional information is obtained when new items are subject to competitive bidding or when contracts are recompeted. The ACA further revises Medicare payments to DMEPOS suppliers by eliminating the full inflation update to the fee schedule for 2011 through 2014, in addition to a 2% add-on scheduled to be applied in 2014 to those items that had been selected for inclusion in the first round of the DMEPOS competitive bidding program and that had been subject to a 9.5% fee schedule reduction in 2009. Instead, for 2011 and each subsequent year, rates will be increased by an annual inflation index less the productivity adjustment. CMS s Medicare physician fee schedule rule for calendar year 2011, published November 29, 2010, implements a number of these ACA policies and make other reforms to the DMEPOS competitive bidding program, including implementing a national mail order competitive bidding program for diabetic testing supplies and making other refinements related to the furnishing of diabetes supplies; creating an appeals process for suppliers considered to be in breach of contract; and clarifying reimbursement to grandfathered suppliers, among other things. There can be no assurance that reimbursement levels established through the bidding process or these legislative changes will not adversely impact our results of operations, cash flows, or financial condition.

With respect to Medicaid, many states are facing budget pressures that could result in increased cost containment efforts impacting healthcare providers. States have considerable latitude in setting payment rates for nursing facility services. States also have flexibility to establish Medicaid managed care programs without the need to obtain a federal waiver. Although these waiver programs generally exempt institutional care, including nursing facilities and institutional pharmacy services, some states do use managed care principles in their long-

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term care programs. The Deficit Reduction Act (DRA) also gives states greater flexibility to expand access to home and community based services by allowing states to provide these services as an optional benefit without undergoing the waiver approval process, and includes a demonstration to encourage states to provide long-term care services in a community setting to individuals who currently receive Medicaid services in nursing homes. The ACA contains additional incentives to state Medicaid programs to promote community-based care as an alternative to institutional long-term care services. Such initiatives could increase state funding for home and community-based services, while prompting states to cut funding for nursing facilities. No assurances can be given that state Medicaid programs ultimately will not change the reimbursement system for long-term care or pharmacy services in a way that adversely impacts us.

The DRA also changed the so-called federal upper limit payment rules for multiple source prescription drugs covered under Medicaid. The upper limit only applies to drug ingredient costs and does not include dispensing fees, which continue to be determined by the states. First, the DRA redefined a multiple source drug subject to the upper limit rules to be a covered outpatient drug that has at least one other drug product that is therapeutically equivalent. Thus, under the DRA, the federal upper limit would be triggered when there were two or more therapeutic equivalents, instead of three or more as was previously the case. Second, effective January 1, 2007, the DRA changed the federal upper payment limit from 150 percent of the lowest published price for a drug (which is usually the wholesale acquisition cost) to 250 percent of the lowest average manufacturer price (AMP). On July 17, 2007, CMS issued a final rule with comment period to implement changes to the upper limit rules. Among other things, the final rule: established a new federal upper limit calculation for multiple source drug based on 250 percent of the lowest AMP in a drug class; required CMS to post AMP amounts on its Web site; and established a uniform definition for AMP. Additionally, the final rule provided that sales of drugs to long-term care pharmacies for supply to nursing homes and assisted living facilities (as well as associated discounts, rebates or other price concessions) are not to be taken into account in determining AMP where such sales can be identified with adequate documentation, and that any AMPs which are not at least 40% of the next highest AMP will not be taken into account in determining the upper limit amount (the so-called outlier test). However, on December 19, 2007, the United States District Court for the District of Columbia issued a preliminary injunction that enjoins CMS from implementing provisions of the July 17, 2007 rule to the extent that it affects Medicaid reimbursement rates for retail pharmacies under the Medicaid program. The order also enjoins CMS from posting AMP data on a public Web site or disclosing it to states. As a result of this preliminary injunction, CMS did not post AMPs or new upper limit prices based upon the July 17, 2007 final rule. Separately, on October 7, 2008, CMS published a final rule revising the definition of multiple source drug set forth in the July 17, 2007 final rule. In short, the effect of the rule was that federal upper limits would apply in all states unless the state finds that a particular generic drug is not available within that state. CMS also noted that the regulation is subject to the injunction by the United States District Court for the District of Columbia to the extent that it may affect Medicaid reimbursement rates for pharmacies. Moreover, MIPPA delayed the adoption of the DRA s new federal upper limit payment rules for Medicaid based on AMP for multiple source drugs and prevented CMS from publishing AMP data before October 1, 2009.

CMS issued a final rule on November 15, 2010 that withdraws certain provisions of the July 2007 and October 2008 Medicaid rules in light of retail pharmacies legal challenges to the definition of AMP and the multiple source drug provisions, and because provisions in the ACA effectively superseded these AMP provisions. Specifically, the ACA redefined average manufacturer price and multiple source drug, and has established a new formula for calculating federal upper payment limits. AMP is now defined as the average price paid to the manufacturer for the drug in the United States by wholesalers for drugs distributed to retail community pharmacies and by retail community pharmacies purchasing directly from manufacturers. However, the term expressly excludes a variety of items: customary prompt payment discounts extended to wholesalers; bona fide service fees paid by manufacturers to wholesalers or retail community pharmacies (including distribution service fees, inventory management fees, product stocking allowances, and fees associated with administrative services agreements and patient care programs, such as medication compliance programs and patient education programs); reimbursement for recalled, damaged, expired or otherwise unsalable returned goods; and payments received from, or rebates and discounts provided to, pharmacy benefit managers, managed

care organizations, mail order pharmacies, long-term care providers, or any other entity that does not conduct business as a wholesaler or retail community pharmacy. The term retail community pharmacy is defined as an independent pharmacy, a chain pharmacy, a supermarket pharmacy, or a mass merchandiser pharmacy that is licensed as a pharmacy and dispenses medications to the general public at retail prices; the term expressly excludes pharmacies that dispense prescriptions through the mail, nursing home pharmacies, long-term care facility pharmacies, hospital pharmacies, clinics, charitable or not-for-profit pharmacies, government pharmacies, and pharmacy benefit managers. The definition of multiple source drug is revised to require that a drug be available for purchase in the United States, rather than in the given state.

The ACA also reverses the DRA provision requiring that upper payment limits be established where there are two or more therapeutically equivalent drugs for a multiple source drug, reverting to the pre-DRA requirement for three or more therapeutically equivalents to trigger this requirement. The PPACA s new formula for federal upper payment limits requires that the Secretary calculate the limits as no less than 175% of the weighted average (determined on the basis of utilization) of the most recently reported monthly AMP available for purchase by retail community pharmacies on a nationwide basis. The Secretary is required to use a smoothing process for AMPs; this may involve use of average monthly amounts reported by manufacturers over a given period (e.g. trailing 12 months) to reduce month-to-month variation in reported AMPs.

In addition to reporting AMPs, manufacturers are required to report to CMS the number of units of the product used to calculate its AMP; this data will be necessary to calculate weighted average AMPs determined on the basis of utilization. Rather than publishing the AMP for each manufacturer s drug, CMS is required to publish only the weighted average AMP. Manufacturers have until November 30, 2010 to report AMPs for the October 2010 reporting period using the new definition and unit volume. We cannot at present determine what changes, if any, in upper limit prices will result from implementation of the ACA. Further, given that the ACA requires only that upper limit prices be not less than the 175 percent amount described above, it is unclear when, and to what extent, any revisions in AMP-based upper limit prices will be implemented.

With the advent of Medicare Part D, our revenues from state Medicaid programs are substantially lower than has been the case previously. However, some of our agreements with Part D Plans and other payors have incorporated the Medicaid upper limit rules into the pricing mechanisms for prescription drugs. We cannot predict the impact of the new law, as compared with current federal upper payment limits, on our business. Further, there can be no assurance that new federal upper limit payments, CMS or Congressional action, or other efforts by payors to limit reimbursement for certain drugs will not adversely impact our business.

On February 17, 2009, President Obama signed into law the American Recovery and Reinvestment Act of 2009 (ARRA). This $790 billion economic stimulus package includes a number of health care policy provisions, including approximately $19 billion in funding for health information technology infrastructure and Medicare and Medicaid incentives to encourage doctors, hospitals, and other providers to use health information technology to electronically exchange patients health information. The law also strengthens federal privacy and security provisions to protect personally-identifiable health information. In addition, the legislation increases Federal Medical Assistance Percentage payments by approximately $87 billion to help support state Medicaid programs in the face of budget shortfalls. The law also temporarily extends current Medicaid prompt payment requirements to nursing facility and hospital claims, requiring state Medicaid programs to reimburse providers for 90 percent of claims within 30 days of receipt and 99 percent of claims within 90 days of receipt. On August 10, 2010, President Obama signed into law H.R. 1586, the Education Jobs and Medicaid Assistance Act. Among other things, the legislation provides an extra $16.1 billion in enhanced Medicaid matching funds to the states after temporary spending under the ARRA expires at the end of 2010. This increased Medicaid funding is offset in part by changes in Medicaid AMP policy. Currently, the calculation of AMP excludes certain payments and rebates if received from or provided to entities other than retail community pharmacies. H.R. 1586 provides an exception to that exclusion for inhalation, infusion, instilled, implanted, or injectable drugs that are not generally dispensed through retail community pharmacies; this change is expected to save $2 billion over 10 years. The Company is reviewing the implementation of the law and assessing the potential impact of the various provisions on the Company.

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Two other recent actions at the federal level could impact Medicaid payments to nursing facilities. The Tax Relief and Health Care Act of 2006 modified several Medicaid policies including, among other things, reducing the limit on Medicaid provider taxes from 6 percent to 5.5 percent from January 1, 2008 through September 30, 2011. On February 22, 2008, CMS published a final rule that implements this legislation, and makes other clarifications to the standards for determining the permissibility of provider tax arrangements. Provisions of the rule were delayed through June 30, 2010. Second, on May 21, 2007, CMS published a rule designed to ensure that Medicaid payments to governmentally operated nursing facilities and certain other health care providers are based on actual costs and that state financing arrangements are consistent with the Medicaid statute. CMS estimated that the rule would save $120 million during the first year and $3.87 billion over five years, but Congress blocked the rule through April 1, 2009. The American Recovery and Reinvestment Act of 2009 expresses the sense of Congress that the Secretary of Health and Human Services should not promulgate the provider cost limit rule, citing a ruling by the United States District Court for the District of Columbia that the final rule was improperly promulgated. On November 30, 2010 CMS published a final rule formally withdrawing the May 2007 rule, effective upon publication.

Broader changes in federal healthcare policy have been adopted in the ACA. The new law seeks to expand access to affordable health insurance through insurance market reforms, the establishment of health insurance exchanges through which individuals and small businesses can purchase qualified insurance coverage, expansion of the Medicaid program and the imposition of health insurance mandates on employers and individuals. The legislation also makes many changes to Medicare and Medicaid provider payments and operations, and directs the Secretary to conduct numerous pilot programs, demonstration projects and studies that could, in the future, lead to alternative healthcare delivery and payment systems. Further, the law empowers the new Independent Payment Advisory Board to recommend changes to the Medicare program to limit its spending growth that will go into effect automatically unless Congress enacts alternative legislation achieving the required level of savings, which could lead to additional changes in provider payments and the organization of the delivery system.

In order to rein in healthcare costs, we anticipate that federal and state governments will continue to review and assess alternate healthcare delivery systems, payment methodologies and operational requirements for healthcare providers, including long-term care facilities and pharmacies. Given the debate regarding the cost of healthcare, managed care, universal healthcare coverage, and other healthcare issues, we cannot predict with any degree of certainty the impact of the ACA or additional healthcare initiatives, if any, will have on our business. Further, we receive discounts, rebates and other price concessions from pharmaceutical manufacturers pursuant to contracts for the purchase of their products. There can be no assurance that any changes in legislation or regulations, or interpretations of current law, that would eliminate or significantly reduce the discounts, rebates and other price concessions that we receive from manufacturers or that otherwise impact payment available for drugs under federal or state healthcare programs, would not have a material adverse impact on our overall consolidated results of operations, financial position or cash flows. Longer term, funding for federal and state healthcare programs must consider the aging of the population; the growth in enrollees as eligibility is potentially expanded; the escalation in drug costs owing to higher drug utilization among seniors; the impact of the Medicare Part D benefit for seniors; the introduction of new, more efficacious but also more expensive medications; and the long-term financing of the entire Medicare program. Given competing national priorities, it remains difficult to predict the outcome and impact on us of any changes in healthcare policy relating to the future funding of the Medicare and Medicaid programs. Further, Medicare, Medicaid and/or private payor rates for pharmaceutical supplies and services may not continue to be based on current methodologies or remain comparable to present levels. Any future healthcare legislation or regulation impacting these rates may materially adversely affect our business.

Changes in the use of the average wholesale price as a benchmark from which pricing in the pharmaceutical industry is negotiated could adversely affect us.

On October 4, 2006, the plaintiffs in *New England Carpenters Health Benefits Fund et al. v. First DataBank, Inc. and McKesson Corporation*, CA No. 1:05-CV-11148-PBS (United States District Court for the

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District of Massachusetts) and defendant First DataBank, Inc. (First DataBank) entered into a settlement agreement relating to First DataBank s publication of average wholesale price (AWP). AWP is a pricing benchmark that is widely used to calculate a portion of the reimbursement payable to pharmacy providers for the drugs and biologicals they provide, including under State Medicaid programs, Medicare Part D Plans and certain of our contracts with long-term care facilities. The settlement agreement would have required First DataBank to cease publishing AWP two years after the settlement became effective unless a competitor of First DataBank was then publishing AWP, and would have required that First DataBank modify the manner in which it calculates AWP for over 8,000 distinct drugs (NDCs) from 125% of the drug s wholesale acquisition cost (WAC) price established by manufacturers to 120% of WAC until First DataBank ceased publishing same. In a related case, *District Council 37 Health and Security Plan v. Medi-Span,* CA No. 1:07-CV-10988-PBS (United States District Court for the District of Massachusetts), in which Medi-Span is accused of misrepresenting pharmaceutical prices by relying on and publishing First DataBank s price list, the parties entered into a similar settlement agreement. The Court granted preliminary approval of both agreements, but later after hearing various objections to the proposed settlements, indicated that it would not approve them. On May 29, 2008, the plaintiffs and First DataBank filed a new settlement that included a reduction in the number of NDCs to which a new mark-up over WAC would apply (20% vs. 25%) from over 8,000 to 1,356, and removed the provision requiring that AWP no longer be published in the future. First DataBank also agreed to contribute approximately $2 million to a settlement fund and for legal fees. On July 15, 2008, Medi-Span and the plaintiffs in that litigation also proposed an amended settlement agreement under which Medi-Span agreed to reduce the mark-up over WAC (from 20% to 25%) for only the smaller number of NDCs, the requirement that AWP not be published in the future was removed, and Medi-Span agreed to pay $500,000 for the benefit of the plaintiff class. First DataBank and Medi-Span, independent of these settlements, announced that they would, of their own volition, reduce to 20% the mark-up on all drugs with a mark-up higher than 20% and stop publishing AWP within two years after the changes in mark-up are implemented (in the case of First DataBank) or within two years after the settlement is finally approved (in the case of Medi-Span). On March 17, 2009 the Court approved the proposed settlements, with a modification by the Court requiring that the change in mark-ups take place 180 days after the order approving the settlements is entered. The Court entered an order approving the settlements on March 30, 2009. While several entities appealed the Court s order to the United States Court of Appeals for the First Circuit, on September 3, 2009 the Court of Appeals upheld the settlements. First DataBank and Medi-Span implemented the changes in AWP on September 26, 2009.

We have taken a number of steps to prevent or mitigate the adverse effect on our reimbursement for drugs and biologicals which could otherwise result from these settlements. For most state Medicaid programs reimbursing under an AWP formula, we are currently being reimbursed under old rate formulas using the new AWPs published in accordance with the settlements, resulting in lower reimbursement under these programs. There can be no assurance that the First DataBank and Medi-Span settlements and associated unilateral actions by First DataBank and Medi-Span, or actions, if any, by our payors relating to AWP, will not have a further adverse impact on our results of operations, financial position or cash flows. See Management s Discussion and Analysis of Financial Condition and Results of Operations Pharmacy Services Segment in our Annual Report on Form 10-K for the year ended December 31, 2009 incorporated by reference herein.

If we fail to comply with licensure requirements, fraud and abuse laws or other applicable laws, we may need to curtail operations, and could be subject to significant penalties.

Our pharmacy business is subject to extensive and often changing federal, state and local regulations, and our pharmacies are required to be licensed in the states in which they are located or do business. While we continuously monitor the effects of regulatory activity on our operations and we currently have pharmacy licenses for each pharmacy we operate, the failure to obtain or renew any required regulatory approvals or licenses could adversely affect the continued operation of our business. We also are subject to federal and state laws imposing registration, repackaging and labeling requirements on certain entities that repackage drugs for distribution; state and federal laws regarding the transfer and shipment of pharmaceuticals; and drug pedigree provisions requiring wholesale drug distributors to document a history of the transactions in a drug lot s chain of

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distribution. The long-term care facilities that contract for our services are also subject to federal, state and local regulations and are required to be licensed in the states in which they are located. The failure by these long-term care facilities to comply with these or future regulations, or to obtain or renew any required licenses, could result in our inability to provide pharmacy services to these facilities and their residents. We are also subject to federal and state laws that prohibit some types of direct and indirect payments between healthcare providers. These laws, commonly known as the fraud and abuse laws, prohibit payments intended to induce or encourage the referral of patients to, or the recommendation of, a particular provider of items or services. Violation of these laws can result in loss of licensure, civil and criminal penalties, and exclusion from the Medicaid, Medicare and other federal healthcare programs.

Our pharmacies are registered with the appropriate state and federal authorities pursuant to statutes governing the regulation of controlled substances. The Drug Enforcement Administration (DEA) has recently increased scrutiny and enforcement of long-term care pharmacy practices under the federal Controlled Substances Act. We believe that this increased scrutiny and, in some cases, stringent interpretation of existing regulations, effectively changes longstanding practices for dispensing controlled substances in the long-term care facility setting. We have been required to modify the controlled substances dispensing procedures at certain of our pharmacies to comply with the regulations as currently interpreted by the DEA. Heightened enforcement of controlled substances regulations could increase the overall regulatory burden and costs associated with our pharmacy services. The Company is currently cooperating in connection with two government investigations with respect to certain of these matters. See the Commitments and Contingencies note of the notes to the September 30, 2010 consolidated financial statements contained in our Form 10-Q Quarterly Report for the three months ended September 30, 2010 and the other documents incorporated by reference into this prospectus supplement. There can be no assurance that this heightened level of enforcement and such investigations or any other investigations, or any fines or other penalties resulting therefrom, will not materially adversely affect our results of operations, financial condition or cash flows.

We expend considerable resources in connection with our compliance efforts. However, we cannot assure you that we may not be subject to an enforcement action under applicable law. Moreover, Congress has enacted health reform legislation that expands federal health care fraud enforcement authority. The Company cannot predict at this time the costs associated with compliance with such laws.

If we fail to comply with our Corporate Integrity Agreement, we could incur penalties or suffer other adverse consequences; there are costs associated with compliance.

In 2009, we entered into an amended and restated Corporate Integrity Agreement (CIA) which replaces our prior corporate integrity agreement entered into in 2006 and subsequently amended in 2007, and which requires, among other things, that we maintain and augment our compliance program in accordance with the terms of the agreement. Pursuant to the CIA, we are required, among other things, to (i) create procedures designed to ensure that each existing, new or renewed arrangement with any actual or potential source of health care business or referrals to us or any actual or potential recipient of health care business or referrals from us does not violate the Anti-Kickback Statute, 42 U.S.C. § 1320a-7b(b), or related regulations, directives and guidance, including creating and maintaining a database of such arrangements; (ii) retain an independent review organization to review our compliance with the terms of the CIA and report to the Office of Inspector General regarding that compliance; and (iii) provide training for certain of our employees as to our obligations under the CIA. The requirements of our prior corporate integrity agreement obligating us to, among other things, create and maintain procedures designed to ensure that all therapeutic interchange programs are developed and implemented by us consistent with the CIA and federal and state laws for obtaining prior authorization from the prescriber before making a therapeutic interchange of a drug, have been incorporated into the amended and restated CIA without modification. The requirements of the CIA are expected to result in increased costs to maintain our compliance program and could result in greater scrutiny by federal regulatory authorities. Violations of the corporate integrity agreement could subject us to significant monetary penalties or other adverse consequences. Consistent with the CIA, we are reviewing our contracts to ensure compliance with applicable

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laws and regulations. As a result of this review, pricing under certain of our consultant pharmacist services contracts will need to be increased, and there can be no assurance that such pricing will not result in the loss of certain contracts.

Federal and state laws that protect patient health and other personal information may increase our costs and limit our ability to collect and use that information.

Our Company and the healthcare industry generally are required to comply with the Health Insurance Portability and Accountability Act of 1996, or HIPAA, as amended, which mandates, among other things, the adoption of standards to enhance the efficiency and simplify the administration of the healthcare system. Many states have similar laws with which we are also required to comply. HIPAA required the Department of Health and Human Services (HHS) to adopt standards for electronic transactions and code sets for basic healthcare transactions such as payment and remittance advice (Transaction Standards); privacy of individually identifiable healthcare information (Privacy Standards); and security (Security Standards), as well as standards for unique identifiers for providers, employers, health plans and individuals; and for governmental enforcement of the requirements of HIPAA. In many of our operations, we are a healthcare provider, a covered entity under HIPAA, and therefore required to comply in our operations with these standards and subject to significant civil and criminal penalties for failure to do so. In addition, such failure to comply could result in loss of customers and/or contractual liability to our customers. We also provide services to customers that are healthcare providers themselves and we are required to provide satisfactory written assurances to those customers, in the form of contractual agreements, that we will provide our services in accordance with the requirements of the Privacy and Security Standards. Failure to comply with these contractual agreements could lead to loss of customers, contractual liability to our customers or, direct action by the federal government, including penalties. We believe that we are compliant with the HIPAA Transaction Standards, the Privacy Standards and the Security Standards, as each is currently in effect. In addition, in January 2004, CMS published a rule announcing the adoption of the National Provider Identifier (NPI) as the standard unique health identifier for healthcare providers to use in filing and processing healthcare claims and other transactions. We have obtained the NPIs for our locations as they have become due. On January 16, 2009, HHS published two rules (1) adopting new code sets to be used by the public and private sectors for reporting diagnoses and inpatient procedures in health care transactions under HIPAA, effective October 1, 2013; and (2) adopting updated versions of the HIPAA standards for certain electronic health care transactions, including the pharmacy claims transactions standard, effective January 1, 2012. We are assessing the impact of the new code sets and transaction standards on our operations. We believe we fully comply with HIPAA and similar state requirements; however, at this time we cannot estimate if future changes, if any, to the cost of compliance of the HIPAA and similar state standards will result in an adverse effect on our operations or profitability, or that of our customers.

Like many health care providers, we maintain personal information of or concerning our patients. Such information, which has common elements with health information regulated under HIPAA and state medical privacy laws but is not identical to health information, is subject to increasing state and federal regulation designed to prevent or mitigate the effects of financial identity theft, defined as wrongfully gaining credit or other financial benefit using another s financial identity, and medical identity theft, defined as wrongfully obtaining medical care using another s insurance coverage identity. Laws of most states in which we operate require that individuals be notified of a breach of the security of their personal information, so that they can take steps to protect themselves from identity theft. We expect this expansion of the scope of security breach notification laws to continue at the state and the federal levels. Moreover, the American Recovery and Reinvestment Act of 2009, signed into law on February 17, 2009, includes a number of provisions to strengthen federal privacy and security provisions to protect personally-identifiable health information. Among other things, the law applies HIPAA security provisions and penalties to business associates of covered entities; requires certain notifications in the event of a security breach involving protected health information; restricts certain unauthorized disclosures and sales of health information; clarifies treatment of certain marketing activities; and strengthens enforcement activities, including authorizing civil actions by state attorneys general to enjoin violations of HIPAA and to obtain damages, including penalties, on behalf of residents of the state. Many of the implementation requirements

associated with these provisions are being detailed in regulations. For instance, on August 24, 2009, the Department of Health and Human Services issued an interim final rule with comment period to implement the provision requiring notification of breaches of unsecured protected health information. The rule was effective September 23, 2009. Additionally, on July 14, 2010, the Department of Health and Human Services published a proposed rule to implement the privacy, security, and certain enforcement provisions of the ARRA. We are currently assessing the potential impact of these new privacy and security provisions on our operations and are taking steps to assure that we are in material compliance with these new privacy and security provisions in a timely manner. We cannot predict at this time the costs associated with compliance, or the impact of the new requirements on our results of operations, cash flows or financial condition.

Like most health care providers, we were required by the Federal Trade Commission (FTC) to have in place, by May 1, 2009, a written plan to identify and detect indications of identity theft (so-called red flags) and to respond appropriately to prevent and mitigate identity theft. The enforcement date for compliance with the final red flag rule, originally November 1, 2008, has been extended by the FTC on several occasions; the current enforcement deadline is January 1, 2011. Implementation of systems within the Company to comply with these laws and operational compliance carries with it costs and administrative burdens. Failure to comply carries with it the risk of significant penalties and sanctions from regulatory authorities as well as possible civil litigation from affected individuals or the facilities in which they reside. Further, there can be no assurance that improper exposure of personal information of the individuals it serves to third parties will not have an adverse impact on the business and prospects of the Company.

We have substantial outstanding debt and could incur more debt in the future. Any failure to meet our debt obligations would adversely affect our business and financial condition.

As of September 30, 2010, on a pro forma basis after giving effect to the issuance of convertible notes in this offering, and the application of proceeds therefrom (assuming that we purchase the full $525 million aggregate principal amount of our 3.25% convertible debentures pursuant to the tender offer), our total consolidated long-term debt (including current maturities) would have been approximately $2.5 billion, accounting for approximately 40% of our total capitalization. In addition, we and our subsidiaries may be able to incur substantial additional debt in the future. The indentures governing our outstanding notes and our senior credit facility contain restrictions on our incurrence of additional debt. These restrictions, however, are subject to a number of qualifications and exceptions, and under certain circumstances, we could incur substantial additional indebtedness in compliance with these restrictions. Moreover, these restrictions do not prevent us from incurring obligations that do not constitute debt under the applicable agreement or indenture.

The degree to which we are leveraged could have important consequences to you, including:

- a substantial portion of our cash flow from operations will be required to be dedicated to interest and principal payments and may not be available for operations, working capital, capital expenditures, expansion, acquisitions or general corporate or other purposes;
- our ability to obtain additional financing in the future may be impaired;
- we may be more highly leveraged than our competitors, which may place us at a competitive disadvantage;
- our flexibility in planning for, or reacting to, changes in our business and industry may be limited; and
- our degree of leverage may make us more vulnerable in the event of a downturn in our business or in our industry or the economy in general.

Our ability to make payments on and to refinance our debt will depend on our ability to generate cash in the future. This, to a certain extent, is subject to general economic, business, financial, competitive, legislative, regulatory and other factors that are beyond our control.

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We cannot assure you that our business will generate sufficient cash flow from operations or that future borrowings will be available to us under credit facilities in an amount sufficient to enable us to pay our debt or to fund our other liquidity needs. We may need to refinance all or a portion of our debt on or before maturity. We cannot assure you that we would be able to refinance any of our debt on commercially reasonable terms or at all.

We are subject to additional risks relating to our acquisition strategy.

One component of our strategy contemplates our making selected acquisitions. Acquisitions involve inherent uncertainties. These uncertainties include our ability to consummate proposed acquisitions on favorable terms or at all, the effect on acquired businesses of integration into a larger organization, and the availability of management resources to oversee the operations of these businesses. The successful integration of acquired businesses will require, among other things:

- consolidation of financial and managerial functions and elimination of operational redundancies;
- achievement of purchasing efficiencies;
- the addition and integration of key personnel; and
- the maintenance of existing business.

Even though an acquired business may have experienced positive financial performance as an independent company prior to an acquisition, we cannot be sure that the business will continue to perform positively after an acquisition.

We also may acquire businesses with unknown or contingent liabilities, including liabilities for failure to comply with healthcare laws and regulations, and tax contingencies. We have policies and procedures to conduct reviews of potential acquisition candidates for compliance with healthcare laws and to conform the practices of acquired businesses to our standards and applicable laws. We also generally seek indemnification from sellers covering these matters. We may, however, incur material liabilities for past activities of acquired businesses.

We cannot be sure of the successful completion or integration of any acquisition, or that an acquisition will not have an adverse impact on our results of operations, cash flows or financial condition.

We operate in highly competitive businesses.

The long-term care pharmacy business is highly regionalized and, within a given geographic region of operations, highly competitive. Our largest competitor nationally is PharMerica Corporation. In the geographic regions we serve, we also compete with numerous local and regional institutional pharmacies, pharmacies owned by long-term care facilities and local retail pharmacies. While we compete on the basis of quality, price, terms and overall cost-effectiveness, along with the clinical expertise, breadth of services, pharmaceutical technology and professional support we offer, competitive pressures may affect our profitability.

Our contract research organization, or CRO business, competes against other full-service CROs and client internal resources. The CRO industry is highly fragmented with a number of full-service contract research organizations and many small, limited-service providers, some of which serve only local markets. Clients choose a CRO based upon, among other reasons, reputation, references from existing clients, the client s relationship with the organization, the organization s experience with the particular type of project and/or therapeutic area of clinical development, the organization s ability to add value to the client s development plan, the organization s financial stability and the organization s ability to provide the full range of services required by the client.

We are dependent on our senior management team and our pharmacy professionals.

We are highly dependent upon the members of our senior management and our pharmacists and other pharmacy professionals. Our business is managed by a small number of key management personnel who have

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been extensively involved in the success of our business. If we were unable to retain these persons, we might be adversely affected. James D. Shelton, a director of the Company, was appointed Interim President and Chief Executive Officer of the Company effective July 31, 2010, upon the retirement of our former president and chief executive officer. We have entered into an employment agreement with Mr. Shelton for a term ending on January 31, 2011. Our Board of Directors is currently searching for a permanent Chief Executive Officer and anticipates that a permanent Chief Executive Officer will be appointed on or prior to January 31, 2011. We anticipate that there may be additional changes to the Board of Directors in connection with the appointment of a permanent Chief Executive Officer. Delays in identifying and retaining a permanent Chief Executive Officer could adversely affect our results of operations and financial condition. In addition, Patrick E. Keefe, our Executive Vice President and Chief Operating Officer, retired effective June 29, 2010, and currently provides consulting services to the Company. Our Executive Vice President Pharmacy Operations has assumed Mr. Keefe s responsibilities on an interim basis. There is a limited pool of senior management personnel with significant experience in our industry. Accordingly, we believe we could experience significant difficulty in replacing key management personnel. Although we have employment contracts with our key management personnel, these contracts generally may be terminated without cause by either party.

In addition, our continued success depends on our ability to attract and retain pharmacists and other pharmacy professionals. Competition for qualified pharmacists and other pharmacy professionals is strong. The loss of pharmacy personnel or the inability to attract, retain or motivate sufficient numbers of qualified pharmacy professionals could adversely affect our business. Although we generally have been able to meet our staffing requirements for pharmacists and other pharmacy professionals in the past, our inability to do so in the future could have a material adverse effect on us.

Risks relating to this Offering

The convertible notes and the subsidiary guarantees will be subordinated to senior indebtedness.

The convertible notes will be subordinated in right of payment to all of our current and future senior indebtedness, including our obligations under our senior credit facility which is secured by certain of our accounts receivable. The indenture governing the convertible notes will not limit the amount of additional indebtedness, including senior indebtedness, we or our subsidiaries can create, incur, assume or guarantee, if we are in compliance with the covenants contained in the indenture. By reason of the subordination of the convertible notes, in the event of insolvency, bankruptcy, liquidation, reorganization, dissolution or winding up of our business, our assets will be available to pay the amounts due on the convertible notes only after all of our senior indebtedness has been paid in full. In addition, upon default in payment with respect to certain of our senior indebtedness or an event of default with respect to this indebtedness permitting the acceleration thereof, we may be blocked from making payments on the convertible notes pursuant to the indenture.

In addition, we conduct most of our operations through our subsidiaries. The convertible notes will be structurally subordinated to indebtedness of our subsidiaries. Our existing and future direct and indirect domestic subsidiaries (subject to certain exceptions) will guarantee, on a joint and several basis, our obligations under the convertible notes on a senior subordinated basis. However, the guarantees will be subordinated to the senior indebtedness of these subsidiaries, including the guarantors guarantees of our senior credit facility (which are secured by certain of our accounts receivable) and Omnicare Purchasing Company, LP s guarantee of our 3.25% convertible debentures. In the event of the insolvency, bankruptcy, liquidation, reorganization, dissolution or winding up of the business of any of these subsidiaries, senior creditors of these subsidiaries generally will have the right to be paid in full before any distribution is made in respect of the guarantees. In addition, your claims will be effectively subordinated to the claims of creditors of any of our subsidiaries that do not guarantee the convertible notes. Our non-guarantor subsidiaries generated approximately 2.9% of our total revenues during the twelve months ended September 30, 2010 and comprised approximately 2.5% of our total assets at September 30, 2010.

As of September 30, 2010, after giving effect to the application of proceeds as described in Use of proceeds, our outstanding senior indebtedness would have been approximately $462.8 million, including

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approximately $452.5 million of our convertible senior debentures due 2035 (assuming that we purchase the full $525 million aggregate principal amount of 3.25% convertible debentures pursuant to the tender offer) and capitalized lease obligations and excluding $0.6 million of outstanding letters of credit. Approximately $399.4 million (net of $0.6 million of outstanding letters of credit) would have been available for borrowing under our senior credit facility, which is guaranteed on a senior basis by the guarantors. The 3.25% convertible debentures constitute senior debt of Omnicare and are guaranteed on a senior basis by Omnicare Purchasing Company, LP, but are not guaranteed by, and are not obligations of, any of our other subsidiaries.

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

Although the convertible notes are our obligations, they will be unconditionally guaranteed on an unsecured senior subordinated basis by our existing and future direct and indirect domestic subsidiaries (subject to certain exceptions). 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 such subsidiary guarantor. Under these statutes, if a court were to find under relevant federal or state fraudulent conveyance statutes that a subsidiary guarantor did not receive fair consideration or reasonably equivalent value for incurring its guarantee of the convertible notes, and that, at the time of such incurrence, the subsidiary guarantor: (i) was insolvent; (ii) was rendered insolvent by reason of such incurrence or grant; (iii) was engaged in a business or transaction for which the assets remaining with such subsidiary guarantor constituted unreasonably small capital; or (iv) intended to incur, or believed that it would incur, debts beyond its ability to pay such debts as they matured, then the court, subject to applicable statutes of limitation, could void the subsidiary guarantor s obligations 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 convertible notes.

The measure of insolvency for these purposes will depend upon the governing law of the relevant jurisdiction. Generally, however, a company will be considered 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 or if the present fair salable value of that company s assets is less than the amount that will be required to pay its probable liability on its existing debts as they become absolute and matured or if a company is not able to pay its debts as they become due. Moreover, regardless of solvency, a court could void an incurrence of indebtedness, including the guarantees, if it determined that such 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 also could 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.

There can be no assurance as to what standard a court would apply in order to determine whether a subsidiary guarantor was insolvent upon the sale of the convertible notes or that, regardless of the method of valuation, a court would not determine that the subsidiary guarantor was insolvent upon consummation of the sale of the convertible notes. If the court concludes that a guarantee is voided or limited on fraudulent conveyance grounds, other senior creditors of ours may have priority over the holders of the convertible notes in respect of the assets of the relevant guarantor.

The convertible notes will be structurally subordinated to all obligations of our non-guarantor subsidiaries and effectively subordinated to our secured obligations.

We are a holding company and hold most of our assets at, and conduct most of our operations through, direct and indirect subsidiaries. As a holding company, our results of operations depend on the results of operations of our subsidiaries. Moreover, we are dependent on dividends or other intercompany transfers of funds from our subsidiaries to meet our debt service and other obligations. The ability of our subsidiaries to pay

dividends or make other payments or advances to us will depend on their operating results and will be subject to applicable laws and restrictions contained in agreements governing the debt of such subsidiaries.

The claims of creditors of our non-guarantor subsidiaries, including trade creditors, will generally have priority as to the assets of such subsidiaries over the claims of our creditors, including the holders of convertible notes. At September 30, 2010, after giving effect to the issuance of convertible notes in this offering and the use of proceeds therefrom, the aggregate amount of debt of our non-guarantor subsidiaries, including trade payables and excluding intercompany payables, would have been approximately $2.2 million.

In addition, the convertible notes are our general unsecured obligations. Therefore, the convertible notes will be effectively subordinated to our and the guarantors secured debt to the extent of the value of the collateral. Our senior credit facility is secured by substantially all of our and the guarantors accounts receivable. As of September 30, 2010, after giving effect to the offering of notes hereby and the use of proceeds therefrom, we and the guarantors would have had approximately $10.3 million of secured debt consisting of capitalized lease obligations and excluding $0.6 million of outstanding letters of credit under our senior credit facility, and further excluding approximately $399.4 million available for borrowing under our senior credit facility (which is net of $0.6 million of outstanding letters of credit).

The terms of the convertible notes will not contain restrictive covenants and will provide only limited protection in the event of a change of control.

The indenture under which the convertible notes will be issued will not contain restrictive covenants that would protect you from several kinds of transactions that may adversely affect you. In particular, the indenture will not contain covenants that will limit our ability to pay dividends or make distributions on or redeem our capital stock or limit our ability to incur additional indebtedness and, therefore, may not protect you in the event of a highly leveraged transaction or other similar transaction. The requirement that we offer to repurchase the convertible notes upon a change of control is limited to the transactions specified in the definition of a fundamental change under Description of Convertible Notes Fundamental Change Put. Similarly, the circumstances under which we are required to adjust the conversion rate upon the occurrence of a non-stock change of control are limited to circumstances where a convertible debenture is converted in connection with such a transaction as set forth under Description of Convertible Notes Conversion Rights Adjustment to Conversion Rate Upon a Non-Stock Change of Control.

Accordingly, subject to restrictions contained in our other debt agreements, we could enter into certain transactions, such as acquisitions, refinancings or recapitalizations, that could affect our capital structure and the value of the convertible notes and common stock but would not constitute a fundamental change under the convertible notes.

We may be unable to repurchase the convertible notes for cash when required by the holders, including following a fundamental change.

Holders of the convertible notes have the right to require us to repurchase the convertible notes on a specified date or upon the occurrence of a fundamental change prior to maturity as described under Description of Convertible Notes Fundamental Change Put. Certain of our existing debt agreements contain and any of our future debt agreements may contain, a similar provision. We may not have sufficient funds to make the required repurchase in cash at such time or the ability to arrange necessary financing on acceptable terms. In addition, our ability to repurchase the convertible notes in cash may be limited by law or the terms of other agreements relating to our debt outstanding at the time, including our senior credit facility, which will limit our ability to purchase the convertible notes for cash in certain circumstances. If we fail to repurchase the convertible notes for cash as required by the indenture, it would constitute an event of default under the indenture governing the convertible notes, which, in turn, would constitute an event of default under our senior credit facility and our other indebtedness, including our 6.125% notes, our 6.875% notes and our 7.75% notes.

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Some significant restructuring transactions may not constitute a fundamental change, in which case we would not be obligated to offer to repurchase the convertible notes.

Upon the occurrence of a fundamental change, you have the right to require us to offer to repurchase the convertible notes. However, the fundamental change provisions will not afford protection to holders of the convertible notes in the event of certain transactions. For example, transactions such as leveraged recapitalizations, refinancings, restructurings or acquisitions initiated by us would not constitute a fundamental change requiring us to repurchase the convertible notes. In the event of any such transaction, the holders would not have the right to require us to repurchase the convertible notes, even though each of these transactions could increase the amount of our indebtedness, or otherwise adversely affect our capital structure or any credit ratings, thereby adversely affecting the holders of the convertible notes.

The repurchase rights in the convertible notes triggered by a fundamental change could discourage an acquisition of us by a third party.

Certain provisions of the convertible notes could make it more difficult or more expensive for a third party to acquire us. Upon the occurrence of certain transactions constituting a fundamental change, holders of the convertible notes will have the right, at their option, to require us to repurchase all of their convertible notes or any portion of the principal amount of such convertible notes in principal amounts of $2,000 or whole multiples of $1,000 in excess thereof. We may also be required to issue additional shares upon conversion or provide for conversion into the acquirer s capital stock in the event of certain fundamental changes.

The adjustment to the conversion rate upon the occurrence of certain types of fundamental changes may not adequately compensate you for the lost option value of your convertible notes as a result of such fundamental change.

If certain types of fundamental changes occur, we will increase, for the time period described herein, the conversion rate by a number of additional shares for any convertible notes converted in connection with such fundamental change. The number of additional shares to be issued will be determined based on the date on which the fundamental change becomes effective and the price paid per share of our common stock in the fundamental change as described under Description of Convertible Notes Conversion Rights Conversion Upon A Fundamental Change. Although this adjustment is designed to compensate you for the lost option value of your convertible notes as a result of certain types of fundamental changes, the adjustment is only an approximation of such lost value based upon assumptions made on the date of this prospectus supplement and may not adequately compensate you for such loss. In addition, if the price paid per share of our common stock in the fundamental change is less than $ or more than $ (subject to adjustment), there will be no such adjustment. Our obligation to increase the conversion rate by a number of additional shares upon a fundamental change could be considered a penalty, in which case the enforceability thereof would be subject to general principles of reasonableness of economic remedies.

There is currently no public market for the convertible notes, and an active trading market may not develop for the convertible notes. The failure of a market to develop for the convertible notes could adversely affect the liquidity and value of your convertible notes.

The convertible notes are a new issue of securities, and there is no existing market for the convertible notes. We do not intend to apply for listing of the convertible notes on any securities exchange or for quotation of the convertible notes on any automated dealer quotation system. We have been advised by the underwriters that following the completion of the offering, certain of the underwriters currently intend to make a market in the convertible notes. However, they are not obligated to do so and any market-making activities with respect to the convertible notes may be discontinued by them at any time without notice. In addition, any market-making activity will be subject to limits imposed by law. A market may not develop for the convertible notes, and there

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can be no assurance as to the liquidity of any market that may develop for the convertible notes. If an active, liquid market does not develop for the convertible notes, the market price and liquidity of the convertible notes may be adversely affected. If any of the convertible notes are traded after their initial issuance, they may trade at a discount from their initial offering price.

The liquidity of the trading market, if any, and future trading prices of the convertible notes will depend on many factors, including, among other things, the market price of our common stock, prevailing interest rates, our operating results, financial performance and prospects, the market for similar securities and the overall securities market, and may be adversely affected by unfavorable changes in these factors. Historically, the market for convertible debt has been subject to disruptions that have caused volatility in prices. It is possible that the market for the convertible notes will be subject to disruptions which may have a negative effect on the holders of the convertible notes, regardless of our operating results, financial performance or prospects.

The conditional conversion feature of the convertible notes could result in your receiving less than the value of the common stock into which a convertible note is convertible.

The convertible notes are convertible into shares of our common stock only if specified conditions are met. If these conditions are not met, you will not be able to convert your convertible notes, and you may not be able to receive the value of the common stock into which the convertible notes would otherwise be convertible. The contingent conversion feature could also adversely affect the value and the trading prices of the convertible notes.

Fluctuations in the stock market as well as general economic and market conditions may harm the market price of our common stock, and therefore the price of the convertible notes, and this may make it difficult for you to resell the convertible notes or common stock issuable upon conversion of the convertible notes when you want or at prices you find attractive.

The market price of our common stock has been subject to significant fluctuation. The market price of our common stock may continue to be subject to significant fluctuations in response to operating results and other factors, including:

- actual or anticipated quarterly fluctuations in our financial results, particularly if they differ from investors expectations;
- changes in financial estimates and recommendations by securities analysts;
- general economic, market and political conditions, including war or acts of terrorism, not related to our business;
- actions of our competitors and changes in the market valuations, strategy and capability of our competitors;
- our ability to successfully integrate acquisitions and consolidations; and
- changes in healthcare regulations and the prospects of our industry.

In addition, the stock market in recent years has experienced price and volume fluctuations that often have been unrelated or disproportionate to the operating performance of companies. These fluctuations may harm the market price of our common stock, regardless of our operating results.

The substantial number of shares of our common stock that could be available for sale in the future could cause the market price of our common stock, and therefore the value of the convertible notes, to decline.

Sales of substantial amounts of our common stock in the public market following this offering, or the perception that those sales will occur, could cause the market price of our common stock and the value of the convertible notes to decline. These sales and issuances might impair our ability to raise capital through the sale of additional equity securities in the future at a time and at a price that we deem appropriate because

investors could

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purchase shares in the public market instead of directly from us. As of November 24, 2010, we had 115,938,495 shares of common stock outstanding. In addition, in connection with our acquisition strategy, we may issue shares of our common stock as consideration in certain acquisition transactions. No prediction can be made as to the effect, if any, that future sales of shares of common stock or the availability of shares of common stock will have on the trading price of our common stock or the value of the convertible notes.

Upon conversion of the convertible notes, we will pay cash in lieu of issuing shares of our common stock with respect to an amount up to the principal amount of convertible notes converted and shares of our common stock with respect to the conversion value in excess thereof. Therefore, holders of the convertible notes may receive no shares of our common stock.

Upon conversion, we will pay cash in lieu of issuing shares of our common stock with respect to an amount up to the principal amount of convertible notes converted and shares of our common stock with respect to the conversion value in excess thereof, based on a daily conversion value (as defined herein) calculated based on a proportionate basis for each day of the 20 trading-day cash settlement averaging period. See Description of Convertible Notes Conversion Rights Settlement Upon Conversion. Accordingly, upon conversion of a convertible note, holders may not receive any shares of our common stock. Further, our liquidity may be reduced upon conversion of the convertible notes. In addition, in the event of our bankruptcy, insolvency or certain similar proceedings during the cash settlement averaging period (as defined herein), there is a risk that a bankruptcy court may decide a holder s claim to receive such cash and shares could be subordinated to the claims of our creditors as a result of such holder s claim being treated as an equity claim in bankruptcy.

The conversion rate of the convertible notes may not be adjusted for all dilutive events that may adversely affect the trading price of the convertible notes or the common stock issuable upon conversion of the convertible notes.

The conversion rate of the convertible notes is subject to adjustment upon certain events, including the issuance of stock dividends on our common stock, the issuance of rights or warrants, subdivisions, combinations, distributions of capital stock, indebtedness or assets, cash dividends and issuer tender or exchange offers as described under Description of Convertible Notes Conversion Rights Conversion Rate Adjustments. The conversion rate will not be adjusted for certain other events that may adversely affect the trading price of the convertible notes or the common stock issuable upon conversion of the convertible notes.

If you hold convertible notes, you will not be entitled to any rights with respect to our common stock, but you will be subject to all changes made with respect to our common stock.

If you hold convertible notes, you will not be entitled to any rights with respect to our common stock (including, without limitation, voting rights and rights to receive any dividends or other distributions on our common stock), but you will be subject to all changes affecting the common stock. You will have rights with respect to our common stock only if and when we deliver shares of common stock to you upon conversion of your convertible notes and, in limited cases, under the conversion rate adjustments applicable to the convertible notes. For example, in the event that an amendment is proposed to our articles of incorporation or bylaws requiring shareholder approval and the record date for determining the shareholders of record entitled to vote on the amendment occurs prior to delivery of the common stock to you, you will not be entitled to vote on the amendment, although you will nevertheless be subject to any changes in the powers, preferences or special rights of our common stock.

Anti-takeover provisions under Delaware law and in our governing documents may make an acquisition of us more difficult.

We are a Delaware corporation and the anti-takeover provisions of Delaware law impose various impediments to the ability of a third party to acquire control of our company, even if a change of control would be beneficial to our stockholders. In addition, the terms of our stock option plans may discourage, delay or prevent a change in control of our company.

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Certain provisions of our charter also may make an acquisition of us more difficult. Our charter authorizes the issuance of blank check preferred stock that could be issued by our board of directors to increase the number of outstanding shares, making a takeover more difficult and expensive. Our charter also provides that a vote of a majority of disinterested stockholders is required in connection with certain transactions involving any stockholder holding 10% or more of our voting stock. In addition, our charter requires a vote of two-thirds of the stockholders to remove a director without cause as well as to amend sections of our charter relating to the removal of directors, the ability of our board of directors to amend the by-laws, the fair price provisions and the elimination of director liability.

The provisions which we have summarized above may reduce the market value of our common stock.

You should consider the U.S. federal income tax consequences of owning the convertible notes.

We intend to treat the convertible notes as indebtedness subject to the regulations governing contingent payment debt instruments, or the CPDI regulations, for U.S. federal income tax purposes. Each holder will agree in the indenture to treat the convertible notes as indebtedness subject to the CPDI regulations for U.S. federal income tax purposes. As a result of such treatment, a holder may recognize ordinary income in each year significantly in excess of interest payments (whether fixed or contingent) actually received that year. Additionally, a holder will generally be required to recognize as ordinary income (rather than capital gain), if any, realized on a sale, exchange, conversion or redemption of the convertible notes. The application of the CPDI regulations to instruments such as the convertible notes is uncertain in several significant respects and, as a result, no assurance can be given that the Internal Revenue Service or a court will agree with the treatment described herein, and no ruling will be obtained from the Internal Revenue Service concerning the application of the CPDI regulations to the convertible notes. Any differing treatment could materially affect the amount, timing and character of income, gain or loss in respect of an investment in the convertible notes. For example, a holder might be required to accrue interest income at a higher or lower rate or at an earlier or later date than described herein, might not recognize income, gain or loss upon conversion of the convertible notes into shares of our common stock, might recognize capital gain or loss upon a taxable disposition of the convertible notes, might have a different holding period in our common stock acquired upon conversion, and might have an adjusted tax basis in the convertible notes or our common stock acquired upon conversion of a convertible note different than discussed herein. See Certain United States Federal Income Tax Consequences.

You may have to pay taxes with respect to some distributions on our common stock that result in adjustments to the conversion rate.

The conversion rate of the convertible notes is subject to adjustment for certain events arising from stock subdivisions, combinations, and reclassifications, stock dividends, cash dividends and certain other actions by us that modify our capital structure. See Description of Convertible Notes Conversion Rights Conversion Rate Adjustments. If the conversion rate is so adjusted, you may be required to include an amount in income for U.S. federal income tax purposes, notwithstanding the fact that you do not actually receive such distribution. In addition, non-U.S. holders of the convertible notes may, in certain circumstances, be deemed to have received a distribution subject to U.S. federal withholding tax. See Certain United States Federal Income Tax Consequences.

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USE OF PROCEEDS

We estimate that the net proceeds from this offering of convertible notes will be approximately $486 million (or approximately $560 million if the underwriters exercise their option to purchase additional convertible notes in full, see Underwriting Option to Purchase Additional Convertible Notes), after deducting the underwriting discount and estimated offering expenses payable by us. We intend to use the net proceeds from this offering of convertible notes to repurchase up to $525 million of our 3.25% convertible senior debentures due 2035 pursuant to a tender offer launched on November 17, 2010. See Summary Our Concurrent Tender Offer. If all of the net proceeds are not needed to finance the tender offer, we currently intend to use all or a portion of the excess proceeds to repurchase or repay outstanding debt. The remaining net proceeds from this offering, if any, will be used for general corporate purposes.

The consummation of the tender offer is conditioned upon, among other things, the completion of this offering of convertible notes, however this offering of convertible notes is not conditioned upon the consummation of the tender offer. We cannot assure you that we will be successful in consummating our tender offer or that any of the 3.25% convertible debentures will be tendered pursuant to the tender offer. For a description of terms of the 3.25% convertible debentures, see Description of Other Indebtedness.

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CAPITALIZATION

The following table shows our capitalization as of September 30, 2010 on an actual basis and as adjusted to reflect the offering of the convertible notes in this offering and the use of proceeds therefrom (assuming that we purchase the full $525 million aggregate principal amount of our 3.25% convertible debentures pursuant to the tender offer) as described under Use of proceeds , and assumes that the underwriters do not exercise their option to purchase an additional $75 million of convertible notes. See Underwriting Option to Purchase Additional Convertible Notes. The following should be read in connection with our consolidated financial statements and notes, which are incorporated by reference in this prospectus supplement.

	As of September 30, 2010	
	Actual	As Adjusted
	($ in thousands, except per share data)	
Cash and cash equivalents (including restricted cash)	$ 353,325	$ 338,199(1)
Debt(2):		
$400 million senior secured revolving credit facility, due 2015(3)		
6.125% senior subordinated notes, due 2013	250,000	250,000
6.875% senior subordinated notes, due 2015	525,000	525,000
7.75% senior subordinated notes, due 2020	400,000	400,000
Convertible notes offered hereby		500,000
3.25% convertible senior debentures, due 2035	977,500	452,500(4)
4.00% junior subordinated convertible notes, due 2033	345,000	345,000
Capitalized lease and other debt obligations	10,275	10,275
Total debt	2,507,775	2,482,775
Stockholders equity:		
Total stockholders equity(5)	$ 3,796,580	$ 3,746,580
Total capitalization	$ 6,304,355	$ 6,229,355

(1) Assumes the use of approximately $15 million of cash on hand to finance a portion of the tender offer for our 3.25% convertible debentures.

(2) This presentation includes the face value of the associated debt only (excludes the potential impacts of changes in amounts related to unamortized debt discounts in accordance with the authoritative guidance regarding the accounting for convertible debt instruments that may be settled in cash upon conversion (including partial cash settlement), as certain terms of the transaction which impact these calculations have not yet been finalized).

(3) Excludes approximately $0.6 million of outstanding letters of credit at September 30, 2010.

(4) This offering is not conditioned on the consummation of the tender offer for our 3.25% convertible debentures. There can be no assurance that we will purchase any or all of the $525 million aggregate principal amount of our 3.25% convertible debentures that we are offering to purchase in the tender offer.

(5) Includes an estimated reduction of stockholders equity of approximately $50 million, consisting of the net of tax impacts of an anticipated accounting loss on the anticipated early retirement of the $525 million of 3.25% convertible debentures pursuant to the tender offer (tender offer), the write-off of deferred debt issuance costs on the $525 million of 3.25% convertible debentures, expenses associated with the tender offer, and an estimated adjustment to the carrying value of the equity component of the $525 million of 3.25% convertible debentures. Further, adjusted stockholders equity does not include an adjustment for the equity component of the convertible notes offered hereby in accordance with the authoritative guidance regarding the accounting for convertible debt instruments that may be settled in cash upon conversion (including partial cash settlement).

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COMMON STOCK PRICE RANGE

Our common stock is traded on the New York Stock Exchange under the symbol OCR. The following table sets forth for the periods indicated below the reported high and low sales prices of our common stock as reported on the New York Stock Exchange.

	High	Low
Fiscal Year ended December 31, 2008		
First Quarter	$ 25.24	$ 15.42
Second Quarter	$ 26.87	$ 17.50
Third Quarter	$ 32.78	$ 22.59
Fourth Quarter	$ 29.61	$ 19.14
Fiscal Year ended December 31, 2009		
First Quarter	$ 29.74	$ 21.52
Second Quarter	$ 28.43	$ 23.50
Third Quarter	$ 27.98	$ 20.55
Fourth Quarter	$ 24.74	$ 21.26
Fiscal Year ending December 31, 2010		
First Quarter	$ 29.39	$ 24.30
Second Quarter	$ 30.63	$ 23.54
Third Quarter	$ 26.52	$ 19.14
Fourth Quarter (through November 29, 2010)	$ 26.41	$ 22.30

The closing sale price of our common stock on November 29, 2010 was $23.45 per share, as reported on the New York Stock Exchange. As of November 24, 2010, there were 2,324 holders of record of our common stock. This amount does not include stockholders with shares held under beneficial ownership in nominee name or within clearinghouse positions of brokerage firms and banks.

DIVIDEND POLICY

On August 12, 2010, our board of directors declared a quarterly cash dividend of 3.25 cents per common share for an indicated annual rate of 11 cents per common share for 2010, which is greater than the annual dividends of 9 cents per common share actually paid in 2009 and 2008. Aggregate dividends paid of $9.1 million during the nine month period ended September 30, 2010 were greater than those paid in the comparable prior-year period by approximately $1.1 million. It is presently intended that cash dividends on common shares will continue to be paid on a quarterly basis; however, future dividends are necessarily dependent upon our future earnings and financial condition and other factors not currently determinable. In addition, our senior credit facility and other agreements governing our indebtedness impose restrictions on or our ability to pay dividends.

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BUSINESS

Background

Omnicare is a leading pharmaceutical services company. We are the nation s largest provider of pharmaceuticals and related pharmacy and ancillary services to long-term healthcare institutions. Our clients include primarily skilled nursing facilities (SNFs), assisted living facilities (ALFs), retirement centers, independent living communities, hospitals, hospice, and other healthcare settings and service providers. We are also a provider of specialty pharmaceutical products and support services. We provide our pharmacy services to long-term care facilities as well as chronic care and other settings which comprised approximately 1,385,000 beds, including approximately 81,000 patients served by the patient assistance programs of our specialty pharmacy services business, as of September 30, 2010. The comparable number at September 30, 2009 was approximately 1,389,000 (including 63,000 patients served by the patient assistance programs of the specialty pharmacy services business). We provide our pharmacy services in 47 states in the United States (U.S.), the District of Columbia and in Canada at September 30, 2010. We also provide operational software and support systems to long-term care pharmacy providers across the United States. Our contract research organization provides comprehensive product development and research services for the pharmaceutical, biotechnology, nutraceutical, medical devices and diagnostic industries in 32 countries worldwide as of September 30, 2010.

We operate in two business segments. Our primary line of business, Pharmacy Services, provides distribution of pharmaceuticals, related pharmacy consulting and other ancillary services, data management services and medical supplies to SNFs, ALFs, retirement centers, independent living communities, hospitals, hospice, and other healthcare settings and service providers. Pharmacy Services purchases, repackages and dispenses pharmaceuticals, both prescription and non-prescription, and provides computerized medical record-keeping and third-party billing for residents in these facilities. We also provide consultant pharmacist services, including evaluating monthly patient drug therapy, monitoring the drug distribution system within the nursing facility, assisting in compliance with state and federal regulations and providing proprietary clinical and health management programs. In addition, our Pharmacy Services segment provides a variety of other products and services, including intravenous medications and nutrition products (infusion therapy services), respiratory therapy services, medical supplies and equipment, clinical care planning and financial software information systems, electronic medical records systems, pharmaceutical informatics services, pharmacy benefit management services, retail and mail-order pharmacy services, pharmaceutical care management for hospice agencies and product support and distribution services for specialty pharmaceutical manufacturers. We also provide pharmaceutical case management services for retirees, employees and dependents who have drug benefits under corporate-sponsored healthcare programs. Since 1989, we have been involved in a program to acquire providers of pharmaceutical products and related pharmacy management services and medical supplies to long-term care facilities and their residents. The Pharmacy Services segment has no operating locations outside of the U.S. and Canada. The Pharmacy Services segment comprised approximately 97% of our total net sales during each of the three years ended December 31, 2009, 2008 and 2007.

Our other business segment is contract research organization services (CRO Services). CRO Services provides comprehensive product development and research services to client companies in the pharmaceutical, biotechnology, nutraceutical, medical devices and diagnostics industries. The CRO Services segment comprised approximately 3% of our total net sales during each of the three years ended December 31, 2009, 2008 and 2007. We recorded a goodwill impairment charge of $91 million during the three months ended September 30, 2010 in connection with the CRO Services segment. See note 4 to the consolidated financial statements included in our Form 10-Q Quarterly Report for the three months ended September 30, 2010. We continue to evaluate our investment in the CRO business.

In mid-2009, we commenced activities to divest certain home healthcare and related ancillary businesses (the disposal group) that are non-strategic in nature. The disposal group, historically part of our Pharmacy Services segment, primarily represents ancillary businesses which accompanied other more strategic assets we

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obtained in connection with the our institutional pharmacy acquisition program. The results from continuing operations for all periods presented have been revised to reflect the results of the disposal group as discontinued operations, including certain expenses of ours related to the divestiture.

We purchase, repackage and dispense prescription and non-prescription medication in accordance with physician orders and deliver such prescriptions to long-term care facilities for administration to individual residents by the facilities nursing staff. We service long-term care facilities typically within a radius of approximately 150 miles of our pharmacy locations and maintain a 24-hour, seven-day per week, on-call pharmacist service for emergency dispensing and delivery, and for consultation with the facility s staff or attending physician.

Upon receipt of a prescription, the relevant resident information is entered into our computerized dispensing and billing systems. At that time, the d