CPI AEROSTRUCTURES INC
Form 424B5
October 15, 2018

Filed pursuant to Rule 424(b)(5)

Registration No. 333-220090

The information in this preliminary prospectus supplement is not complete and may be changed. A registration statement related to these securities has been declared effective by the Securities and Exchange Commission. This preliminary prospectus supplement and the accompanying base prospectus are not an offer to sell these securities and are not the solicitation of an offer to buy these securities in any jurisdiction where the offer or sale is not permitted.

Subject to completion, dated October 15, 2018

PROSPECTUS SUPPLEMENT

(To Prospectus dated August 22, 2017)

$12,000,000

CPI Aerostructures, Inc.

Common Stock

We are offering $12,000,000 of shares of our common stock in this offering. Our common stock is traded on the NYSE American exchange under the symbol “CVU.” On October 12, 2018, the last reported sale price of our common stock was $8.53 per share.

Investing in our securities involves a high degree of risk. See the section entitled “Risk Factors” beginning on page S-10 of this prospectus supplement and elsewhere in this prospectus supplement and the accompanying base prospectus for a discussion of information that should be considered in connection with an investment in our securities.

	Per Share	Total
Public offering price	$	
Underwriting discounts and	$	

	commissions (1)	
Proceeds to us before expenses	$	$

(1) We have also agreed to reimburse the underwriters for certain expenses. See "Underwriting" on page S-15 of this prospectus supplement for additional information.

We have granted the underwriters a 30-day option to buy up to an additional $1,800,000 of shares of common stock from us to cover over-allotments, if any. The underwriters may exercise this option at any time and from time to time during the 30-day period from the date of this prospectus supplement.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or passed upon the adequacy or accuracy of this prospectus supplement. Any representation to the contrary is a criminal offense.

The underwriters expect to deliver the shares to purchasers on or about October , 2018.

Sole Bookrunning Manager

Canaccord Genuity

Co-Manager

B. Riley FBR

The date of this prospectus supplement is October , 2018.

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You should rely only on the information contained or incorporated by reference in this prospectus supplement and the accompanying base prospectus. We have not authorized anyone to provide you with different information. We are not making an offer of these securities in any state or jurisdiction where the offer is not permitted.

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ABOUT THIS PROSPECTUS SUPPLEMENT

This prospectus supplement and the accompanying base prospectus are part of a registration statement on Form S-3 (Registration No. 333-220090) that we filed with the Securities and Exchange Commission ("SEC") using a "shelf" registration process. Under this "shelf" registration process, we may, from time to time, sell or issue any of the combination of securities described in the accompanying base prospectus in one or more offerings with a maximum aggregate offering price of up to $40.0 million. The accompanying base prospectus provides you with a general description of us and the securities we may offer, some of which do not apply to this offering. Each time we sell securities, we provide a prospectus supplement that contains specific information about the terms of that offering. A prospectus supplement may also add, update, or change information contained in the accompanying base prospectus.

This prospectus supplement provides specific details regarding this offering of shares of common stock by us, including the purchase price per share. To the extent there is a conflict between the information contained in this prospectus supplement and the accompanying base prospectus, you should rely on the information in this prospectus supplement. This prospectus supplement, the accompanying base prospectus, and the documents we incorporate by reference herein and therein include important information about us and our common stock and other information you should know before investing. You should read both this prospectus supplement and the accompanying base prospectus, together with the additional information described below under the heading "Where You Can Find More Information."

You should not assume that the information appearing in this prospectus supplement or the accompanying base prospectus is accurate as of any date other than the date on the front cover of the respective documents. You should not assume that the information contained in the documents incorporated by reference in this prospectus supplement or the accompanying base prospectus is accurate as of any date other than the respective dates of those documents. Our business, financial condition, results of operations, and prospects may have changed since the date set forth on the respective documents.

References in this prospectus supplement to "CPI Aero®", "we," "us" and "our" refer to CPI Aerostructures, Inc., a New York corporation.

PROSPECTUS SUPPLEMENT SUMMARY

This summary contains basic information about us and our business but does not contain all of the information that is important to your investment decision. You should carefully read this summary together with the more detailed information contained elsewhere in this prospectus supplement and the accompanying base prospectus and the documents incorporated herein and therein by reference before making an investment decision. Investors should carefully consider the information set forth under the caption "Risk Factors" appearing elsewhere in this prospectus supplement, including those described in documents incorporated by reference herein.

Our Company

General

We are engaged in the contract production of structural aircraft parts principally for the United States ("U.S.") armed forces, either as a prime contractor or as a subcontractor to other defense prime contractors. We also act as a subcontractor to prime aircraft manufacturers in the production of commercial aircraft parts. Our strategy for growth has been focused primarily on operating as a subcontractor for defense prime contractors.

We were incorporated under the laws of the State of New York in January 1980 under the name Composite Products International, Inc. We changed our name to Consortium of Precision Industries, Inc. in April 1989 and to CPI Aerostructures, Inc. in July 1992. In January 2005, we began doing business under the name CPI Aero®, a registered trademark of the Company. Our principal office is located at 91 Heartland Boulevard, Edgewood, New York 11717 and our telephone number is (631) 586-5200.

We maintain a website at www.cpiaero.com. Information contained on our website or accessed through our website does not constitute a part of this prospectus supplement.

Industry

While we are a global supplier of aircraft parts in both the commercial and defense markets, our business development focus has been weighted towards defense to benefit from what we believe to be favorable growth opportunities in the market. As of August 1, 2018, defense opportunities accounted for 89% of our total bid pipeline. Our defense market strategy is driven by our belief that the U.S. Department of Defense ("DoD") and international allied military budgets will increase, thus providing opportunities for contractors such as CPI Aero. On September 28, 2018, the White House signed into law Bill H.R. 6157 Department of Defense and Labor, Health and Human Services, and Education Appropriations Act, 2019, providing $674 billion for the U.S. DoD for FY 2019. This is in-line with the recently enacted John S. McCain National Defense Authorization Act ("NDAA") for FY 2019, which authorized $716 billion for national defense, including $686 billion for the U.S. DoD. The FY 2019 DoD appropriations and NDAA are aligned with the National Defense Strategy and prioritize, among other things, rebuilding military readiness and modernization efforts, as well as retaining and regaining capabilities against potential near-peer adversaries. The FY 2019 DoD appropriations and NDAA build on the Bipartisan Budget Act of 2018 ("BBA") that raised defense discretionary spending caps imposed by the Budget Control Act for two years, reversing years of uncertainty in defense program funding. The BBA of 2018 increased the FY 2018 and FY 2019 defense discretionary spending cap by $80 billion and $85 billion, respectively. The recently enacted U.S. Government FY 2018 $1.3 trillion omnibus spending bill included a total national defense budget of $700 billion, of which $655 billion is for the DoD. We believe that our strategy to support key existing and new defense platforms presents an opportunity for growth.

In addition to the national defense budget, international defense expenditures also drive demand for our defense business. We have sold components or systems for multiple programs to international governments, including the United Technologies Aerospace Systems ("UTAS") DB-110, the UTAS Tactical Synthetic Aperture Radar ("TacSAR")

pod, the Lockheed Martin Corporation ("Lockheed") F-35, the F-16 for the U.S. government, the Sikorsky Aircraft Corporation ("Sikorsky") UH-60M, and the Northrop Grumman Corporation ("NGC") E-2D. According to the North Atlantic Treaty Organization ("NATO"), NATO Europe and Canada are expected to increase defense expenditures by 3.8% year-over-year in FY 2018 compared to FY 2017. This would represent the fourth consecutive year of increased defense expenditures, or an $87.6 billion cumulative spending increase from FY 2015 to FY 2018, from these foreign national governments since pledging in 2014 to spend at least 2% of their GDP on defense within a decade.

Our Business

We are a U.S. supplier of aircraft parts for fixed wing aircraft and helicopters in both the commercial and defense markets. We are a manufacturer of structural aircraft parts and aerosystems. Additionally, we leverage our global supply chain skills to assist our customers in managing a diverse worldwide supplier market by functioning as a "one-stop shop" for an assortment of aerospace parts. Within the global aerostructures supply chain, we are either a Tier 1 supplier to aircraft original equipment manufacturers or a Tier 2 subcontractor to major Tier 1 manufacturers. We also are a prime contractor to the DoD, primarily the U.S. Air Force (Hill and Robins Air Force Bases) and the Defense Logistics Agency. In addition to our assembly operations, we provide engineering, program management, supply chain management, and maintenance, repair, and overhaul ("MRO") services.

Among the key programs for which CPI Aero provides key structural components, assemblies, or aerospace systems are the NGC E-2D Advanced Hawkeye surveillance aircraft, the Lockheed F-35 joint strike fighter, the Sikorsky UH-60M BLACK HAWK® helicopter, the UTAS DB-110 reconnaissance system, the Raytheon Company ("Raytheon") Next Generation Jammer Mid-Band electronic warfare system, the UTAS TacSAR pod, the Bell Helicopter Textron Inc. ("Bell") AH-1Z Viper attack helicopter, the Sikorsky MH-53E mine countermeasure helicopter and Sikorsky CH-148 variant helicopter, and the F-16 Falcon and T-38C trainer aircraft for the U.S. government. Key civilian aircraft programs include the Gulfstream Aerospace Corporation ("Gulfstream") G650, the Honda Aircraft Company, Inc. ("Honda") HondaJet and HondaJet Elite business jets, the Embraer S.A. ("Embraer") Phenom 300 light business jet, the Embraer E175-E2 regional airliner, and the Sikorsky S-92® helicopter.

We are a subcontractor for leading defense prime contractors such as Boeing, NGC, Lockheed, Sikorsky, Bell, Textron Inc. ("Textron"), Raytheon, and UTAS. Revenue generated from subcontracts with defense prime contractors accounted for approximately 56%, 46%, and 57% of our total revenue in 2017, 2016, and 2015, respectively. Our 2016 defense subcontractor revenue was significantly decreased because of the change in estimate on the A-10 program.

We also operate as a subcontractor to prime commercial contractors, including Sikorsky, Honda, Embraer, and Triumph Group, Inc. ("Triumph"), in the production of commercial aircraft parts. Revenue generated from commercial contracts accounted for approximately 36%, 50%, and 42% of our total revenue in 2017, 2016, and 2015, respectively.

We have over 37 years of experience as a contractor. Most members of our management team have held management positions at large aerospace contractors, including NGC and GKN Aerospace. Our technical team possesses extensive technical expertise and program management and integration capabilities. Our competitive advantage lies in our ability to offer large contractor capabilities with the flexibility and responsiveness of a small company, while staying competitive in cost and delivering superior quality products.

Significant Contracts

Some of our significant contracts are as follows:

Military Aircraft Subcontracts with Prime Contractors

NGC E-2D "Advanced Hawkeye" The NGC E-2 is an all-weather, carrier-based tactical airborne early warning aircraft. The twin turboprop aircraft was designed and developed in the 1950s by the Grumman Aircraft Company for the U.S. Navy as a replacement for the E-1 Tracer. The U.S. Navy aircraft has been progressively updated with the latest variant, the NGC E-2D, first flying in 2007. In 2008, we received an initial $7.9 million order from NGC to provide structural kits used in the production of Outer Wing Panels ("OWP") for the NGC E-2D. We initially valued the long-term agreement at approximately $98 million over an eight-year period, with the potential to be in excess of $195

million over the life of the aircraft program. In November 2014, we received a second multi-year contract worth approximately $86.1 million through 2021 from NGC for OWP kits for use in the manufacture of complete wings for the NGC E-2D and the NGC C-2A Greyhound aircraft. The cumulative orders we have received on this program through June 2018 exceed $147.6 million.

In addition, we announced in January 2016 that we won an award to supply structural components and kits for the OWP on the NGC E-2D that will be manufactured for Japan. We will be responsible for component source selection, supply chain management, delivery of kits, and will provide manufacturing engineering services to NGC during the integration of the components into the OWP. The contract from NGC is valued at between $25 million and $30 million through 2019, depending on the number of aircraft ordered by Japan. To date, we have received orders totaling $10.4 million.

Sikorsky UH-60 "BLACK HAWK®" The Sikorsky UH-60 helicopter is the leader in multi-mission-type aircraft. Among the mission configurations it serves are troop transport, medical evacuation, electronic warfare, attack, assault support, and special operations. More than 3,000 Sikorsky UH-60 helicopters are in use today, operating in 29 countries. We have been producing gunner window and fuel panel assemblies for Sikorsky since 2010, and have long-term agreements from Sikorsky to manufacture gunner window assemblies, fuel panel assemblies, and perform MRO services on stabilators for the Sikorsky UH-60 helicopter through 2022. In 2017, we signed long-term supply agreements with Sikorsky to manufacture fuel panel and gunner window assemblies for the Sikorsky UH-60M helicopter, valued at up to approximately $21 million and $8.2 million for a period of five years, respectively. In September 2018, the Company received a series of purchase orders from Sikorsky totaling more than $8 million for the manufacture of Hover Infra Red Suppression Systems ("HIRSS") in support of older model Black Hawk® helicopters.

Bell / Textron AH-1Z "Viper" Attack Helicopter The Bell AH-1Z is a twin-engine attack helicopter used by the U.S. Marine Corps, which began full-rate production in December 2010. In January 2017, we received an indefinite-delivery / indefinite-quantity ("IDIQ") contract from Bell for the manufacture of engine cowl and support assemblies, with a potential value of $14.8 million. In March 2018, we received an amendment to the IDIQ contract which extended the period of performance by one year and is valued at $3.8 million. This increased the total potential value of the IDIQ contract to $18.6 million through 2021.

Sikorsky MH-53E "Sea Dragon" The Sikorsky MH-53E is the U.S. Navy's primary airborne mine countermeasures aircraft. In May 2017, we received a contract from Sikorsky to provide MRO services for an initial quantity of 15 tow hook assemblies through 2022, with a potential value of $1 million, depending on the level of repair that is required. We have previously manufactured new tow hook assemblies under a spares contract awarded by Sikorsky in 2010.

Raytheon Next Generation Jammer Mid-Band ("NGJ") The Raytheon NGJ is an external jamming pod that will disrupt and degrade enemy aircraft and ground radar and communication systems and will replace the ALQ-99 system on the U.S. Navy's EA-6B Growler carrier-based electronic warfare aircraft. Raytheon received a $1 billion sole source contract from the U.S. Navy in April 2016 for the engineering and manufacturing development ("EMD") phase. CPI Aero has contracts with Raytheon valued at more than $19 million to assemble the NGJ pod structural housing and air management systems required during the EMD phase. After a successful development program, the U.S. Navy plans to install Raytheon NGJ pods on 138 EA-18G Growlers during the Raytheon NGJ pod production phase. There are two pods per aircraft. We estimate that the total value to CPI Aero of the production phase could be in excess of an additional $150 million through 2030.

UTAS DB-110 "Reconnaissance Pod" CPI Aero has a contract with UTAS to manufacture pod structures for the UTAS DB-110 reconnaissance system, which is used primarily on exported F-16 aircraft.

UTAS "TacSAR" Pod The UTAS TacSAR pod is a long-range synthetic aperture radar system designed for overland and maritime reconnaissance and surveillance, and is being developed by UTAS with Selex ES, now Leonardo, S.p.A. UTAS awarded CPI Aero a sole-source one-year development contract valued at under $1 million, to begin engineering and design support in 2017. CPI Aero expects to receive an initial production order in early 2019. The work being performed by CPI Aero is similar to work performed by CPI Aero during the pre-production phase of the

UTAS DB-110. The UTAS TacSAR pod system complements the UTAS DB-110 to provide all-weather reconnaissance and surveillance and will contain some structural components common to the UTAS DB-110.

Lockheed F-35 "Lightning II" The Lockheed F-35 Lightning II, also known as the Joint Strike Fighter, is a family of single-seat, single-engine, all-weather stealth multirole fighters designed to perform ground attack, aerial reconnaissance, and air defense missions. The DoD plans to acquire over 2,400 F-35's by 2034 and 11 other countries also have plans to acquire the aircraft. We are a Tier 1 supplier to Lockheed and manufacture four different door lock assemblies for the F-35. In 2015, CPI Aero was awarded a multi-year contract to supply lock assemblies for the arresting gear door on the F-35A Conventional Takeoff and Landing variant aircraft, estimated at up to $10.6 million through 2021. We made our first delivery under the contract in May 2017. In November 2017, we announced an additional $15.8 million multi-year contract to manufacture canopy actuation drive shaft assemblies through 2022 for the F-35A, F-35B, and F-35C aircraft.

Sikorsky CH-148 "Cyclone" The Sikorsky CH-148, a military variant of the Sikorsky S-92®, is a twin-engine, multi-role shipboard helicopter being manufactured by Sikorsky for the Royal Canadian Air Force ("RCAF"). The Sikorsky CH-148 is to be operated by the RCAF and will conduct anti-submarine warfare, surveillance, and search and rescue missions from Royal Canadian Navy warships. In 2016, Sikorsky awarded CPI Aero purchase orders valued at approximately $6.5 million to manufacture the weapon pylons. CPI Aero will produce weapon pylons for 28 aircraft with deliveries through 2018.

Commercial Aircraft Subcontracts with Prime Contractors

Gulfstream G650 In March 2008, Spirit Aerosystems, Inc. ("Spirit") awarded us a contract to provide leading edges for the Gulfstream G650 business jet, a commercial program that Spirit was supporting. In December 2014, Spirit transferred its work-scope on this program to Triumph. We continue to provide leading edges for the Gulfstream G650 as our purchase orders and long-term agreement have been transferred to Triumph.

HondaJet Elite In July 2018, we received a long-term agreement from Honda to manufacture the noise attenuating engine inlet for its recently debuted HondaJet Elite business jet. CPI Aero has manufactured engine inlet assemblies for the original HondaJet aircraft since 2011.

Sikorsky S-92® Helicopter The Sikorsky S-92® performs search and rescue missions, heads of state missions, and a variety of transport missions for offshore oil and gas crews, utility, and airline passengers. Sikorsky has delivered more than 275 Sikorsky S-92® helicopters since 2004. In June 2017, CPI Aero announced a follow-on contract with Sikorsky to provide 15 different deliverable items for the Sikorsky S-92®, including door assemblies, cover assemblies, and various installation kits used by Sikorsky to complete the final assembly of the Sikorsky S-92®.

Embraer Phenom 300 In May 2012, Embraer awarded us a contract to manufacture engine inlets for the Embraer Phenom 300. We have received approximately $34 million in orders on this program through June 2018. We estimate the potential value of the program to be in excess of $40 million.

Embraer E175-E2 The E-Jet E2 family of aircraft was launched by Embraer in 2013 and included three new airplanes, the E175-E2, the E190-E2, and the E195-E2. We were selected by Embraer to supply various structural components used in the manufacture of engine pylon fairings for the Embraer E175-E2 aircraft, valued at approximately $16 million. The Embraer E175-E2 is scheduled for entry into service in 2021.

Military Aircraft Prime Contracts with U.S. Government

F-16 "Fighting Falcon" In November 2014, the Defense Logistics Agency awarded CPI Aero a multi-year contract to provide structural wing components and logistical support for global F-16 aircraft MRO operations. We estimate the value of the contract, including options, to be approximately $53.5 million through 2020. To date, we have received $15 million in orders under this contract.

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T-38C "Talon" The T-38C is a twin-engine, two-seat, supersonic jet trainer used by Air Education Training Command as an advanced trainer in Specialized Undergraduate Pilot Training. In 2015, CPI Aero was awarded a contract valued at up to approximately $49 million to provide Pacer Classic III structural modification kits for the T-38C aircraft through 2021. To date, we have received $17.5 million in orders under this contract.

Backlog

We produce custom assemblies pursuant to long-term contracts and customer purchase orders. Our backlog consists of aggregate values under such contracts and purchase orders, excluding the portion previously included in operating revenues on the basis of percentage of completion accounting, and including estimates of future contract price escalation. Substantially all of our backlog is subject to termination at will and rescheduling, without significant penalty. Funds are often appropriated for programs or contracts on a yearly or quarterly basis, even though the contract may call for performance that is expected to take a number of years. Therefore, our funded backlog does not include the full value of our contracts.

Our total funded and unfunded backlog as of June 30, 2018 was approximately $69.9 million and $290.3 million, respectively. Approximately 79% of the total amount of our backlog at June 30, 2018 was attributable to government contracts. Our funded and unfunded backlog attributable to government contracts as of June 30, 2018 was approximately $63.6 million and $219.7 million, respectively. Our unfunded government backlog is primarily comprised of the long-term contracts for the NGC E-2D, the U.S. Government F-16 and T-38C, the Lockheed F-35, and the Bell AH-1Z. These long-term contracts are expected to have yearly orders, which will be funded in the future. Our total funded and unfunded commercial backlog as of June 30, 2018 was approximately $6.4 million and $70.6 million, respectively. Our unfunded commercial backlog is primarily comprised of the long-term contracts for the Gulfstream G650, the HondaJet, the Cessna Citation X+, the Sikorsky S-92® and the Embraer Phenom 300. The comparatively low level of funded backlog on commercial programs is the result of customers placing funded orders based upon expected lead time. These programs are under long-term agreements with our customers, and as such, we are protected by termination liability provisions.

Bid Pipeline

We are awarded contracts for our products and services through the process of competitive bidding. This process begins when we first learn, formally or otherwise, of a potential contract from a prospective customer and concludes after all negotiations are completed upon award. When preparing our response to a prospective customer for a potential contract, we evaluate the contract requirements and determine and outline the services and products we can provide to fulfill the contract at a competitive price. Each contract also benefits from various additional services that we offer, including program management, engineering, and global supply chain program management, which streamlines the vendor management and procurement process and monitors the progress, timing, and quality of component delivery.

As of August 1, 2018, our bid pipeline was strategically focused on the defense market, which accounted for 89% of our total bid pipeline. We also continue to diversify our bid pipeline with aerostructures, aerosystems, kitting, and MRO segments representing 53%, 28%, 14%, and 5%, respectively, of our total bid pipeline.

Near-Term Program Opportunities

Over time, we have expanded both in size and capabilities, with growth in our operational and global supply chain program management. These expansions have allowed us the ability to supply more complex aerostructure assemblies and aerosystems and structures in support of our government-based programs as well as to pursue opportunities within the commercial and business jet markets. Our capabilities have also allowed us to acquire MRO and kitting contracts.

We have identified near-term program opportunities in each of the segments that we operate in. In the aerostructures segment, we have identified near-term program opportunities to be the new A-10 wing replacement program, various Sikorsky UH-60M components and structural repairs, the Lockheed F-16V, and international light attack fixed wing aircraft. In the kitting and supply chain management segment, we have identified near-term opportunities to be foreign sales of F-16 wing components, wet OWP kits for the Japanese NGC E-2D, and various military helicopters. In the aerosystems segment, near-term opportunities include systems for reconnaissance pods, electronic warfare pods, advanced antenna system structural housing, electronic racks, and step assemblies.

Long-Term Visibility – Contracts

Because of the complexities inherent in the aerospace industry, the time from the initial request for proposal to award ranges from as little as a few weeks to several years. Additionally, our contracts have ranged from six months to as long as ten years. We estimate that as of September 30, 2018, our long-term defense and commercial programs have the potential to generate approximately $447 million over the remainder of their periods of performance under contract. Also, repeat and follow-on jobs for current contracts frequently provide additional opportunities with minimal start-up costs and rapid rates to production.

Future Growth Opportunities

We have identified new business opportunities that may further our growth strategy over the next several years, including, among others, are the T-X Trainer, the Lockheed F-35, the Lockheed F-16V, the NGC B-21, and the T-38. We also see potential as a Tier 1 supplier for autonomous systems, such as unmanned aircraft systems.

Recent Developments

Significant New Contracts and Orders

On September 11, 2018, we received the first order of what we expect to be a follow-on multi-year contract from an existing customer valued at approximately $47.5 million. The initial order has a maximum value of $8.1 million, $1.6 million of which is currently available to begin production of long-lead items.

On September 11, 2018, we were notified by an existing customer that we have been selected to receive a five-year follow-on contract valued at more than $8 million over the life of the contract.

On September 20, 2018, we received an order from a current customer valued at approximately $1 million to manufacture an interior structural assembly on a limited production special-purpose rotary wing platform. This order represents an expansion of our business with this customer into a new type of aircraft.

On September 25, 2018, we were notified by a new customer that we have been selected to manufacture a wing of a booster assembly used to launch a new missile system currently in development by the customer. We anticipate receiving a purchase order in the fourth quarter of 2018. This order would represent an expansion of our business into missiles and other autonomous weapons systems.

Third Quarter 2018 Capsule Information

The preparation of our unaudited financial statements for the quarter ended September 30, 2018 is not yet complete. Accordingly, the following capsule financial information is only an estimate. As a result, the following information may differ from the actual results that will be reflected in our unaudited financial statements for such quarter when our unaudited financial statements are completed. The following information is provided by and is the responsibility of management. Our independent registered public accounting firm has not audited, reviewed, compiled, or performed any procedures with respect to the following information and, accordingly, does not express an opinion or any other form of assurance on it. The estimates should be read in conjunction with, and are qualified in their entirety by, the detailed information appearing elsewhere in this prospectus supplement and by the information and financial statements (including the notes thereto) appearing in our quarterly and yearly financial statements incorporated by reference herein.

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We expect to announce the results for the quarter ended September 30, 2018 on or about November 8, 2018. We preliminarily expect to report revenue of approximately $19 million, with diluted earnings per share of approximately $0.13/share. During the quarter, we expect that we incurred approximately $325,000 of legal and accounting expenses related to our litigation against Air Industries Group and Welding Metallurgy, Inc., described in more detail under "Legal Proceedings" below. These expenses lowered diluted earnings per share in the third quarter by approximately $0.03/share and we do not expect to incur significant additional expenses related to this matter. As described below, on October 2, 2018, we entered into a court-ordered stipulation in this litigation.

We expect total backlog at September 30, 2018 to be approximately $447 million, of which $378 million is for defense programs and $69 million is for commercial programs. Approximately $70 million of the total backlog at September 30, 2018 is funded.

We had cash of approximately $829,000 as of September 30, 2018.

Legal Proceedings

On July 5, 2018, we filed a complaint in the Supreme Court of the State of New York, County of New York, against Air Industries Group ("Air Industries") relating to the previously announced Stock Purchase Agreement, dated as of March 21, 2018 (the "Agreement") between CPI Aero and Air Industries, pursuant to which Air Industries agreed to sell to us all of the shares of capital stock of its subsidiary, Welding Metallurgy, Inc. ("WMI"). The complaint alleges, among other things, that Air Industries willfully breached its contractual obligation to provide financial information required to fulfill key conditions for closing under the Agreement. Air Industries' answer and counterclaims, filed on July 30, 2018, denies the allegations made by us in the complaint and alleges that we breached the Agreement and the covenant of good faith and fair dealing.

On July 31, 2018, we filed a motion for preliminary injunction against Air Industries. The motion argued that the failure by Air Industries to provide financial data and other information necessary to close the transaction contemplated by the Agreement would cause irreparable injury to us. We sought an order directing Air Industries to furnish us with all previously requested financial, operating, and other data and information relating to WMI.

On October 2, 2018, we entered into a court-ordered stipulation (the "Stipulation and Order") in the litigation. As part of the Stipulation and Order, Air Industries has withdrawn its purported termination of the Agreement. Among other things, the Stipulation and Order requires Air Industries to deliver to us within 45 days audited, unqualified financial statements of WMI for 2017 certified by Air Industries' auditor. Subject to fulfillment of other conditions to closing set forth in the Agreement, the parties agreed that the acquisition will close within three weeks after CPI Aero receives the audited financial statements. We also agreed to promptly amend the Agreement to reflect the terms of the Stipulation and Order. The Court will retain jurisdiction of the case for all purposes, including enforcing the terms of the Stipulation and Order.

For a discussion of the risks and uncertainties associated with this litigation and with the acquisition of WMI, please see the "Risk Factors" section in our Quarterly Report on Form 10-Q for the quarter ended June 30, 2018, which is incorporated herein by reference. We remain committed to completing the acquisition of WMI as soon as practicable.

The Offering

Common stock offered by us	$12,000,000 of shares of common stock
Common stock to be outstanding after this offering (1)	shares of common stock
Underwriters' over-allotment option	We have granted the underwriters an option to buy up to an additional $1,800,000 of shares of common stock from us to cover over-allotments. The underwriters may exercise this option at any time and from time to time during the 30-day period from the date of this prospectus supplement.
Use of proceeds	We intend to use the net proceeds from the sale of common stock by us in this offering for general corporate purposes which may include working capital, capital expenditures, debt repayment, or acquisitions. Under the terms of our credit agreement with BankUnited, N.A. and other lenders, if we raise $7.0 million or more in this offering, we are required to use 25% of the net proceeds from this offering to prepay our loans, with $1.2 million applied to the term loan and the remainder applied to our revolving loan. See the section entitled "Use of Proceeds" on page S-13.
NYSE American symbol	CVU
Risk Factors	See the section entitled "Risk Factors" beginning on page S-10 for a discussion of factors you should consider carefully before deciding to invest in our common stock.

(1)

Based on 8,967,778 shares of common stock outstanding as of October 12, 2018. Excludes 80,249 shares of common stock subject to outstanding common stock purchase options as more fully described in the section entitled "Description of Common Stock."

Unless we specifically state otherwise, all information in this prospectus supplement assumes no exercise by the underwriters of their over-allotment option.

RISK FACTORS

Before you make a decision to invest in our common stock, you should consider carefully the risks factors described below, together with other information in this prospectus supplement, the accompanying base prospectus, and the information incorporated by reference herein and therein as set forth in our filings with the Securities and Exchange Commission ("SEC"), including our annual report on Form 10-K for the year ended December 31, 2017 and our quarterly reports on Form 10-Q for the fiscal quarters ended March 31, 2018 and June 30, 2018. If any of the following events actually occur, our business, operating results, prospects or financial condition could be materially and adversely affected. This could cause the trading price of our common stock to decline and you may lose all or part of your investment. The risks factors described in our SEC filings and below are not the only ones that we face. Additional risks not presently known to us or that we currently deem immaterial may also significantly impair our business operations and could result in a complete loss of your investment.

Risks Related to the Offering

Our management will have broad discretion over the use of the net proceeds from this offering. You may not agree with how we use the proceeds and the proceeds may not be invested successfully.

Our management will have broad discretion as to the use of the net proceeds from this offering and could use them for purposes other than those contemplated at the time of this offering. Accordingly, you will be relying on the judgment of our management with regard to the use of these net proceeds, and you will not have the opportunity as part of your investment decision to assess whether the proceeds are being used appropriately. It is possible that the proceeds will be invested in a way that does not yield a favorable, or any, return for our company. Under the terms of our credit agreement with BankUnited, N.A. and other lenders, if we raise $7.0 million or more in this offering and after giving effect to the receipt of the net proceeds of this offering our Leverage Ratio (as defined in the credit agreement) is 2.0 or more, we are required to use 25% of the net proceeds from this offering to pay down our revolving loans, although we may elect to pay down more. Such amounts will immediately become available to be re-borrowed.

We may issue additional shares of capital stock in the future, which would increase the number of shares eligible for future resale in the public market and may result in dilution to our shareholders.

As of June 30, 2018, we had 80,249 shares of common stock subject to outstanding common stock purchase options, as more fully described in the section entitled "Description of Common Stock." In addition, we are not restricted from issuing additional shares of our common stock or securities convertible into or exchangeable for our common stock, except as described in the section entitled "Underwriting." Because we may need to raise additional capital in the future to continue to expand our business, among other things, we may conduct additional equity offerings. To the extent our common stock purchase options are exercised or we conduct additional equity offerings, additional shares of our common stock will be issued, which will increase the number of shares eligible for resale in the public market and may result in dilution to our shareholders. Sales of substantial numbers of such shares in the public market could adversely affect the market price of such shares.

We have never declared or paid cash dividends on our capital stock and we do not anticipate paying cash dividends in the foreseeable future.

Our business requires significant funding. We currently plan to invest all available funds and future earnings in the development and growth of our business and do not anticipate paying any cash dividends on our common stock in the foreseeable future. In addition, under the terms of our credit agreement with BankUnited, N.A. and other lenders, we are restricted from paying cash dividends. As a result, capital appreciation, if any, of our common stock will be our shareholders' sole source of potential gain for the foreseeable future.

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We are able to issue shares of preferred stock with greater rights than our common stock.

Our certificate of incorporation authorizes our board of directors to issue one or more series of preferred stock and set the terms of the preferred stock without seeking any further approval from our shareholders. Any preferred stock that is issued may rank ahead of our common stock in terms of dividends, liquidation rights or voting rights. If we issue preferred stock, it may adversely affect the market price of our common stock.

Anti-takeover provisions in our organizational documents and in New York law could delay a change in management and limit our share price or otherwise make a change in our management more difficult.

Certain provisions of our certificate of incorporation and bylaws could make it more difficult for a third party to acquire control of us even if such a change in control would increase the value of our common stock and could prevent or hinder attempts by our shareholders to replace or remove our current board of directors or management.

We have a number of provisions in place that will hinder takeover attempts and could reduce the market value of our common stock or prevent sale at a premium. These provisions include:

the authorization of undesignated preferred stock, which makes it possible for the board of directors to issue preferred stock with voting or other rights or preferences in a manner that could delay or prevent a transaction or a change in control;

a provision providing that shareholders may act by written consent without a meeting only if such written consent is signed by all shareholders;

a provision that specifies that special meetings of our shareholders may be called only by our board of directors or our chairman of the board, if one has been elected, or our president;

the division of our board of directors into three classes, only one of which is elected annually; and

advance notice requirements by shareholders for director nominations and actions to be taken at annual meetings.

In addition, because we are incorporated in New York, we are governed by the provisions of Section 912 of the New York Business Corporation Law, which generally prohibits a New York corporation from engaging in any of a broad range of business combinations with an “interested” shareholder for a period of five years following the date on which the shareholder became an “interested” shareholder. See the section entitled “Description of Capital Stock—Provisions of New York Law and Our Charter and Bylaws” in the accompanying base prospectus.

NOTE ON FORWARD-LOOKING STATEMENTS

Some of the statements contained in this prospectus supplement and incorporated by reference herein are forward-looking statements that relate to possible future events, our future performance and our future operations. In some cases, you can identify these forward-looking statements by the use of words such as “may,” “will,” “should,” “anticipates,” “believes,” “expects,” “plans,” “future,” “intends,” “could,” “estimate,” “predict,” “potential,” “continue,” or the these terms or other similar expressions. These statements are only our predictions. We cannot guarantee future results, levels of activities, performance or achievements. Our actual results could differ materially from these forward-looking statements for many reasons, including as a result of those risks described from time to time in our SEC filings and those risks identified under the section entitled “Risk Factors”. Important factors, among others, that may affect our actual results include:

changes in the expense and revenue estimates used in our percentage-of-completion method of accounting;

any suspension of or prohibition on our contracting with the U.S. government;

changes in U.S. funding that affect our projects;

changes in priorities in the U.S. government due to military transformation and planning and/or the nature of war-related activity;

the ability of the U.S. government to terminate contracts, in whole or in part, without prior notice, for convenience;

the time and expense of the U.S. government’s competitive bidding process;

environmental regulation at the U.S., state and local levels;

regulation by the U.S. Federal Aviation Administration under the provisions of the Federal Aviation Act of 1958, as amended;

reliance on subcontractors to perform a portion of the services that we must provide to our customers;

increased costs on our fixed price contracts;

differences between contract value and revenue received with respect to our backlog;

our ability to attract and retain highly qualified senior officers and engineers;

our ability to obtain sufficient credit lines;

the cyclical nature of the commercial aerospace industry; and

the unpredictable nature of new programs and new technologies.

We are under no duty to update or revise any of the forward-looking statements or risk factors to conform them to actual results or to changes in our expectations.

USE OF PROCEEDS

We estimate that the net proceeds to us from this offering will be $ million (or $ million assuming the over-allotment option is exercised in full), after deducting underwriting discounts and commissions and an aggregate of $ in estimated offering expenses payable by us for this offering. We intend to use the net proceeds from the sale of common stock by us in this offering for general corporate purposes which may include working capital, capital expenditures, debt repayment, or acquisitions. In addition, under the terms of our credit agreement with BankUnited, N.A. and other lenders, if we raise $7.0 million or more in this offering, we are required to use 25% of the net proceeds from this offering to prepay our loans, with $1.2 million applied to the term loan and the remainder applied to our revolving loan.

Our credit agreement with BankUnited, N.A. and other lenders provides for a revolving loan of up to $30.0 million that matures on June 30, 2020 and bears interest at 0.50% in excess of the LIBOR rate or the bank’s prime rate, as selected by us in accordance with the terms of the agreement. As of June 30, 2018, the balance of the revolving loan was $27.3 million, bearing interest at 5.25%. The credit agreement also provides for a $10.0 million term loan that matures on June 30, 2020. The term loan amortizes over approximately four years. As of June 30, 2018, the balance of the term loan was approximately $7.7 million, bearing interest at 5.25%.

Pending use of the net proceeds of this offering, we intend to invest the net proceeds in accordance with our investment policy guidelines, which currently provide for investment of funds in cash equivalents, money market funds, and U.S. government obligations.

CAPITALIZATION

The following table sets forth our capitalization as of June 30, 2018 on an actual basis and on an as adjusted basis after giving effect to the sale by us of the shares of common stock offered hereby at an offering price of $ and after deducting underwriting discounts and commissions and estimated offering expenses payable by us.

You should read this table together with our financial statements and the related notes thereto, as well as "Management's Discussion and Analysis of Financial Condition and Results of Operations" and the other financial information, incorporated by reference in this prospectus supplement or the accompanying base prospectus from our SEC filings, including our annual report on Form 10-K for the year ended December 31, 2017 and our quarterly reports on Form 10-Q for the fiscal quarters ended March 31, 2018 and June 30, 2018.

	As of June 30, 2018	
	Actual	As Adjusted (Unaudited)
Shareholders' equity:		
Common stock, $.001 par value: authorized 50,000,000 shares, issued 8,938,491 shares (actual) and shares (as adjusted), respectively	$8,935	$
Additional paid-in capital	54,276,175	
Retained earnings	23,062,642	
Accumulated other comprehensive loss	—	
Total shareholders' equity	$77,347,752	$

The foregoing table does not take into account the 80,249 shares of our common stock subject to outstanding common stock purchase options as of June 30, 2018.

DESCRIPTION OF COMMON STOCK

Upon consummation of this offering, shares of our common stock will be outstanding. An additional 80,249 shares of our common stock are subject to outstanding common stock purchase options as of June 30, 2018. The options were issued by us to employees and non-employee directors of ours at exercise prices ranging from $6.60 to $15.04 per share with a weighted average exercise price of $11.05 per share and a weighted average remaining contractual life of seven months.

For a description of our common stock, please see "Description of Capital Stock" in the accompanying base prospectus.

UNDERWRITING

We have entered into an underwriting agreement with the underwriters identified in the table below (collectively, the "Underwriters") for whom Canaccord Genuity LLC is acting as representative with respect to the shares being sold in this offering.

The Underwriters are committed to take and pay for all of the shares being offered, if any are taken, other than the shares covered by the overallotment option described below unless and until the overallotment option is exercised.

Under the terms and subject to the conditions contained in the underwriting agreement, we have agreed to sell to the Underwriters named below, and each Underwriter severally has agreed to purchase, the respective number of shares of common stock set forth opposite its name below:

Underwriter **Number of Shares**
Canaccord Genuity LLC
B. Riley FBR, Inc.

Total

The Underwriters propose to offer the common stock directly to the public at the price set forth on the cover page of this prospectus supplement and to certain dealers at that price less a concession not in excess of $ per share. After this offering, these figures may be changed by the Underwriters.

We have granted the Underwriters an option to buy up to an additional shares of common stock from us to cover over-allotments, if any. The underwriters may exercise this option at any time and from time to time during the 30-day period from the date of this prospectus supplement. If any additional shares of common stock are purchased, the Underwriters will offer the additional shares on the same terms as those on which the shares are being offered.

Discounts and Commissions

The underwriting di/TD> 10,634

Repurchase of common stock
(618) (618)
Repurchase of preferred stock
(49,380) (49,380)
Preferred stock dividends
(33) (33) (51) (51)
Stock-based compensation related to grants of common stock options
5,808 5,808 7,570 7,570
Excess tax benefits on exercised stock options
1,169 1,169 284 284
Non-controlling interest from acquisitions
19,454 19,454
Redeemable non-controlling interest in subsidiaries income
396 396
Net income (loss)
215 62 277 14,829 (670) 14,159

Total other comprehensive income (loss)					
22,260	22,260	(18,609)	(18,609)		
Equity, end of period					
$2,567,283	$2,750	$2,570,033	$3,542,212	$20,514	$3,562,726

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ALERE INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
(unaudited)

(8) Business Combinations

Acquisitions are accounted for using the acquisition method and the acquired companies results have been included in the accompanying consolidated financial statements from their respective dates of acquisition. During the three months ended March 31, 2011 and 2010, we expensed acquisition-related costs of $1.9 million and $4.0 million, respectively, in general and administrative expense.

Our business acquisitions have historically been made at prices above the fair value of the acquired net assets, resulting in goodwill, based on our expectations of synergies of combining the businesses. These synergies include elimination of redundant facilities, functions and staffing; use of our existing commercial infrastructure to expand sales of the acquired businesses products; and use of the commercial infrastructure of the acquired businesses to cost-effectively expand product sales.

Allocation of the purchase price for acquisitions is based on estimates of the fair value of the net assets acquired and, for acquisitions completed within the past year, is subject to adjustment upon finalization of the purchase price allocation. We are not aware of any information that indicates the final purchase price allocations will differ materially from the preliminary estimates. Determination of the estimated useful lives of the individual categories of intangible assets was based on the nature of the applicable intangible asset and the expected future cash flows to be derived from the intangible asset. Amortization of intangible assets with finite lives is recognized over the shorter of the respective lives of the agreement or the period of time the assets are expected to contribute to future cash flows. We amortize our finite-lived intangible assets based on patterns on which the respective economic benefits are expected to be realized.

(a) Acquisitions in 2011

During 2011, we acquired the following businesses for a preliminary aggregate purchase price of $75.3 million, which consisted of cash payments totaling $64.1 million, 25,463 shares of our common stock with an acquisition date fair value of $1.0 million, contingent consideration obligations with an aggregate acquisition date fair value of $4.2 million and deferred purchase price consideration of $2.1 million.

90% interest in BioNote, Inc., or BioNote, headquartered in South Korea, a manufacturer of diagnostic products for the veterinary industry (Acquired January 2011). We previously owned a 10% interest in BioNote.

assets, including domain name, of Pregnancy.org, LLC, or Pregnancy.org, a U.S.-based company providing a website for preconception, pregnancy and newborn care content, tools and sharing (Acquired January 2011)

Home Telehealth Limited, subsequently renamed Alere Connected Health Limited, or Alere Connected Health, located in Cardiff, Wales, a company that focuses on delivering integrated, comprehensive services and programs to health and social care providers and insurers (Acquired February 2011)

Bioeasy Diagnostica Ltda., or Bioeasy, located in Belo Horizonte, Brazil, a company that markets and sells rapid diagnostic tests and systems for laboratory diagnosis, prevention and monitoring of immunological diseases and fertility (Acquired March 2011)

The operating results of BioNote and Bioeasy are included in our professional diagnostics reporting unit and business segment. The operating results of Pregnancy.org and Alere Connected Health are included in our health management reporting unit and business segment. Our consolidated statement of operations for the three months ended March 31, 2011 included revenue totaling approximately $3.0 million related to these businesses. Goodwill has been recognized in all of the acquisitions and amounted to approximately $41.9 million. Goodwill related to the acquisition of Pregnancy.org, which totaled $1.3 million, is expected to be deductible for tax purposes.

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ALERE INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
(unaudited)

A summary of the preliminary aggregate purchase price allocation for the acquisitions consummated in 2011 is as follows (in thousands):

Current assets	$ 13,326
Property, plant and equipment	4,913
Goodwill	41,862
Intangible assets	27,722
Other non-current assets	410
Total assets acquired	88,233
Current liabilities	6,108
Non-current liabilities	6,781
Total liabilities assumed	12,889
Net assets acquired	75,344
Less:	
Previously-owned 10% investment in BioNote	3,937
Contingent consideration	4,242
Fair value of common stock issued	1,000
Deferred purchase price consideration	2,070
Cash paid	$ 64,095

The following are the intangible assets acquired and their respective amortizable lives (dollars in thousands):

	Amount	Weighted Average Useful Life
Core technology and patents	$ 5,441	14.4 years
Database	64	3.0 years
Trademarks and trade names	4,748	16.7 years
Customer relationships	15,138	9.2 years
Non-compete agreements	425	3.9 years
Other	1,532	8.1 years
In-process research and development	374	N/A
Total intangible assets	$ 27,722	

(b) Acquisitions in 2010

During 2010, we acquired the following businesses for a preliminary aggregate purchase price of $602.5 million, which consisted of initial cash payments totaling $512.1 million, contingent consideration obligations with an acquisition date fair value of $89.7 million and deferred purchase price consideration with an acquisition date present

value of $0.7 million.

RMD Networks, Inc., or RMD, located in Denver, Colorado, a provider of clinical groupware software and services designed to improve communication and coordination of care among providers, patients, and payers in the healthcare environment (Acquired January 2010)

certain assets of Streck, Inc., or Streck, located in Nebraska, a manufacturer of hematology, chemistry and immunology products for the clinical laboratory (Acquired January 2010)

Standard Diagnostics, headquartered in South Korea, a company that specializes in the medical diagnostics industry. Its main product lines relate to diagnostic reagents and devices for hepatitis, infectious diseases, tumor markers, fertility, drugs of abuse, urine strips and protein strips. (Initial controlling interest acquired February 2010)

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ALERE INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
(unaudited)

Kroll Laboratory Specialists, Inc., subsequently renamed Alere Toxicology Services, or Alere Toxicology, headquartered in Gretna, Louisiana, a company that provides forensic quality substance abuse testing products and services across the United States (Acquired February 2010)

a privately-owned U.K. research and development operation (Acquired March 2010)

assets of the diagnostics division of Micropharm Ltd., located in Wales, United Kingdom, an expert in high-quality antibody production in sheep for both diagnostic and therapeutic purposes, providing antisera on a contract basis for U.K. and overseas companies and academic institutions, mainly for research, therapeutic and diagnostic uses (Acquired March 2010)

Quantum Diagnostics Group Limited, or Quantum, headquartered in Essex, England, an independent provider of drug testing products and services to healthcare professionals across the U.K. and Europe (Acquired April 2010)

assets of the workplace health division of Good Health Solutions Pty Ltd., subsequently renamed Alere Health Pty Ltd., located in East Sydney, Australia, an important player in the Australian health and wellness market, focusing on health screenings, health-related consulting services, health coaching and fitness instruction (Acquired April 2010)

certain assets of Unotech Diagnostics, Inc., or Unotech, located in California, a privately-owned company engaged in the development, formulation, manufacture, packaging, supply and distribution of our BladderCheck NMP22 lateral flow test and related lateral flow products (Acquired June 2010)

Scipac Holdings Limited, or Scipac, headquartered in Kent, England, a diagnostic reagent company with an extensive product portfolio supplying purified human antigens, recombinant proteins and disease state plasma to a global customer base (Acquired June 2010)

a privately-owned research and development operation, located in San Diego, California (Acquired July 2010)

Diagnostixx of California, Corp. (d/b/a Immunalysis Corporation), or Immunalysis, located in Pomona, California, a privately-owned manufacturer and marketer of abused and prescription drug screening solutions used by clinical reference and forensic/crime laboratories (Acquired August 2010)

AdnaGen AG, or AdnaGen, located in Langenhagen, Germany, a company that focuses on the development of innovative tumor diagnostics for the detection of rare cells (Acquired November 2010)

Medlab Produtos Medicos Hospitalares Ltda, or Medlab, located in San Paulo, Brazil, a distributor of medical instruments and reagents to public and private laboratories throughout Brazil and Uruguay (Acquired December 2010)

Capital Toxicology, LLC, or Capital Toxicology, located in Austin, Texas, a privately-held toxicology business specializing in pain management services (Acquired December 2010)

The operating results of the acquired businesses mentioned above, except for RMD and Alere Health Pty Ltd., are included in our professional diagnostics reporting unit and business segment. The operating results of RMD and Alere Health Pty Ltd. are included in our health management reporting unit and business segment. Our consolidated statements of operations for the three months ended March 31, 2011 and 2010 included revenue totaling approximately $51.8 million and $16.1 million, respectively, related to these businesses. Goodwill has been recognized in all of the acquisitions, with the exception of Unotech and Streck, and amounted to approximately $280.6 million. Goodwill related to the acquisitions of Alere Toxicology and Capitol Toxicology, which totaled $63.7 million, is expected to be deductible for tax purposes.

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ALERE INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
(unaudited)

A summary of the preliminary aggregate purchase price allocation for the acquisitions consummated in 2010 is as follows (in thousands):

Current assets	$ 84,862
Property, plant and equipment	36,565
Goodwill	280,648
Intangible assets	283,855
Other non-current assets	16,988
Total assets acquired	702,918
Current liabilities	28,324
Non-current liabilities	72,050
Total liabilities assumed	100,374
Net assets acquired	602,544
Less:	
Contingent consideration	89,708
Present value of deferred purchase price consideration	688
Cash paid	$ 512,148

The following are the intangible assets acquired and their respective amortizable lives (dollars in thousands):

	Amount	Weighted Average Useful Life
Core technology and patents	$ 106,885	12.4 years
Quality systems	153	5.0 years
Database	654	3.0 years
Trademarks and trade names	11,654	6.3 years
License agreements	459	10.0 years
Customer relationships	125,332	14.3 years
Non-compete agreements	2,650	4.2 years
Software	5,000	7.0 years
Distribution agreement	800	14.0 years
Manufacturing know-how	3,683	10.5 years
In-process research and development	26,585	N/A
Total intangible assets	$ 283,855	

(c) Restructuring Plans of Acquisitions

In connection with several of our acquisitions consummated during 2008 and prior, we initiated integration plans to consolidate and restructure certain functions and operations, including the costs associated with the termination of certain personnel of these acquired entities and the closure of certain of the acquired entities leased facilities. These costs have been recognized as liabilities assumed in connection with the acquisition of these entities and are subject to potential adjustments as certain exit activities are refined. The following table summarizes the liabilities established for exit activities related to these acquisitions (in thousands):

	Severance Related	Facility And Other	Total Exit Activities
Balance, December 31, 2010	$ 339	$ 3,020	$ 3,359
Restructuring plan adjustments	(90)		(90)
Payments		(546)	(546)
Balance, March 31, 2011	$ 249	$ 2,474	$ 2,723

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ALERE INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
(unaudited)

In connection with our acquisition of Matria in 2008, we implemented an integration plan to improve operating efficiencies and eliminate redundant costs resulting from the acquisition. The restructuring plan impacted all cost centers within the Matria organization, as activities were combined with our existing business operations. Since inception of the plan, we recorded $18.5 million in exit costs, of which $13.8 million relates to change in control and severance costs to involuntarily terminate employees and $4.7 million related to facility exit costs. As of March 31, 2011, $0.9 million in facility exit costs remain unpaid.

In conjunction with our acquisition of Panbio in 2008, we formulated a restructuring plan to realize efficiencies and cost savings. In February 2008, we agreed upon a plan to close Panbio s facility located in Columbia, Maryland. The manufacturing operation at the Maryland-based facility was transferred to a third-party manufacturer, the sales of the products at this facility were transferred to our shared services center in Orlando, Florida and the distribution operations were transferred to our distribution facility in Freehold, New Jersey. Since inception of the plan, we recorded $1.0 million in exit costs, including $0.8 million related to facility and other exit costs and $0.2 million related to severance costs to involuntarily terminated employees. As of March 31, 2011, $0.2 million in facility exit costs remain unpaid.

During 2007, we formulated restructuring plans in connection with our acquisition of Cholestech Corporation, or Cholestech, consistent with our acquisition strategy to realize operating efficiencies and cost savings. Additionally, in March 2008, we announced plans to close the Cholestech facility in Hayward, California. We have transitioned the manufacturing of the related products to our facility in San Diego, California and have transitioned the sales and distribution of the products to our shared services center in Orlando, Florida. Since inception of the plans, we recorded $8.5 million in exit costs, of which $5.8 million relates to executive change in control agreements and severance costs to involuntarily terminate employees and $2.7 million relates to facility exit costs. During the first quarter of 2011, we determined that $0.1 million of change in control costs would not be incurred, thereby reducing the assumed liability and goodwill related to the Cholestech acquisition. As of March 31, 2011, $1.6 million in facility exit costs remain unpaid. See Note 9 for additional restructuring charges related to the Cholestech facility closure and integration.

Although we believe our plans and estimated exit costs for our acquisitions are reasonable, actual spending for exit activities may differ from current estimated exit costs.

(d) Pro Forma Financial Information

The following table presents selected unaudited financial information of our company, including Standard Diagnostics as if the acquisition of this entity had occurred on January 1, 2010. Pro forma results exclude adjustments for various other less significant acquisitions completed since January 1, 2010, as these acquisitions did not materially affect our results of operations.

The pro forma results are derived from the historical financial results of the acquired businesses for the periods presented and are not necessarily indicative of the results that would have occurred had the acquisitions been consummated on January 1, 2010. There was no pro forma impact on the results of operations for the three months ended March 31, 2011, as the acquisition of Standard Diagnostics closed prior to January 1, 2011 (in thousands, except per share amounts).

	Three Months Ended March 31, 2010
Pro forma net revenue	$ 521,407
Pro forma net loss from continuing operations attributable to Alere Inc. and Subsidiaries	$ (4,794)
Pro forma net income available to common stockholders	$ 7,152
	$ (0.06)

Pro forma net loss from continuing operations attributable to Alere Inc. and Subsidiaries per common share basic and diluted[1]		
Pro forma net income available to common stockholders basic[1]	$	0.09
Pro forma net income available to common stockholders diluted[1]	$	0.09

(1) Net income (loss) per common share amounts are computed as described in Note 5.

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ALERE INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
(unaudited)

(9) Restructuring Plans

The following table sets forth the aggregate charges associated with restructuring plans recorded in operating income for the three months ended March 31, 2011 and 2010 (in thousands):

	Three Months Ended March 31,	
	2011	**2010**
Cost of net revenue	$ 1,350	$ 1,580
Research and development	18	(85)
Sales and marketing	1,012	952
General and administrative	3,819	4,521
	$ 6,199	$ 6,968

(a) 2011 Restructuring Plans

In the first quarter of 2011, management executed additional plans to further reduce costs and improve efficiencies in our health management business segment, as well as cease operations at our GeneCare facility in Chapel Hill, North Carolina. As a result of these plans, we recorded $4.2 million in charges during the three months ended March 31, 2011, which included $1.3 million in severance costs related to several of our health management businesses and $2.9 million in intangible asset impairments related to our GeneCare operations. As of March 31, 2011, $1.2 million in severance costs remain unpaid. We anticipate incurring an additional $2.3 million in costs under these plans, primarily related to facility lease obligations.

Additionally, during the first quarter of 2011, management executed several plans to reduce costs and improve operational efficiencies in our professional diagnostics business segment, including consolidation of operating activities among certain of our European subsidiaries. As a result of these plans, we recorded $1.6 million in charges during the three months ended March 31, 2011, which included $1.0 million in severance costs and $0.6 million in fixed asset and inventory impairments. We have $0.3 million in unpaid severance cost under these plans as of March 31, 2011. We do not anticipate incurring significant additional charges under these first quarter plans.

(b) 2010 Restructuring Plans

In 2010, management executed plans to reduce costs and improve efficiencies in our health management business segment. As a result of these plans, we recorded $5.5 million in charges during the three months ended March 31, 2010, which included $3.2 million in severance costs, $2.2 million in costs associated with facility exit costs and $0.1 million in present value accretion on facility exit costs, which was included in interest expense. Since inception of the plans, we recorded $7.5 million in charges, which included $4.6 million in severance costs, $2.5 million in costs associated with facility exit costs, $0.2 million in fixed asset impairments and $0.2 million in present value accretion on facility exit costs, which was included in interest expense. We have $1.9 million in severance and facility exit costs remaining to be paid as of March 31, 2011. We do not anticipate incurring significant additional charges under these plans.

During 2010, management also executed several plans to reduce costs and improve efficiencies in our professional diagnostics business segment. As a result of these plans, during the three months ended March 31, 2011 and since inception, we recorded $0.1 million and $3.4 million, respectively, in charges. The $0.1 million related to various miscellaneous charges, and the $3.4 million included $2.4 million in severance costs, $0.8 million in facility and other exit costs and $0.2 million in fixed asset impairments. As of March 31, 2011, substantially all costs have been paid. We do not anticipate incurring significant additional charges under these plans.

(c) 2008 Restructuring Plans

In May 2008, we decided to close our facility located in Bedford, England and initiated steps to cease operations at this facility and transition the manufacturing operations principally to our manufacturing facilities in Shanghai

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ALERE INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
(unaudited)

and Hangzhou, China. Based upon this decision, during the three months ended March 31, 2011 and 2010, we recorded $0.3 million and $0.6 million, respectively, in restructuring charges primarily related to transition costs. Of the $0.3 million and $0.5 million included in operating income for the three months ended March 31, 2011 and 2010, respectively, substantially all was charged to our professional diagnostics business segment.

In addition to the restructuring charges discussed above, $0.4 million and $1.6 million of charges associated with the Bedford facility closure were borne by our 50/50 joint venture with P&G, or SPD, during the three months ended March 31, 2011 and 2010, respectively. Included in the $0.4 million of charges for the three months ended March 31, 2011 was $0.2 million in severance and transition costs and $0.2 million of fixed asset write-offs. Included in the $1.6 million of charges for the three months ended March 31, 2010 was $1.0 million in severance and retention costs, $1.0 million in transition costs and a $0.4 million reduction in inventory reserves. Of these restructuring charges, 50%, or $0.2 million and $0.8 million, has been included in equity earnings of unconsolidated entities, net of tax, in our consolidated statements of operations for the three months ended March 31, 2011 and 2010, respectively. Of the total exit costs incurred jointly with SPD under this plan, $0.4 million in costs remain unpaid as of March 31, 2011.

Since inception of the plan, we recorded $17.2 million in restructuring charges, including $5.9 million of fixed asset and inventory impairments, $4.6 million related to the acceleration of facility restoration costs and early termination lease penalties, $4.1 million in severance costs, $3.2 million in transition costs and $0.6 million related to a pension plan curtailment gain associated with the Bedford employees being terminated. SPD has been allocated $31.3 million in restructuring charges since the inception of the plan, including $9.3 million of fixed asset and inventory impairments, $11.4 million in severance and retention costs, $2.9 million in early termination lease penalties, $7.1 million in facility exit costs and $0.6 million related to the acceleration of facility exit costs. We anticipate incurring additional costs of approximately $1.0 million related to the closure of this facility, primarily related to severance and transition costs, through the end of 2011. Of these additional anticipated costs, approximately $0.8 million will be borne by SPD and $0.2 million will be borne by us and will be included primarily in our professional diagnostics business segment.

As a result of our plans to transition the businesses of Cholestech and HemoSense, Inc., or HemoSense, to our San Diego, California facility and Panbio to Orlando, Florida and close these facilities, we incurred $0.7 million in restructuring charges related to our professional diagnostics business segment for the three months ended March 31, 2010, of which $0.3 million relates to severance and retention costs and $0.4 million in transition costs. Since the inception of the plan, we incurred $14.6 million in restructuring charges, of which $4.5 million relates to severance and retention costs, $3.4 million in fixed asset impairments, $4.6 million in transition costs, $1.6 million in inventory write-offs and $0.5 million in present value accretion of facility lease costs related to these plans. As of March 31, 2011, $0.5 million in facility exit costs remains unpaid. We do not anticipate incurring significant additional restructuring charges under these plans.

(10) Long-term Debt

We had the following long-term debt balances outstanding (in thousands):

	March 31, 2011	December 31, 2010
First Lien Credit Agreement Term loans	$ 938,813	$ 941,250
Second Lien Credit Agreement	250,000	250,000
3% Senior subordinated convertible notes	150,000	150,000
9% Senior subordinated notes	390,059	389,686
7.875% Senior notes	244,966	244,756
8.625% Senior subordinated notes	400,000	400,000
Lines-of-credit	4,178	4,405
Other	22,054	15,360

	2,400,070	2,395,457
Less: Current portion	(17,790)	(16,891)
	$ 2,382,280	$ 2,378,566

In connection with our significant long-term debt issuances, we recorded interest expense, including amortization of deferred financing costs and original issue discounts, in our consolidated statements of operations for the three months ended March 31, 2011 and 2010, respectively, as follows (in thousands):

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	Three Months Ended March 31,	
	2011	2010
Secured credit facilities	$ 12,054	$ 15,675
3% Senior subordinated convertible notes	1,246	1,246
9% Senior subordinated notes	9,730	9,695
7.875% Senior notes	5,365	5,142
8.625% Senior subordinated notes	8,908	
	$ 37,303	$ 31,758

In August 2007, we entered into interest rate swap contracts, with an effective date of September 28, 2007, that had a total notional value of $350.0 million and an original maturity date of September 28, 2010. These interest rate swap contracts paid us variable interest at the three-month LIBOR rate, and we paid the counterparties a fixed rate of 4.85%. In March 2009, we extended our August 2007 interest rate hedge for an additional two-year period commencing in September 2010 at a one-month LIBOR rate of 2.54%. These interest rate swap contracts were entered into to convert $350.0 million of the $1.2 billion variable rate term loans under the secured credit facilities into fixed rate debt.

In January 2009, we entered into interest rate swap contracts, with an effective date of January 14, 2009, that had a total notional value of $500.0 million and a maturity date of January 5, 2011. These interest rate swap contracts paid us variable interest at the one-month LIBOR rate, and we paid the counterparties a fixed rate of 1.195%. These interest rate swap contracts were entered into to convert $500.0 million of the $1.2 billion variable rate term loan under the secured credit facility into fixed rate debt. We did not extend the terms of these interest rate swap contracts after January 5, 2011.

(11) Derivative Financial Instruments

We use derivative financial instruments (interest rate swap contracts) in the management of our interest rate exposure related to our secured credit facilities. We do not hold or issue derivative financial instruments for speculative purposes.

The following tables summarize the fair value of our derivative instruments and the effect of derivative instruments on/in our accompanying consolidated balance sheets and consolidated statements of operations (in thousands):

Derivative Instruments	Balance Sheet Caption	Fair Value at March 31, 2011	Fair Value at December 31, 2010
Interest rate swap contracts[1]	Accrued expenses and other current liabilities	$	$ 26
Interest rate swap contracts[1]	Other long-term liabilities	$ 10,363	$ 11,954

	Amount of Gain Recognized During the Three	Amount of Loss Recognized During the Three

Derivative Instruments	Location of Gain (Loss) Recognized in Income	Months Ended March 31, 2011	Months Ended March 31, 2010
Interest rate swap contracts[1]	Other comprehensive income (loss)	$ 1,617	$ (1,201)

[1] See Note 10 regarding our interest rate swaps which qualify as cash flow hedges.

(12) Fair Value Measurements

We apply fair value measurement accounting to value our financial assets and liabilities. Fair value measurement accounting provides a framework for measuring fair value under U.S. GAAP and requires expanded disclosures regarding fair value measurements. Fair value is defined as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. A fair value hierarchy requires an entity to maximize the use of observable inputs, where available, and minimize the use of unobservable inputs when measuring fair value.

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Described below are the three levels of inputs that may be used to measure fair value:

Level 1 Quoted prices in active markets for identical assets or liabilities. Our Level 1 assets and liabilities include investments in marketable securities.

Level 2 Observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities. Our Level 2 liabilities include interest rate swap contracts.

Level 3 Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities. The fair value of the contingent consideration obligations related to our acquisitions completed after January 1, 2009 are valued using Level 3 inputs.

The following tables present information about our assets and liabilities that are measured at fair value on a recurring basis as of March 31, 2011 and December 31, 2010, and indicates the fair value hierarchy of the valuation techniques we utilized to determine such fair value (in thousands):

Description	March 31, 2011	Quoted Prices in Active Markets (Level 1)	Significant Other Observable Inputs (Level 2)	Unobservable Inputs (Level 3)
Assets:				
Marketable securities	$ 4,632	$ 4,632	$	$
Total assets	$ 4,632	$ 4,632	$	$
Liabilities:				
Interest rate swap liability [1]	$ 10,363	$	$ 10,363	$
Contingent consideration obligations [2]	125,352			125,352
Total liabilities	$ 135,715	$	$ 10,363	$ 125,352

Description	December 31, 2010	Quoted Prices in Active Markets (Level 1)	Significant Other Observable Inputs (Level 2)	Unobservable Inputs (Level 3)
Assets:				
Marketable securities	$ 11,948	$ 11,948	$	$
Total assets	$ 11,948	$ 11,948	$	$
Liabilities:				
Interest rate swap liability [1]	$ 11,980	$	$ 11,980	$
Contingent consideration obligations [2]	132,879			132,879

Total liabilities	$ 144,859	$	$ 11,980	$ 132,879

(1) The fair value of our interest rate swaps is based on the application of standard discounted cash flow models using market interest rate data.

(2) The fair value measurements for our contingent consideration obligations related to the acquisitions completed after January 1, 2009 are valued using Level 3 inputs. We determine the fair value of the contingent consideration obligations based on a probability-weighted approach derived from earn-out criteria estimates and a probability assessment with respect to the likelihood of achieving the various earn-out criteria. The measurement is based upon significant inputs not observable in the market. Changes in the fair value of these contingent consideration obligations are recorded as income or expense, a component of operating income in our consolidated statements of operations. See Note 16 for additional information on the valuation of our contingent consideration obligations.

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Changes in the fair value of our Level 3 contingent consideration obligations during the three months ended March 31, 2011 were as follows (in thousands):

Fair value of contingent consideration obligations, December 31, 2010	$ 132,879
Acquisition date fair value of contingent consideration obligations recorded	4,242
Payments	(13,222)
Adjustments, net (income) expense	1,453
Fair value of contingent consideration obligations, March 31, 2011	$ 125,352

At March 31, 2011 and December 31, 2010, the carrying amounts of cash and cash equivalents, restricted cash, receivables, accounts payable and other current liabilities approximated their estimated fair values.

The carrying amount and the estimated fair value of our long-term debt were $2.4 billion and $2.5 billion, respectively, at March 31, 2011. The carrying amount and the estimated fair value of our long-term debt were $2.4 billion each at December 31, 2010. The estimated fair value of our long-term debt was determined using market sources that were derived from available market information and may not be representative of actual values that could have been or will be realized in the future.

(13) Defined Benefit Pension Plan

Our subsidiary in England, Unipath Ltd., has a defined benefit pension plan established for certain of its employees. The net periodic benefit costs are as follows (in thousands):

	Three Months Ended March 31,	
	2011	**2010**
Service cost	$	$
Interest cost	202	159
Expected return on plan assets	(155)	(111)
Amortization of prior service cost	106	
Realized losses		
Net periodic benefit cost	$ 153	$ 48

(14) Financial Information by Segment

Operating segments are defined as components of an enterprise about which separate financial information is available that is evaluated regularly by the chief operating decision maker, or decision-making group, in deciding how to allocate resources and in assessing performance. Our chief operating decision-making group is composed of the chief executive officer and members of senior management. Our reportable operating segments are Professional Diagnostics, Health Management, Consumer Diagnostics and Corporate and Other. Our operating results include license and royalty revenue which is allocated to Professional Diagnostics and Consumer Diagnostics on the basis of the original license or royalty agreement.

We evaluate performance of our operating segments based on revenue and operating income (loss). Segment information for the three months ended March 31, 2011 and 2010 is as follows (in thousands):

	Professional Diagnostics	**Health Management**	**Consumer Diagnostics**	**Corporate and Other**	**Total**

Three months ended March 31, 2011:					
Net revenue to external customers	$ 415,812	$ 143,063	$ 23,589	$	$ 582,464
Operating income (loss)	$ 60,262	$ (11,933)	$ 3,361	$ (20,785)	$ 30,905
Depreciation and amortization	$ 65,249	$ 28,314	$ 1,259	$ 153	$ 94,975
Restructuring charge	$ 1,978	$ 4,221	$	$	$ 6,199
Stock-based compensation	$	$	$	$ 5,808	$ 5,808
Three months ended March 31, 2010:					
Net revenue to external customers	$ 340,393	$ 148,532	$ 26,329	$	$ 515,254
Operating income (loss)	$ 51,474	$ (9,001)	$ 2,378	$ (16,141)	$ 28,710
Depreciation and amortization	$ 57,844	$ 29,930	$ 1,327	$ 147	$ 89,248
Restructuring charge	$ 1,489	$ 5,434	$ 45	$	$ 6,968
Stock-based compensation	$	$	$	$ 7,570	$ 7,570
Assets:					
As of March 31, 2011	$ 4,942,767	$ 998,680	$ 202,484	$ 150,111	$ 6,294,042
As of December 31, 2010	$ 4,913,491	$ 1,011,183	$ 207,795	$ 197,905	$ 6,330,374

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(15) Related Party Transactions

In May 2007, we completed the formation of our 50/50 joint venture with P&G for the development, manufacturing, marketing and sale of existing and to-be-developed consumer diagnostic products, outside the cardiology, diabetes and oral care fields. Upon completion of the arrangement to form the joint venture, we ceased to consolidate the operating results of our consumer diagnostic products business related to the joint venture and instead account for our 50% interest in the results of the joint venture under the equity method of accounting.

We had a net receivable from the joint venture of $8.5 million and a net payable to the joint venture of $2.8 million as of March 31, 2011 and December 31, 2010, respectively. Included in the $8.5 million receivable balance as of March 31, 2011 is approximately $8.3 million of costs incurred in connection with our 2008 SPD-related restructuring plans. We have also recorded a long-term receivable totaling approximately $17.7 million and $23.9 million as of March 31, 2011 and December 31, 2010, respectively, related to the 2008 SPD-related restructuring plans. Additionally, customer receivables associated with revenue earned after the joint venture was completed have been classified as other receivables within prepaid and other current assets on our accompanying consolidated balance sheets in the amount of $8.2 million and $7.8 million as of March 31, 2011 and December 31, 2010, respectively. In connection with the joint venture arrangement, the joint venture bears the collection risk associated with these receivables. Sales to the joint venture under our manufacturing agreement totaled $16.3 million and $18.0 million during the three months ended March 31, 2011 and 2010, respectively. Additionally, services revenue generated pursuant to the long-term services agreement with the joint venture totaled $0.3 million during both the three months ended March 31, 2011 and 2010. Sales under our manufacturing agreement and long-term services agreement are included in net product sales and services revenue, respectively, in our accompanying consolidated statements of operations.

Under the terms of our product supply agreement, the joint venture purchases products from our manufacturing facilities in the U.K. and China. The joint venture in turn sells a portion of those tests back to us for final assembly and packaging. Once packaged, the tests are sold to P&G for distribution to third-party customers in North America. As a result of these related transactions, we have recorded $6.7 million and $7.0 million of trade receivables which are included in accounts receivable on our accompanying consolidated balance sheets as of March 31, 2011 and December 31, 2010, respectively, and $17.6 million and $20.5 million of trade accounts payable which are included in accounts payable on our accompanying consolidated balance sheets as of March 31, 2011 and December 31, 2010, respectively.

(16) Commitments and Contingencies

(a) Legal Proceedings

We are not a party to any pending legal proceedings that we currently believe could have a material adverse impact on our sales, operations or financial performance. However, because of the nature of our business, we may be subject at any particular time to lawsuits or other claims arising in the ordinary course of our business, and we expect that this will continue to be the case in the future.

(b) Acquisition-related Contingent Consideration Obligations

We have contractual contingent consideration obligations related to our acquisitions of Accordant, AdnaGen, Alere Connected Health, Bioeasy, Capital Toxicology, Free & Clear, Immunalysis, JSM, Medlab, Mologic,

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Tapestry now known as Alere Home Monitoring, Inc., or Alere Home Monitoring, a privately-owned research and development operation, a privately-owned U.K. research and development operation, a privately-owned health management business acquired in 2008 and certain other small businesses.

(i) Acquisitions completed prior to January 1, 2009

Privately-owned health management business

With respect to a privately-owned health management business which we acquired in 2008, the terms of the acquisition agreement provide for contingent consideration payable upon successfully meeting certain revenue and EBITDA targets. The final earn-out was achieved during the fourth quarter of 2010, resulting in an accrual of approximately 23.9 million ($31.8 million). Cash payment totaling 24.1 million ($34.0 million) was made during the first quarter of 2011.

(ii) Acquisitions completed on or after January 1, 2009

Accordant

With respect to Accordant, the terms of the acquisition agreement require us to pay an earn-out upon successfully meeting certain revenue and cash collection targets starting after the second anniversary of the acquisition date and completed prior to the third anniversary date of the acquisition. The maximum amount of the earn-out payment is $6.0 million and, if earned, payment is expected to be made during 2012 and 2013.

AdnaGen

With respect to AdnaGen, the terms of the acquisition agreement require us to pay earn-outs upon successfully (i) meeting certain financial performance targets during the two years following the acquisition; (ii) achieving multiple product development milestones during the three years following the acquisition and (iii) creating pharmaceutical alliances during the six years following the acquisition. The maximum amount of the earn-out payments is approximately $63.0 million.

Alere Connected Health

With respect to Alere Connected Health, the terms of the acquisition agreement require us to pay earn-outs upon successfully meeting certain EBIT targets during calendar years 2011 through 2013. The maximum amount of the earn-out payments is £9.0 million (approximately $14.5 million).

Bioeasy

With respect to Bioeasy, the terms of the acquisition agreement require us to pay earn-outs upon successfully meeting certain revenue and EBITDA targets during each of the calendar years 2011 through 2013. The maximum amount of the earn-out payments is approximately $7.5 million.

Capital Toxicology

With respect to Capital Toxicology, the terms of the acquisition agreement require us to pay an earn-out upon successfully meeting certain EBITDA targets during each of the calendar years 2011 and 2012. The maximum amount of the earn-out payments is approximately $16.0 million.

Free & Clear

With respect to Free & Clear, the terms of the acquisition agreement require us to pay an earn-out upon successfully meeting certain revenue and EBITDA targets during fiscal year 2010. A payment of approximately $11.5 million was made during the second quarter of 2011 which was accrued as of March 31, 2011.

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Immunalysis

With respect to Immunalysis, the terms of the acquisition agreement require us to pay earn-outs upon successfully meeting certain gross profit targets during each of the calendar years 2010 through 2012. The maximum remaining amount of the earn-out payments is approximately $5.7 million.

JSM

With respect to JSM, the terms of the acquisition agreement require us to pay an earn-out upon successfully meeting certain revenue and operating income targets during each of the calendar years 2010 through 2012. The 2010 portion of the earn-out totaling approximately $0.6 million was earned as of December 31, 2010. Payment of the 2010 earn-out is expected to be made during the second quarter of 2011. The maximum remaining amount of the earn-out payments is approximately $2.4 million.

Medlab

With respect to Medlab, the terms of the acquisition agreement require us to pay an earn-out upon successfully meeting certain revenue and EBITDA targets during each of the calendar years 2011 through 2016. The maximum amount of the earn-out payments is approximately $10.2 million.

Mologic

With respect to Mologic, the terms of the acquisition agreement require us to pay earn-outs, in shares of our common stock, upon successfully meeting four research and development project milestones during the four years following the acquisition. A portion of the earn-out was achieved during the fourth quarter of 2010, resulting in an accrual of approximately $3.9 million. Payment of this portion of the earn-out is expected to be made during the second quarter of 2011. The maximum remaining amount of the earn-out payments is $15.0 million, which will be paid in shares of our common stock.

Alere Home Monitoring

With respect to Alere Home Monitoring, the terms of the acquisition agreement require us to pay an earn-out upon successfully meeting certain revenue and EBITDA targets during each of the calendar years 2010 and 2011. Cash payment for the 2010 portion of the earn-out totaling $12.7 million was paid during the first quarter of 2011. The maximum remaining amount of the earn-out payments is $12.3 million which, if earned, will be paid in shares of our common stock.

Privately-owned research and development operation

With respect to our acquisition of a privately-owned research and development operation, the terms of the acquisition agreement require us to pay earn-outs upon successfully meeting multiple product development milestones during the five years following the acquisition. The maximum amount of the earn-out payments is $57.5 million.

Privately-owned U.K. research and development operation

With respect to our acquisition of a privately-owned U.K. research and development operation, the terms of the acquisition agreement require us to pay an earn-out upon successfully meeting certain revenue and product development targets. The maximum amount of the earn-out payments is $125.0 million and, if earned, payments are expected to be made during the eight-year period following the acquisition date, but could extend thereafter.

(c) Contingent Obligations

Agreements with Epocal

In November 2009, we entered into a distribution agreement with Epocal, Inc., or Epocal, to distribute the epoc® Blood Analysis System for blood gas and electrolyte testing for $20.0 million, which is recorded on our accompanying consolidated balance sheet in other intangible assets, net. We also entered into a definitive agreement to acquire all of the issued and outstanding equity securities of Epocal for a total potential purchase price of up to

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$255.0 million, including a base purchase price of up to $172.5 million if Epocal achieves certain gross margin and other financial milestones on or prior to October 31, 2014, plus additional payments of up to $82.5 million if Epocal achieves certain other milestones relating to its gross margin and product development efforts on or prior to this date. We also agreed that, if the acquisition is consummated, we will provide $12.5 million in management incentive arrangements, 25% of which will vest over three years and 75% of which will be payable only upon the achievement of certain milestones. The acquisition will also be subject to other closing conditions, including the receipt of any required antitrust or other approvals. In April 2011, we entered into a license agreement with Epocal and amended some of the terms of the definitive agreement to acquire Epocal. The license agreement provides Alere with royalty-free access to certain Epocal intellectual property for use in Alere home-use products and provided for an upfront license payment of $18.0 million, of which $12.0 million was paid in April 2011, $3.0 million will be paid in June 2011 and $3.0 million will be paid in September 2011. The amendment of the definitive agreement increased the working capital target by $18.0 million. The amendment of the agreement also added an additional potential milestone payment of $8.0 million. As a result, the maximum purchase price under the acquisition agreement increased to $263.0 million.

Option agreement with P&G

In connection with the formation of SPD in May 2007, we entered into an option agreement with P&G, pursuant to which P&G has the right, for a period of 60 days commencing on May 17, 2011, to require us to acquire all of P&G s interest in SPD at fair market value, and P&G has the right, upon certain material breaches by us of our obligations to SPD, to acquire all of our interest in SPD at fair market value. No gain on the proceeds that we received from P&G through the formation of SPD will be recognized in our financial statements until P&G s option to require us to purchase its interest in SPD expires. If P&G chooses to exercise its option, the deferred gain carried on our books would be reversed in connection with the repurchase transaction. As of March 31, 2011 and December 31, 2010, the deferred gain of $288.8 million and $288.4 million, respectively, is presented as a current liability on our accompanying consolidated balance sheets.

(17) Recent Accounting Pronouncements

From time to time, new accounting pronouncements are issued by the Financial Accounting Standards Board, or FASB, or other standard setting bodies that we adopt as of the specified effective date. Unless otherwise discussed, we believe that the impact of recently issued standards that are not yet effective will not have a material impact on our financial position, results of operations or cash flows upon adoption.

Recently Adopted Standards

Effective January 1, 2011, we adopted Accounting Standards Update, or ASU, No. 2009-13, *Revenue Recognition (Topic 650): Multiple-Deliverable Revenue Arrangements a consensus of the FASB EITF*, or ASU 2009-13. ASU 2009-13 will separate multiple-deliverable revenue arrangements. This update establishes a selling price hierarchy for determining the selling price of a deliverable. The amendments of this update will replace the term fair value in the revenue allocation guidance with selling price to clarify that the allocation of revenue is based on entity-specific assumptions rather than assumptions of a marketplace participant. The amendments of this update will eliminate the residual method of allocation and require that arrangement consideration be allocated at the inception of the arrangement to all deliverables using the relative selling price method. The amendments in this update will require that a vendor determine its best estimated selling price in a manner consistent with that used to determine the price to sell the deliverable on a standalone basis. The adoption of this standard did not have a material impact on our financial position, results of operations or cash flows.

(18) Equity Investments

We account for the results from our equity investments under the equity method of accounting in accordance with ASC 323, *Investments Equity Method and Joint Ventures,* based on the percentage of our ownership interest in the business. Our equity investments primarily include the following:

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(a) SPD

In May 2007, we completed the formation of SPD, our 50/50 joint venture with P&G, for the development, manufacturing, marketing and sale of existing and to-be-developed consumer diagnostic products, outside the cardiology, diabetes and oral care fields. Upon completion of the arrangement to form the joint venture, we ceased to consolidate the operating results of our consumer diagnostics business related to the joint venture. For the three months ended March 31, 2011 and 2010, we recorded earnings of $0.4 million and $3.6 million, respectively, in equity earnings of unconsolidated entities, net of tax, in our accompanying consolidated statements of operations, which represented our 50% share of SPD s net income for the respective periods.

(b) TechLab

In May 2006, we acquired 49% of TechLab, Inc., or TechLab, a privately-held developer, manufacturer and distributor of rapid non-invasive intestinal diagnostics tests in the areas of intestinal inflammation, antibiotic associated diarrhea and parasitology. For three months ended March 31, 2011 and 2010, we recorded earnings of $0.5 million and $0.6 million, respectively, in equity earnings of unconsolidated entities, net of tax, in our accompanying consolidated statements of operations, which represented our minority share of TechLab s net income for the respective periods.

Summarized financial information for the P&G joint venture and TechLab on a combined basis is as follows (in thousands):

Combined Condensed Results of Operations:

	Three Months Ended March 31,	
	2011	**2010**
Net revenue	$ 55,554	$ 61,254
Gross profit	$ 35,465	$ 36,112
Net income after taxes	$ 1,834	$ 8,398

Combined Condensed Balance Sheets:

	March 31, 2011	**December 31, 2010**
Current assets	$ 94,515	$ 93,250
Non-current assets	26,954	25,965
Total assets	$ 121,469	$ 119,215
Current liabilities	$ 59,218	$ 62,788
Non-current liabilities	2,371	2,091
Total liabilities	$ 61,589	$ 64,879

(19) Discontinued Operations

On January 15, 2010, we completed the sale of our vitamins and nutritional supplements business for a purchase price of approximately $62.6 million in cash, which is net of the final working capital adjustment. The sale included our entire private label and branded nutritional businesses and represents the complete divestiture of our entire

vitamins and nutritional supplements business segment. We recognized a gain of approximately $18.7 million ($11.6 million, net of tax) during 2010. The results of the vitamins and nutritional supplements business, which represents our entire vitamins and nutritional supplements business segment, are included in income from discontinued operations, net of tax, in our consolidated financial statements.

The following summarized financial information related to the vitamins and nutritional supplements businesses has been segregated from continuing operations and reported as discontinued operations through the date of disposition (amounts in thousands).

		Three Months Ended March 31, 2010
Net revenue	$	4,362
Income from discontinued operations before income taxes	$	19,429
Provision for income taxes		7,483
Income from discontinued operations, net of taxes	$	11,946

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(20) Guarantor Financial Information

Our 9% senior subordinated notes due 2016, our 7.875% senior notes due 2016 and our 8.625% senior subordinated notes due 2018 are guaranteed by certain of our consolidated, wholly-owned subsidiaries, or the Guarantor Subsidiaries. The guarantees are full and unconditional and joint and several. The following supplemental financial information sets forth, on a consolidating basis, balance sheets as of March 31, 2011 and December 31, 2010, the statements of operations for the three months ended March 31, 2011 and 2010 and cash flows for the three months ended March 31, 2011 and 2010 for the Company, the Guarantor Subsidiaries and our other subsidiaries, or the Non-Guarantor Subsidiaries. The supplemental financial information reflects the investments of the Company and the Guarantor Subsidiaries in the Guarantor and Non-Guarantor Subsidiaries using the equity method of accounting.

We have extensive transactions and relationships between various members of the consolidated group. These transactions and relationships include intercompany pricing agreements, intellectual property royalty agreements and general and administrative and research and development cost-sharing agreements. Because of these relationships, it is possible that the terms of these transactions are not the same as those that would result from transactions among wholly-unrelated parties.

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CONSOLIDATING STATEMENT OF OPERATIONS
For the Three Months Ended March 31, 2011
(in thousands)

	Issuer	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Consolidated
Net product sales	$	$ 237,976	$ 199,970	$ (30,703)	$ 407,243
Services revenue		151,525	16,027		167,552
Net product sales and services revenue		389,501	215,997	(30,703)	574,795
License and royalty revenue		2,551	6,556	(1,438)	7,669
Net revenue		392,052	222,553	(32,141)	582,464
Cost of net product sales	770	107,162	112,135	(30,380)	189,687
Cost of services revenue		78,535	6,181		84,716
Cost of net product sales and services revenue	770	185,697	118,316	(30,380)	274,403
Cost of license and royalty revenue			3,292	(1,438)	1,854
Cost of net revenue	770	185,697	121,608	(31,818)	276,257
Gross profit (loss)	(770)	206,355	100,945	(323)	306,207
Operating expenses:					
Research and development	4,741	18,602	13,199		36,542
Sales and marketing	651	82,859	49,699		133,209
General and administrative	14,046	60,975	30,530		105,551
Total operating expenses	19,438	162,436	93,428		275,302
Operating income (loss)	(20,208)	43,919	7,517	(323)	30,905
Interest expense, including amortization of original issue discounts and deferred financing costs	(37,660)	(16,126)	(4,368)	19,849	(38,305)
Other income (expense), net	19,587	(2,368)	4,966	(19,849)	2,336
Income (loss) from continuing operations before provision (benefit) for income taxes	(38,281)	25,425	8,115	(323)	(5,064)
Provision (benefit) for income taxes	(18,944)	11,924	2,815	(125)	(4,330)
	(19,337)	13,501	5,300	(198)	(734)

Income (loss) from continuing operations before equity earnings of unconsolidated entities, net of tax					
Equity in earnings of subsidiaries, net of tax	19,146			(19,146)	
Equity earnings of unconsolidated entities, net of tax	468		490	53	1,011
Net income (loss)	277	13,501	5,790	(19,291)	277
Less: Net income attributable to non-controlling interests			62		62
Net income (loss) attributable to Alere Inc. and Subsidiaries	277	13,501	5,728	(19,291)	215
Preferred stock dividends	(5,809)				(5,809)
Preferred stock repurchase	13,688				13,688
Net income (loss) available to common stockholders	$ 8,156	$ 13,501	$ 5,728	$ (19,291)	$ 8,094

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ALERE INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
(unaudited)
CONSOLIDATING STATEMENT OF OPERATIONS
For the Three Months Ended March 31, 2010
(in thousands)

	Issuer	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Consolidated
Net product sales	$	$ 204,499	$ 174,879	$ (29,277)	$ 350,101
Services revenue		147,353	11,951		159,304
Net product sales and services revenue		351,852	186,830	(29,277)	509,405
License and royalty revenue		1,562	5,227	(940)	5,849
Net revenue		353,414	192,057	(30,217)	515,254
Cost of net product sales	95	98,051	94,355	(28,796)	163,705
Cost of services revenue		71,685	4,100		75,785
Cost of net product sales and services revenue	95	169,736	98,455	(28,796)	239,490
Cost of license and royalty revenue		5	2,742	(940)	1,807
Cost of net revenue	95	169,741	101,197	(29,736)	241,297
Gross profit (loss)	(95)	183,673	90,860	(481)	273,957
Operating expenses:					
Research and development	4,825	17,071	9,097		30,993
Sales and marketing	342	77,863	41,386		119,591
General and administrative	9,669	62,403	22,591		94,663
Total operating expenses	14,836	157,337	73,074		245,247
Operating income (loss)	(14,931)	26,336	17,786	(481)	28,710
Interest expense, including amortization of original issue discounts and deferred financing costs	(32,199)	(19,212)	(2,537)	20,813	(33,135)
Other income (expense), net	20,225	1,592	2,040	(20,813)	3,044
Income (loss) from continuing operations before provision (benefit) for income taxes	(26,905)	8,716	17,289	(481)	(1,381)
Provision (benefit) for income taxes	(11,632)	7,117	5,126	(165)	446
	(15,273)	1,599	12,163	(316)	(1,827)

Income (loss) from continuing operations before equity earnings of unconsolidated entities, net of tax					
Equity in earnings of subsidiaries, net of tax	27,901			(27,901)	
Equity earnings of unconsolidated entities, net of tax	529		3,487	24	4,040
Income (loss) from continuing operations	13,157	1,599	15,650	(28,193)	2,213
Income from discontinued operations, net of tax	1,002	9,956	988		11,946
Net income (loss)	14,159	11,555	16,638	(28,193)	14,159
Less: Net loss attributable to non-controlling interests			(670)		(670)
Net income (loss) attributable to Alere Inc. and Subsidiaries	14,159	11,555	17,308	(28,193)	14,829
Preferred stock dividends	(5,853)				(5,853)
Net income (loss) available to common stockholders	$ 8,306	$ 11,555	$ 17,308	$ (28,193)	$ 8,976

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ALERE INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
(unaudited)
CONSOLIDATING BALANCE SHEET
March 31, 2011
(in thousands)

	Issuer	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Consolidated
ASSETS					
Current assets:					
Cash and cash equivalents	$ 52,658	$ 95,589	$ 170,419	$	$ 318,666
Restricted cash		1,740	872		2,612
Marketable securities		829	151		980
Accounts receivable, net of allowances		205,326	201,617		406,943
Inventories, net		114,224	145,582	(7,965)	251,841
Deferred tax assets	29,915	22,632	4,720		57,267
Income tax receivable	3,400	275	137		3,812
Receivable from joint venture, net		2,402	6,147		8,549
Prepaid expenses and other current assets	9,490	28,077	62,796		100,363
Intercompany receivables	890,614	377,147	5,658	(1,273,419)	
Total current assets	986,077	848,241	598,099	(1,281,384)	1,151,033
Property, plant and equipment, net	1,211	256,439	143,888	(113)	401,425
Goodwill		1,943,572	933,435	(5,272)	2,871,735
Other intangible assets with indefinite lives		12,900	15,191		28,091
Finite-lived intangible assets, net	8,820	1,155,435	508,843		1,673,098
Deferred financing costs, net, and other non-current assets	49,262	4,946	4,107		58,315
Receivable from joint venture, net of current portion			17,668		17,668
Investments in unconsolidated entities	3,645,920	1,196	86,011	(3,669,739)	63,388
Marketable securities	2,523		1,129		3,652
Deferred tax assets			25,637		25,637
Intercompany notes receivable	1,186,154	163,781		(1,349,935)	
Total assets	$ 5,879,967	$ 4,386,510	$ 2,334,008	$ (6,306,443)	$ 6,294,042
LIABILITIES AND EQUITY					
Current liabilities:					

Current portion of long-term debt	$ 9,750	$ 676	$ 7,364	$	$ 17,790
Current portion of capital lease obligations		1,782	418		2,200
Accounts payable	7,232	60,696	58,216		126,144
Accrued expenses and other current liabilities	(168,243)	361,592	129,151	(126)	322,374
Payable to joint venture, net					
Deferred gain on joint venture	16,309		272,515		288,824
Intercompany payables	358,410	304,843	610,166	(1,273,419)	
Total current liabilities	223,458	729,589	1,077,830	(1,273,545)	757,332
Long-term liabilities:					
Long-term debt, net of current portion	2,373,700		8,580		2,382,280
Capital lease obligations, net of current portion		1,108	981		2,089
Deferred tax liabilities	(24,427)	368,030	70,111		413,714
Other long-term liabilities	72,823	18,603	77,168		168,594
Intercompany notes payables	667,130	475,925	205,668	(1,348,723)	
Total long-term liabilities	3,089,226	863,666	362,508	(1,348,723)	2,966,677
Stockholders equity	2,567,283	2,793,255	890,920	(3,684,175)	2,567,283
Non-controlling interests			2,750		2,750
Equity	2,567,283	2,793,255	893,670	(3,684,175)	2,570,033
Total liabilities and equity	$ 5,879,967	$ 4,386,510	$ 2,334,008	$ (6,306,443)	$ 6,294,042

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ALERE INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
(unaudited)
CONSOLIDATING BALANCE SHEET
December 31, 2010
(in thousands)

	Issuer	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Consolidated
ASSETS					
Current assets:					
Cash and cash equivalents	$ 101,813	$ 116,758	$ 182,735	$	$ 401,306
Restricted cash		1,739	842		2,581
Marketable securities		914	1,180		2,094
Accounts receivable, net of allowances		202,578	194,570		397,148
Inventories, net		126,374	139,070	(7,724)	257,720
Deferred tax assets	33,483	19,256	4,372		57,111
Income tax receivable		1,383			1,383
Prepaid expenses and other current assets	7,815	22,709	44,390		74,914
Intercompany receivables	836,222	439,521	9,843	(1,285,586)	
Total current assets	979,333	931,232	577,002	(1,293,310)	1,194,257
Property, plant and equipment, net	1,343	253,640	135,660	(133)	390,510
Goodwill		1,944,719	891,599	(5,018)	2,831,300
Other intangible assets with indefinite lives		12,900	15,283		28,183
Finite-lived intangible assets, net	12,698	1,198,979	495,904		1,707,581
Deferred financing costs, net, and other non-current assets	47,884	4,855	4,790		57,529
Receivable from joint venture, net of current portion			23,872		23,872
Investments in unconsolidated entities	3,589,973	1,196	42,700	(3,571,313)	62,556
Marketable securities	2,308		7,096		9,404
Deferred tax assets			25,182		25,182
Intercompany notes receivable	1,320,925	13,128		(1,334,053)	
Total assets	$ 5,954,464	$ 4,360,649	$ 2,219,088	$ (6,203,827)	$ 6,330,374
LIABILITIES AND EQUITY					
Current liabilities:					
Current portion of long-term debt	$ 9,750	$ 157	$ 6,984	$	$ 16,891

Current portion of capital lease obligations		1,954	172		2,126
Accounts payable	6,938	62,562	57,344		126,844
Accrued expenses and other current liabilities	(104,072)	322,019	127,885		345,832
Payable to joint venture, net		(546)	3,333		2,787
Deferred gain on joint venture	16,309		272,069		288,378
Intercompany payables	414,977	294,920	576,058	(1,285,955)	
Total current liabilities	343,902	681,066	1,043,845	(1,285,955)	782,858
Long-term liabilities:					
Long-term debt, net of current portion	2,375,554		3,012		2,378,566
Capital lease obligations, net of current portion		1,267	135		1,402
Deferred tax liabilities	(34,729)	381,228	73,667		420,166
Other long-term liabilities	64,243	18,396	87,017		169,656
Intercompany notes payables	630,456	497,464	200,814	(1,328,734)	
Total long-term liabilities	3,035,524	898,355	364,645	(1,328,734)	2,969,790
Stockholders equity	2,575,038	2,781,228	807,910	(3,589,138)	2,575,038
Non-controlling interests			2,688		2,688
Equity	2,575,038	2,781,228	810,598	(3,589,138)	2,577,726
Total liabilities and equity	$ 5,954,464	$ 4,360,649	$ 2,219,088	$ (6,203,827)	$ 6,330,374

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ALERE INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
(unaudited)
CONSOLIDATING STATEMENT OF CASH FLOWS
For the Three Months Ended March 31, 2011
(in thousands)

	Issuer	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Consolidated
Cash Flows from Operating Activities:					
Net income (loss)	$ 277	$ 13,501	$ 5,790	$ (19,291)	$ 277
Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities:					
Equity in earnings of subsidiaries, net of tax	(19,146)			19,146	
Non-cash interest expense, including amortization of original issue discounts and write-off of deferred financing costs	3,415	50	138		3,603
Depreciation and amortization	873	65,838	28,463	(199)	94,975
Non-cash stock-based compensation expense	1,713	2,147	1,948		5,808
Impairment of inventory			294		294
Impairment of long-lived assets			230		230
Impairment of intangible assets		2,935			2,935
Loss on sale of fixed assets		304	175		479
Gain on sales of marketable securities			(333)		(333)
Equity earnings of unconsolidated entities, net of tax	(468)		(490)	(53)	(1,011)
Deferred income taxes	19,469	(22,801)	(9,906)		(13,238)
Other non-cash items	1,158	255	193		1,606
Changes in assets and liabilities, net of acquisitions:					
Accounts receivable, net		(2,042)	(3,297)		(5,339)
Inventories, net		12,150	(1,381)	294	11,063
Prepaid expenses and other current assets	(5,075)	(6,646)	(12,752)		(24,473)
Accounts payable	295	(1,320)	(4,910)		(5,935)
Accrued expenses and other current liabilities	(21,341)	39,480	(3,220)	(124)	14,795
Other non-current liabilities	(16)	207	1,233		1,424
Intercompany payable (receivable)	60,600	(100,589)	39,989		
	41,754	3,469	42,164	(227)	87,160

Net cash provided by (used in) operating activities					
Cash Flows from Investing Activities:					
Purchases of property, plant and equipment	(19)	(15,440)	(13,657)	172	(28,944)
Proceeds from sale of property, plant and equipment		83	121		204
Proceeds from disposition of business			11,490		11,490
Cash paid for acquisitions, net of cash acquired	(34,103)	(3,153)	(57,643)		(94,899)
Proceeds from sales of marketable securities			6,982		6,982
Increase in other assets	(3,958)	(6,360)	(1,784)		(12,102)
Net cash provided by (used in) investing activities	(38,080)	(24,870)	(54,491)	172	(117,269)
Cash Flows from Financing Activities:					
Decrease in restricted cash			3		3
Cash paid for financing costs	(80)				(80)
Cash paid for contingent purchase price consideration	(12,975)	(247)			(13,222)
Proceeds from issuance of common stock, net of issuance costs	11,824				11,824
Repurchase of preferred stock	(49,380)				(49,380)
Proceeds from long-term debt		937			937
Payments on long-term debt	(2,438)	(418)	(744)		(3,600)
Net proceeds under revolving credit facilities			133		133
Repurchase of common stock	(618)				(618)
Excess tax benefits on exercised stock options	872	198	99		1,169
Principal payments on capital lease obligations		(461)	(192)		(653)
Other	(34)		(210)		(244)
Net cash provided by (used in) financing activities	(52,829)	9	(911)		(53,731)
Foreign exchange effect on cash and cash equivalents		223	922	55	1,200
Net decrease in cash and cash equivalents	(49,155)	(21,169)	(12,316)		(82,640)
Cash and cash equivalents, beginning of period	101,813	116,758	182,735		401,306

Cash and cash equivalents, end of period	$ 52,658	$ 95,589	$ 170,419	$	$ 318,666

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ALERE INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
(unaudited)
CONSOLIDATING STATEMENT OF CASH FLOWS
For the Three Months Ended March 31, 2010
(in thousands)

	Issuer	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Consolidated
Cash Flows from Operating Activities:					
Net income (loss)	$ 14,159	$ 11,555	$ 16,638	$ (28,193)	$ 14,159
Income from discontinued operations, net of tax	1,002	9,956	988		11,946
Income (loss) from continuing operations	13,157	1,599	15,650	(28,193)	2,213
Adjustments to reconcile income (loss) from continuing operations to net cash provided by (used in) operating activities:					
Equity in earnings of subsidiaries, net of tax	(27,901)			27,901	
Non-cash interest expense, including amortization of original issue discounts and write-off of deferred financing costs	3,020		272		3,292
Depreciation and amortization	242	64,923	25,402	(1,319)	89,248
Non-cash stock-based compensation expense	2,234	3,203	2,133		7,570
Impairment of inventory		18	177		195
Impairment of long-lived assets			(34)		(34)
Loss on sale of fixed assets		141	72		213
Equity earnings of unconsolidated entities, net of tax	(529)		(3,487)	(24)	(4,040)
Deferred income taxes		(17,817)	(3,385)	10,214	(10,988)
Other non-cash items	(3,223)	400	142		(2,681)
Changes in assets and liabilities, net of acquisitions:					
Accounts receivable, net		5,203	3,556		8,759
Inventories, net		(1,196)	(10,054)	835	(10,415)
Prepaid expenses and other current assets	(857)	(1,219)	4,759		2,683
Accounts payable	3,721	1,542	(14,108)		(8,845)
Accrued expenses and other current liabilities	(11,298)	19,852	(7,360)	(10,306)	(9,112)
Other non-current liabilities	(79)	1,429	888		2,238
Intercompany payable (receivable)	(125,662)	(89,177)	214,839		

Net cash provided by (used in) continuing operations	(147,175)	(11,099)	229,462	(892)	70,296
Net cash provided by (used in) discontinued operations		(224)	52		(172)
Net cash provided by (used in) operating activities	(147,175)	(11,323)	229,514	(892)	70,124
Cash Flows from Investing Activities:					
Purchases of property, plant and equipment	(18)	(12,118)	(6,042)	892	(17,286)
Proceeds from sale of property, plant and equipment		60	106		166
Cash paid for acquisitions, net of cash acquired	(116,844)	(35,888)	(185,652)		(338,384)
Net cash received from equity method investments	735	24	7,462		8,221
Increase in other assets		(349)	(1,063)		(1,412)
Net cash provided by (used in) continuing operations	(116,127)	(48,271)	(185,189)	892	(348,695)
Net cash provided by discontinued operations		61,446	2,000		63,446
Net cash provided by (used in) investing activities	(116,127)	13,175	(183,189)	892	(285,249)
Cash Flows from Financing Activities:					
Decrease (increase) in restricted cash		(10)	171		161
Cash paid for financing costs	(875)				(875)
Proceeds from issuance of common stock, net of issuance costs	10,634				10,634
Payments on long-term debt	(2,437)				(2,437)
Net proceeds (payments) under revolving credit facilities		110	(2,430)		(2,320)
Excess tax benefits on exercised stock options	1,127		294		1,421
Principal payments on capital lease obligations		(125)	(127)		(252)
Other	(38)				(38)
Net cash provided by (used in) financing activities	8,411	(25)	(2,092)		6,294
Foreign exchange effect on cash and cash equivalents			(8,612)		(8,612)

Net increase (decrease) in cash and cash equivalents	(254,891)	1,827	35,621		(217,443)
Cash and cash equivalents, beginning of period	294,137	82,602	116,034		492,773
Cash and cash equivalents, end of period	$ 39,246	$ 84,429	$ 151,655	$	$ 275,330

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ITEM 2. MANAGEMENT S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Forward-Looking Statements

This report contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. You can identify these statements by forward-looking words such as may, could, should, would, intend, will, expect, anticipate, believe, continue or similar words. You should read statements that contain these words carefully because they discuss our future expectations, contain projections of our future results of operations or of our financial condition or state other forward-looking information. Forward-looking statements in this item include, without limitation, statements regarding anticipated expansion and growth in certain of our product and service offerings; the development and introduction of new technologies and products; the potential impact of these technologies and products under development; our expectations with respect to Apollo, our new integrated health management technology platform; our ability to accelerate adoption of our health management services; and our funding plans for our future working capital needs and commitments. Actual results or developments could differ materially from those projected in such statements as a result of numerous factors, including, without limitation, those risks and uncertainties set forth in Part I, Item 1A, Risk Factors, of our Annual Report on Form 10-K, as amended, for the year ended December 31, 2010 and other risk factors identified herein or from time to time in our periodic filings with the SEC. We do not undertake any obligation to update any forward-looking statements. This report and, in particular, the following discussion and analysis of our financial condition and results of operations, should be read in light of those risks and uncertainties and in conjunction with our accompanying consolidated financial statements and notes thereto.

Overview

We enable individuals to take charge of improving their health and quality of life at home, under medical supervision, by developing new capabilities in near-patient diagnosis, monitoring and health management. Our global, leading products and services, as well as our new product development efforts, currently focus on cardiology, women s health, infectious disease, oncology and toxicology. We are continuing to expand our product and service offerings in all of these categories.

As a global, leading supplier of near-patient monitoring tools, as well as value-added healthcare services, we are well positioned to improve care and lower healthcare costs for both providers and patients. Our rapidly growing home coagulation monitoring business, which supports doctors and patients efforts to monitor warfarin therapy using our INRatio blood coagulation monitoring system, continues to represent an early example of this. We have also continued to introduce our new integrated health management technology platform, called Apollo, to our customers since its launch on January 1, 2010. Using a sophisticated data engine for acquiring and analyzing information, combined with a state-of-the-art touch engine for communicating with individuals and their health partners, we expect Apollo to benefit healthcare providers, health insurers and patients alike by enabling more efficient and effective health management programs.

During the first quarter of 2011, we continued to grow through a number of small, but strategic, acquisitions. We have also continued laying the groundwork for future revenue and earnings growth by focusing our efforts on new product development and introductions. While revenues to date remain modest, our important new products, including the epoc platform, the Alere CD4 Analyzer and the Alere Heart Check System, have begun to penetrate the markets into which they have been launched, and we expect this trend to continue. We are also focused on expanding our worldwide sales force. During the first quarter of 2011, we added 95 new sales persons, and we expect this initiative to continue during the second quarter. We also continued to build awareness and acceptance for our two novel biomarkers, NGAL and placental growth factor, or PIGF.

Financial Highlights

Net revenue increased by $67.2 million, or 13%, to $582.5 million for the three months ended March 31, 2011, from $515.3 million for the three months ended March 31, 2010.

Gross profit increased by $32.3 million, or 12%, to $306.2 million for the three months ended March 31, 2011, from $274.0 million for the three months ended March 31, 2010.

For the three months ended March 31, 2011, we generated net income from continuing operations available to common stockholders of $8.1 million, or $0.09 per basic and diluted common share. For the three months ended March 31, 2010, we generated a net loss from continuing operations available to common stockholders of $3.0 million, or $0.03 per basic and diluted common share.

In the three months ended March 31, 2011, we repurchased approximately $50.0 million of our outstanding securities, as described in more detail below. In March 2011, our Board of Directors authorized an additional repurchase of up to $50.0 million of our preferred or common stock. The newly authorized repurchase program expires December 31, 2011.

Results of Operations

The following discussions of our results of continuing operations exclude the results related to the vitamins and nutritional supplements business segment, which was previously presented as a separate operating segment prior to its divestiture in January 2010. The vitamins and nutritional supplements business segment has been segregated from continuing operations and reflected as discontinued operations in our consolidated financial statements. See Income from Discontinued Operations, Net of Tax below. Results excluding the impact of currency translation are calculated on the basis of local currency results, using foreign currency exchange rates applicable to the earlier comparative period. We believe presenting information using the same foreign currency exchange rates helps investors isolate the impact of changes in those rates from other trends. Our results of operations were as follows:

Net Product Sales and Services Revenue, Total and by Business Segment. Total net product sales and services revenue increased by $65.4 million, or 13%, to $574.8 million for the three months ended March 31, 2011, from $509.4 million for the three months ended March 31, 2010. Excluding the impact of currency translation, net product sales and services revenue for the three months ended March 31, 2011 increased by $60.8 million, compared to the three months ended March 31, 2010. Net product sales and services revenue by business segment for the three months ended March 31, 2011 and 2010 are as follows (in thousands):

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	Three Months Ended March 31,		%
	2011	2010	Change
Professional diagnostics	$ 409,785	$ 336,203	22%
Health management	143,063	148,532	(4)%
Consumer diagnostics	21,947	24,670	(11)%
Total net product sales and services revenue	$ 574,795	$ 509,405	13%

Professional Diagnostics

Net product sales and services revenue from our professional diagnostics business segment increased by $73.6 million, or 22%, comparing the three months ended March 31, 2011 to the three months ended March 31, 2010. Excluding the impact of currency translation, net product sales and services revenue from our professional diagnostics business segment increased by $69.3 million, or 21%, comparing the three months ended March 31, 2011 to the three months ended March 31, 2010. Revenue increased partially as a result of acquisitions, which contributed an aggregate of $30.8 million of such increase. Also contributing to the increase in net product sales and services revenue was an increase in North American flu-related net product sales during the three months ended March 31, 2011, as compared to the three months ended March 31, 2010. Net product sales from our North American flu-related sales increased approximately $17.2 million, comparing the three months ended March 31, 2011 to the three months ended March 31, 2010, as a result of a more typical flu season in 2011 than the lower than normal flu levels observed in 2010. Excluding the impact of acquisitions and flu-related sales, organic growth, particularly in our cardiology business, helped contribute to the increase in net product sales and services revenue during the three months ended March 31, 2011, as compared to the three months ended March 31, 2010. Excluding the impact of acquisitions and the increase in flu-related sales during the comparable periods, the currency-adjusted organic growth for our professional diagnostics net product sales and services revenue was approximately 7%.

Health Management

Our health management net product sales and services revenue decreased by $5.5 million, or 4%, comparing the three months ended March 31, 2011 to the three months ended March 31, 2010. Net product sales and services revenue in our health management segment was adversely impacted by the increasingly competitive environment, including the impact of health plans in-sourcing less differentiated services, such as disease management. The decline in revenue was partially offset by increases in our wellness and home monitoring revenues.

Consumer Diagnostics

Net product sales and services revenue from our consumer diagnostics business segment decreased by $2.7 million, or 11%, comparing the three months ended March 31, 2011 to the three months ended March 31, 2010. The decrease was primarily driven by a decrease of approximately $1.8 million of manufacturing revenue associated with our manufacturing agreement with our 50/50 joint venture with P&G, or SPD, whereby we manufacture and sell consumer diagnostic products to SPD. Net product sales by SPD were $49.8 million during the three months ended March 31, 2011, as compared to $53.1 million during the three months ended March 31, 2010.

License and Royalty Revenue. License and royalty revenue represents license and royalty fees from intellectual property license agreements with third parties. License and royalty revenue increased by approximately $1.8 million, or 31%, to $7.7 million for the three months ended March 31, 2011, from $5.8 million for the three months ended March 31, 2010. The increase in license and royalty revenue is almost entirely attributable to an increase in royalties earned on flu-related product sales under existing licensing agreements, reflecting a more typical flu season in 2011 than the low level of flu observed in 2010.

Gross Profit and Margin. Gross profit increased by $32.3 million, or 12%, to $306.2 million for the three months ended March 31, 2011, from $274.0 million for the three months ended March 31, 2010. The increase in gross profit during the three months ended March 31, 2011 was largely attributed to the increase in net product sales and services revenue resulting from acquisitions and organic growth from our professional diagnostics business segment.

Cost of net revenue included amortization expense of $17.0 million and $14.9 million for the three months ended March 31, 2011 and March 31, 2010, respectively. Cost of net revenue during the three months ended March 31, 2010 included amortization of $2.8 million relating to the write-up of inventory to fair value in connection with the acquisition of Standard Diagnostics during the first quarter of 2010.

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Overall gross margin for both the three months ended March 31, 2011 and 2010 was 53%.

Gross Profit from Net Product Sales and Services Revenue, Total and by Business Segment. Gross profit from net product sales and services revenue increased by $30.5 million, or 11%, to $300.4 million for the three months ended March 31, 2011, from $269.9 million for the three months ended March 31, 2010. Gross profit from net product sales and services revenue by business segment for the three months ended March 31, 2011 and 2010 are as follows (in thousands):

	Three Months Ended March 31,		%
	2011	2010	Change
Professional diagnostics	$ 228,122	$ 190,874	20%
Health management	67,734	73,836	(8)%
Consumer diagnostics	4,536	5,205	(13)%
Total gross profit from net product sales and services revenue	$ 300,392	$ 269,915	11%

Professional Diagnostics

Gross profit from our professional diagnostics net product sales and services revenue increased by $37.2 million, or 20%, to $228.1 million for the three months ended March 31, 2011, compared to $190.9 million for the three months ended March 31, 2010, principally as a result of gross profit earned on revenue from acquired businesses, an increase in North American flu-related sales and organic growth, as discussed above. Reducing gross profit for the three months ended March 31, 2010 was amortization of $2.8 million relating to the write-up of inventory to fair value in connection with the acquisition of Standard Diagnostics during the first quarter of 2010.

As a percentage of our professional diagnostics net product sales and services revenue, gross margin for the three months ended March 31, 2011 and 2010 was 56% and 57%, respectively. Higher revenue from our recently acquired toxicology services businesses which contribute lower than segment average gross margin contributed to the decrease in gross margin percentage for the three months ended March 31, 2011, compared to the three months ended March 31, 2010. Gross margins earned from revenues from our European business also declined as compared to those earned in the first quarter of 2010.

Health Management

Gross profit from our health management net product sales and services revenue decreased by $6.1 million, or 8%, to $67.7 million for the three months ended March 31, 2011, compared to $73.8 million for the three months ended March 31, 2010. The gross profit earned during the three months ended March 31, 2011, as compared to the three months ended March 31, 2010, is a result of the increasingly competitive environment for the health management segment as discussed above.

As a percentage of our health management net product sales and services revenue, gross margin for the three months ended March 31, 2011 and 2010 was 47% and 50%, respectively.

Consumer Diagnostics

Gross profit from our consumer diagnostics net product sales and services revenue decreased by $0.7 million, or 13%, to $4.5 million for the three months ended March 31, 2011, compared to $5.2 million for the three months ended March 31, 2010.

As a percentage of net product sales and services revenue, gross margin for both the three months ended March 31, 2011 and 2010 was 21%.

Research and Development Expense. Research and development expense increased by $5.5 million, or 18%, to $36.5 million for the three months ended March 31, 2011, from $31.0 million for the three months ended March 31, 2010. Amortization expense of $2.3 million and $1.0 million was included in research and development expense for the three months ended March 31, 2011 and 2010, respectively.

Research and development expense as a percentage of net revenue was 6% for each of the three months ended March 31, 2011 and 2010.

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Sales and Marketing Expense. Sales and marketing expense increased by $13.6 million, or 11%, to $133.2 million for the three months ended March 31, 2011, from $119.6 million for the three months ended March 31, 2010. The increase in sales and marketing expense primarily relates to additional spending related to newly-acquired businesses. Also contributing to the increase in sales and marketing expense for the three months ended March 31, 2011, as compared to the three months ended March 31, 2010, were investments made in sales and marketing resources in support of new product launches. Amortization expense of $52.2 million and $50.8 million was included in sales and marketing expense for the three months ended March 31, 2011 and 2010, respectively.

Sales and marketing expense as a percentage of net revenue was 23% for each of the three months ended March 31, 2011 and 2010.

General and Administrative Expense. General and administrative expense increased by approximately $10.9 million, or 12%, to $105.6 million for the three months ended March 31, 2011, from $94.7 million for the three months ended March 31, 2010. The increase in general and administrative expense relates primarily to additional spending related to newly-acquired businesses. During the three months ended March 31, 2011 and 2010, we recorded $1.4 million of expense and $3.1 million of income, respectively, in connection with fair value adjustments to acquisition-related contingent consideration obligations in accordance with ASC 805, *Business Combinations*. Acquisition-related costs of $1.9 million and $4.0 million were included in general and administrative expense for the three months ended March 31, 2011 and 2010, respectively. Amortization expense of $4.7 million and $5.0 million was included in general and administrative expense for the three months ended March 31, 2011 and 2010, respectively.

General and administrative expense as a percentage of net revenue was 18% for each of the three months ended March 31, 2011 and 2010.

Interest Expense. Interest expense includes interest charges, amortization of deferred financing costs and amortization of original issue discounts associated with certain debt issuances. Interest expense increased by $5.2 million, or 16%, to $38.3 million for the three months ended March 31, 2011, from $33.1 million for the three months ended March 31, 2010. Such increase was principally due to interest expense incurred on our 8.625% senior subordinated notes issued in September 2010, totaling approximately $8.9 million for the three months ended March 31, 2011. The incremental interest expense was partially offset by lower interest expense incurred on our secured credit facility totaling $12.1 million and $15.7 million for the three months ended March 31, 2011 and 2010, respectively.

Other Income (Expense), Net. Other income (expense), net includes interest income, realized and unrealized foreign exchange gains and losses, and other income and expense. The components and the respective amounts of other income (expense), net are summarized as follows (in thousands):

	Three Months Ended March 31,		
	2011	**2010**	**Change**
Interest income	$ 473	$ 355	$ 118
Foreign exchange gains (losses), net	(3,143)	(221)	(2,922)
Other	5,006	2,910	2,096
Total other income (expense), net	$ 2,336	$ 3,044	$ (708)

The decrease in foreign exchange gains (losses), net was primarily a result of a $1.9 million realized foreign currency loss associated with the settlement of an acquisition-related contingent consideration obligation. Also contributing to the decrease was realized and unrealized foreign exchange losses associated with changes in currency exchange rates during the quarter. Other income of $5.0 million for the three months ended March 31, 2011 includes $3.0 million of estimated prior period royalty income and a $1.8 million reversal of a prior period legal settlement reserve no longer deemed necessary. Other income of $2.9 million for the three months ended March 31, 2010 includes a $3.1 million net gain associated with then-pending legal settlements related to previously disclosed

intellectual property litigation relating to our health management businesses which were less than the amount of our reserves, offset by a charge related to an accounts receivable reserve for a prior year s sale.

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Provision (Benefit) for Income Taxes. The provision (benefit) for income taxes decreased by $4.8 million, to a $4.3 million benefit for the three months ended March 31, 2011, from a $0.4 million provision for the three months ended March 31, 2010. The effective tax rate was 86% for the three months ended March 31, 2011, compared to 32% for the three months ended March 31, 2010. The income tax provision (benefit) for the three months ended March 31, 2011 and 2010 relates to federal, foreign and state income tax provisions (benefits). In addition, the effective tax rate can be impacted each period by discrete factors and events. The income tax provision (benefit) decrease is primarily due to greater pre-tax losses, recognition of a capital loss carryforward and a reduction in a jurisdictional tax rate during the three months ended March 31, 2011, as compared to the three months ended March 31, 2010.

Equity Earnings in Unconsolidated Entities, Net of Tax. Equity earnings in unconsolidated entities is reported net of tax and includes our share of earnings in entities that we account for under the equity method of accounting. Equity earnings in unconsolidated entities, net of tax for the three months ended March 31, 2011 reflects the following: (i) our 50% interest in SPD in the amount of $0.4 million, (ii) our 40% interest in Vedalab S.A., or Vedalab, in the amount of $0.1 million and (iii) our 49% interest in TechLab, Inc., or TechLab, in the amount of $0.5 million. Equity earnings in unconsolidated entities, net of tax for the three months ended March 31, 2010 reflects the following: (i) our 50% interest in SPD in the amount of $3.6 million, (ii) our 40% interest in Vedalab in the amount of $(0.1) million and (iii) our 49% interest in TechLab in the amount of $0.6 million.

Income from Discontinued Operations, Net of Tax. The results of the vitamins and nutritional supplements business are included in income from discontinued operations, net of tax, in our consolidated financial statements. For the three months ended March 31, 2010, the discontinued operations generated net income of $11.9 million, which includes a gain of $19.6 million ($12.0 million, net of tax) on the sale of the vitamins and nutritional supplements business.

Net Income Available to Common Stockholders. For the three months ended March 31, 2011, we generated net income available to common stockholders of $8.1 million, or $0.09 per basic and diluted common share. For the three months ended March 31, 2010, we generated net income available to common stockholders of $9.0 million, or $0.11 per basic and diluted common share. Net income available to common stockholders reflects $5.8 million and $5.9 million of preferred stock dividends paid during the three months ended March 31, 2011 and 2010, respectively, and $13.7 million of income associated with the repurchase of preferred stock during the three months ended March 31, 2011. See Note 5 of the accompanying consolidated financial statements for the calculation of net income per common share.

Liquidity and Capital Resources

Based upon our current working capital position, current operating plans and expected business conditions, we currently expect to fund our short and long-term working capital needs primarily using existing cash and our operating cash flow, and we expect our working capital position to improve as we improve our future operating margins and grow our business through new product and service offerings and by continuing to leverage our strong intellectual property position. As of March 31, 2011, we have $318.7 million of cash on our accompanying consolidated balance sheet.

In addition to our cash resources, we may also utilize the revolving credit line, under which we have $150.0 million available for borrowing at March 31, 2011, or other sources of financing to fund a portion of our capital needs and other future commitments, including our contractual contingent consideration obligations and future acquisitions. Our ability to access the capital markets may be impacted by the amount of our outstanding debt and equity and the extent to which our assets are encumbered by our outstanding secured debt. The terms and conditions of our outstanding debt instruments also contain covenants which expressly restrict our ability to incur additional indebtedness and conduct other financings. As of March 31, 2011, we had $2.4 billion in outstanding indebtedness comprised of $400.0 million of 8.625% subordinated notes due 2018, $245.0 million of 7.875% senior notes due 2016, $390.1 million of 9% senior subordinated notes due 2016, $938.8 million under our First Lien Credit Agreement, $250.0 million under our Second Lien Credit Agreement and $150.0 million of 3% senior subordinated convertible notes.

If the capital and credit markets experience volatility or the availability of funds is limited, we may incur increased costs associated with issuing commercial paper and/or other debt instruments. In addition, it is possible that our ability to access the capital and credit markets could be limited by these or other factors at a time when we would like, or

need, to do so, which could have an impact on our ability to refinance maturing debt and/or react to changing economic and business conditions.

Our funding plans for our working capital needs and other commitments may be adversely impacted by unexpected costs associated with integrating the operations of newly-acquired companies, executing our cost

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savings strategies and prosecuting and defending our existing lawsuits and/or unforeseen lawsuits against us. We also cannot be certain that our underlying assumed levels of revenues and expenses will be realized. In addition, we intend to continue to make significant investments in our research and development efforts related to the substantial intellectual property portfolio we own. We may also choose to further expand our research and development efforts and may pursue the acquisition of new products and technologies through licensing arrangements, business acquisitions, or otherwise. We may also choose to make significant investment to pursue legal remedies against potential infringers of our intellectual property. If we decide to engage in such activities, or if our operating results fail to meet our expectations, we could be required to seek additional funding through public or private financings or other arrangements. In such event, adequate funds may not be available when needed or may be available only on terms which could have a negative impact on our business and results of operations. In addition, if we raise additional funds by issuing equity or convertible securities, dilution to then existing stockholders may result.

In the three months ended March 31, 2011, we repurchased approximately $50.0 million of our outstanding securities, as described in more detail below. In March 2011, our Board of Directors authorized an additional repurchase of up to $50.0 million of our preferred or common stock. The authorized repurchase program expires December 31, 2011.

In connection with the formation of SPD in May 2007, we entered into an option agreement with P&G, pursuant to which P&G has the right, for a period of 60 days commencing on May 17, 2011, to require us to acquire all of P&G s interest in SPD at fair market value, and P&G has the right, upon certain material breaches by us of our obligations to SPD, to acquire all of our interest in SPD at fair market value.

Summary of Changes in Cash Position

As of March 31, 2011, we had cash and cash equivalents of $318.7 million, an $82.6 million decrease from December 31, 2010. Our primary sources of cash during the three months ended March 31, 2011 included $87.2 million generated by our operating activities, $11.5 million received from the disposition of a business, $7.0 from the sales of marketable securities and $11.8 million from common stock issuances under employee stock option and stock purchase plans. Our primary uses of cash during the three months ended March 31, 2011 related to $94.9 million net cash paid for acquisitions and transactional costs, $50.0 million related to the repurchase of our preferred and common stock, $28.7 million of capital expenditures, net of proceeds from the sale of equipment, $13.2 million related to payments of acquisition-related contingent consideration obligations, $12.1 million related to an increase in other assets, which includes a purchase of a license agreement totaling $6.0 million, and $3.6 million in repayment of long-term debt. Fluctuations in foreign currencies positively impacted our cash balance by $1.2 million during the three months ended March 31, 2011.

Cash Flows from Operating Activities

Net cash provided by operating activities during the three months ended March 31, 2011 was $87.2 million, which resulted from net income from continuing operations of $0.3 million and $95.3 million of non-cash items, offset by $8.5 million of cash used to meet net working capital requirements during the period. The $95.3 million of non-cash items included, among various other items, $95.0 million related to depreciation and amortization, $5.8 million related to non-cash stock-based compensation, $2.9 million related to the impairment of certain intangible assets and $3.6 million of interest expense related to the amortization of deferred financing costs and original issue discounts, partially offset by a $13.2 million decrease related to changes in our deferred tax assets and liabilities which resulted from amortization of intangible assets partially offset by the utilization of tax loss carryforwards, and $1.0 million in equity earnings in unconsolidated entities.

Cash Flows from Investing Activities

Our investing activities during the three months ended March 31, 2011 utilized $117.3 million of cash, including $94.9 million net cash paid for acquisitions and transaction-related costs and $28.7 million of capital expenditures, net of proceeds from the sale of equipment, $12.1 million related to an increase in other assets, which includes a purchase of a license agreement totaling $6.0 million, offset by $11.5 million received from the disposition of a business and $7.0 million received from the sales of marketable securities.

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Cash Flows from Financing Activities

Net cash used by financing activities during the three months ended March 31, 2011 was $53.7 million. Financing activities during the three months ended March 31, 2011 primarily included $50.0 million related to the repurchase of our preferred and common stock, $13.2 million related to payments of acquisition-related contingent consideration obligations, $3.6 million in repayment of long-term debt, $11.8 million cash received from common stock issuances under employee stock option and stock purchase plans and $1.2 million related to the excess tax benefit on exercised stock options.

As of March 31, 2011, we had an aggregate of $4.3 million in outstanding capital lease obligations which are payable through 2015.

Income Taxes

As of December 31, 2010, we had approximately $156.1 million of domestic NOL and capital loss carryforwards and $60.3 million of foreign NOL and capital loss carryforwards, respectively, which either expire on various dates through 2030 or may be carried forward indefinitely. These losses are available to reduce federal, state and foreign taxable income, if any, in future years. These losses are also subject to review and possible adjustments by the applicable taxing authorities. In addition, the domestic NOL carryforward amount at December 31, 2010 included approximately $102.2 million of pre-acquisition losses at Matria, QAS, ParadigmHealth, Biosite, Cholestech, Redwood, HemoSense, Ischemia, Inc. and Ostex International, Inc. Effective January 1, 2009, we adopted a new accounting standard for business combinations. Prior to adoption of this standard, the pre-acquisition losses were applied first to reduce to zero any goodwill and other non-current intangible assets related to the acquisitions, prior to reducing our income tax expense. Upon adoption of the new accounting standard, the reduction of a valuation allowance is generally recorded to reduce our income tax expense.

Furthermore, all domestic losses are subject to the Internal Revenue Code Section 382 limitation and may be limited in the event of certain cumulative changes in ownership interests of significant shareholders over a three-year period in excess of 50%. Section 382 imposes an annual limitation on the use of these losses to an amount equal to the value of the company at the time of the ownership change multiplied by the long-term tax exempt rate. We have recorded a valuation allowance against a portion of the deferred tax assets related to our NOLs and certain of our other deferred tax assets to reflect uncertainties that might affect the realization of such deferred tax assets, as these assets can only be realized via profitable operations.

Off-Balance Sheet Arrangements

We had no material off-balance sheet arrangements as of March 31, 2011.

Contractual Obligations

The following summarizes our principal contractual obligations as of March 31, 2011 that have changed significantly since December 31, 2010 and the effects such obligations are expected to have on our liquidity and cash flow in future periods. Contractual obligations that were presented in our Annual Report on Form 10-K, as amended, for the year ended December 31, 2010, but omitted below, represent those that have not changed significantly since that date.

(a) Acquisition-Related Contingent Consideration Obligations

Privately-owned health management business

With respect to a privately-owned health management business which we acquired in 2008, the terms of the acquisition agreement provide for contingent consideration payable upon successfully meeting certain revenue and EBITDA targets. The final earn-out was achieved during the fourth quarter of 2010, resulting in an accrual of approximately 23.9 million ($31.8 million). A cash payment totaling 24.1 million ($34.0 million) was made during the first quarter of 2011.

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Alere Home Monitoring

With respect to Tapestry now known as Alere Home Monitoring Inc., or Alere Home Monitoring, the terms of the acquisition agreement require us to pay an earn-out upon successfully meeting certain revenue and EBITDA targets during each of the calendar years 2010 and 2011. Cash payment for the 2010 portion of the earn-out totaling $12.7 million was paid during the first quarter of 2011. The maximum remaining amount of the earn-out payments is $12.3 million which, if earned, will be paid in shares of our common stock.

(b) Contingent Obligations

Agreements with Epocal

In November 2009, we entered into a distribution agreement with Epocal, Inc., or Epocal, to distribute the epoc® Blood Analysis System for blood gas and electrolyte testing for $20.0 million, which is recorded on our accompanying consolidated balance sheet in other intangible assets, net. We also entered into a definitive agreement to acquire all of the issued and outstanding equity securities of Epocal for a total potential purchase price of up to $255.0 million, including a base purchase price of up to $172.5 million if Epocal achieves certain gross margin and other financial milestones on or prior to October 31, 2014, plus additional payments of up to $82.5 million if Epocal achieves certain other milestones relating to its gross margin and product development efforts on or prior to this date. We also agreed that, if the acquisition is consummated, we will provide $12.5 million in management incentive arrangements, 25% of which will vest over three years and 75% of which will be payable only upon the achievement of certain milestones. The acquisition will also be subject to other closing conditions, including the receipt of any required antitrust or other approvals. In April 2011, we entered into a license agreement with Epocal and amended some of the terms of the definitive agreement to acquire Epocal. The license agreement provides Alere with royalty-free access to certain Epocal intellectual property for use in Alere home-use products and provided for an upfront license payment of $18.0 million, of which $12.0 million was paid in April 2011, $3.0 million will be paid in June 2011 and $3.0 million will be paid in September 2011. The amendment of the definitive agreement increased the working capital target by $18.0 million. The amendment of the agreement also added an additional potential milestone payment of $8.0 million. As a result, the maximum purchase price under the acquisition agreement increased to $263.0 million.

Critical Accounting Policies

The discussion and analysis of our financial condition and results of operations is based on our consolidated financial statements, which have been prepared in accordance with accounting principles generally accepted in the United States. The preparation of these financial statements in accordance with generally accepted accounting principles requires us to make estimates and judgments that may affect the reported amounts of assets, liabilities, revenues and expenses, and related disclosure of contingent assets and liabilities. On a quarterly basis, we evaluate our estimates, including those related to revenue recognition and related allowances, bad debt, inventory, valuation of long-lived assets, including intangible assets and goodwill, income taxes, including any valuation allowance for our net deferred tax assets, contingencies and litigation, and stock-based compensation. We base our estimates on historical experience and on various other assumptions that are believed to be reasonable, the results of which form the basis for making judgments about the carrying values of assets and liabilities. Actual results may differ from these estimates under different assumptions or conditions.

There have been no significant changes in our critical accounting policies or management estimates since the year ended December 31, 2010. A comprehensive discussion of our critical accounting policies and management estimates is included in Management s Discussion and Analysis of Financial Condition and Results of Operations in our Annual Report on Form 10-K, as amended, for the year ended December 31, 2010.

Recent Accounting Pronouncements

See Note 17 in the notes to the consolidated financial statements included in this Quarterly Report on Form 10-Q, regarding the impact of certain recent accounting pronouncements on our consolidated financial statements.

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ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Our market risks, and the ways we manage them, are summarized in Part II, Item 7A, Quantitative and Qualitative Disclosures About Market Risk of our 2010 Form 10-K, as amended. There have been no material changes in the three months ended March 31, 2011 to our market risks or management of such risks.

ITEM 4. CONTROLS AND PROCEDURES

Evaluation of Disclosure Controls and Procedures

Our management evaluated, with the participation of our Chief Executive Officer, or CEO, and Chief Financial Officer, or CFO, the effectiveness of the design and operation of our disclosure controls and procedures (as defined in Rules 13a-15(e) or 15d-15(e) under the Securities Exchange Act of 1934, as amended) as of the end of the period covered by this Quarterly Report on Form 10-Q. Based on this evaluation, our management, including the CEO and CFO, concluded that our disclosure controls and procedures were effective at that time. We and our management understand nonetheless that controls and procedures, no matter how well designed and operated, can provide only reasonable assurances of achieving the desired control objectives, and our management necessarily was required to apply its judgment in evaluating and implementing possible controls and procedures. In reaching their conclusions stated above regarding the effectiveness of our disclosure controls and procedures, our CEO and CFO concluded that such disclosure controls and procedures were effective as of such date at the reasonable assurance level.

Changes in Internal Control over Financial Reporting

There was no change in our internal control over financial reporting that occurred during the most recent fiscal quarter covered by this Quarterly Report on Form 10-Q that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

PART II OTHER INFORMATION

ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

During the period covered by this report, we issued 14,230 shares of our common stock upon the net exercise of warrants to purchase 33,279 shares of our common stock, resulting in aggregate non-cash consideration to us of $750,015, and 5,519 shares of our common stock upon the exercise of warrants for cash, resulting in aggregate proceeds to us of $100,004. The warrants were issued in private placements relating to various acquisitions. The shares issued upon exercise of the warrants were offered and sold pursuant to the exemption from registration afforded by Section 4(2) of the Securities Act of 1933, as amended, or the Securities Act.

On January 28, 2011, we issued 25,463 shares of common stock in connection with our acquisition of the assets of Pregnancy.org, LLC. We relied on the exemption from registration afforded by Section 4(2) of the Securities Act.

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The following table provides information regarding shares of our common stock and Series B preferred stock that we repurchased during the first quarter of 2011.

Issuer Purchases of Equity Securities

Period	Total Number of Shares Purchased (1)	Average Price Paid Per Share (2)	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs (3)	Approximate Dollar Value of Shares that May Yet be Purchased Under the Plans or Programs (3)
January 1, 2011 January 31, 2011				
Series B preferred stock	118,000	$ 266.30	118,000	
Common stock				
As of January 31, 2011				$ 18,577,178
February 1, 2011 February 28, 2011				
Series B preferred stock	30,000	$ 273.26	30,000	
Common stock				
As of February 28, 2011				$ 10,379,352
March 1, 2011 March 31, 2011				
Series B preferred stock	35,000	$ 278.85	35,000	
Common stock	16,700	$ 36.99	16,700	
As of March 31, 2011				$ 50,000,000(4)
First Quarter 2011				
Series B preferred stock	183,000	$ 269.84	183,000	
Common stock	16,700	$ 36.99	16,700	

(1) In the first quarter of 2011, we repurchased an aggregate of 183,000 shares of our Series B preferred stock and 16,700 shares of our common stock in the open market and in privately negotiated transactions. All repurchases were made pursuant to an authorized share repurchase plan that we publicly announced on December 9, 2010.

(2) Includes commission cost.

(3) On December 8, 2010, the Board of Directors authorized the repurchase of up to $50.0 million of our common stock or preferred stock in the open market or through privately negotiated transactions through March 31, 2011, which amount was fully exhausted through the repurchases described above.

(4) On March 21, 2011, the Board of Directors authorized the repurchase of up to an additional $50.0 million of our common stock or preferred stock in the open market or through privately negotiated transactions on or before December 31, 2011, all of which remained available for future repurchases as of March 31, 2011. We publicly announced this program on March 22, 2011.

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ITEM 6. EXHIBITS

Exhibits:

Exhibit No.	Description
10.1	Alere Inc. Annual Executive Incentive Compensation Process (incorporated by reference to Exhibit 99.1 to the Company s Current Report on Form 8-K, event date February 3, 2011, filed February 9, 2011)
*31.1	Certification by Chief Executive Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
*31.2	Certification by Chief Financial Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
*32.1	Certification Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
*101	Interactive Data Files regarding (a) our Consolidated Statements of Operations for the Three Months Ended March 31, 2011 and 2010, (b) our Consolidated Balance Sheets as of March 31, 2011 and December 31, 2010, (c) our Consolidated Statements of Cash Flows for the Three Months Ended March 31, 2011 and 2010 and (d) the Notes to such Consolidated Financial Statements.

* Filed herewith

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SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

ALERE INC.

Date: May 9, 2011

/s/ David Teitel
David Teitel
Chief Financial Officer and an authorized officer