

ALERE INC.  
Form 10-K/A  
November 13, 2015  
Table of Contents

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

**FORM 10-K/A**  
**(Amendment No. 3)**

**ANNUAL REPORT PURSUANT TO SECTIONS 13 OR 15(d)**  
**OF THE SECURITIES EXCHANGE ACT OF 1934**  
**For the fiscal year ended December 31, 2014**  
**Commission file number 000-16789**

**ALERE INC.**  
**(Exact Name of Registrant as Specified in Its Charter)**

<b>Delaware</b> <b>(State or other jurisdiction of</b>	<b>04-3565120</b> <b>(I.R.S. Employer</b>
<b>incorporation or organization)</b>	<b>Identification No.)</b>
<b>51 Sawyer Road, Suite 200, Waltham, Massachusetts</b> <b>(Address of principal executive offices)</b>	<b>02453</b> <b>(Zip Code)</b>
<b>(781) 647-3900</b>	
<b>(Registrant's telephone number, including area code)</b>	

**Securities registered pursuant to Section 12(b) of the Securities Exchange Act of 1934 (the Exchange Act):**

<b>Title of Each Class</b>	<b>Name of Each Exchange on Which Registered</b>
<b>Common Stock, \$0.001 per share par value</b>	<b>New York Stock Exchange</b>
<b>Series B Convertible Perpetual Preferred</b>	<b>New York Stock Exchange</b>
<b>Stock, \$0.001 per share par value</b>	
<b>Securities registered pursuant to Section 12(g) of the Exchange Act: None</b>	

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act of 1933. Yes  No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Exchange Act. Yes  No

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Exchange Act during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes  No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes  No

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.

Edgar Filing: ALERE INC. - Form 10-K/A

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of large accelerated filer, accelerated filer and smaller reporting company in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer

Accelerated filer

Non-accelerated filer  (Do not check if a smaller reporting company)

Smaller reporting company

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes  No

The aggregate market value of the common stock held by non-affiliates of the registrant based on the closing price of the registrant's common stock on the New York Stock Exchange on June 30, 2014 (the last business day of the registrant's most recently completed second fiscal quarter) was \$2,918,891,906.

As of November 11, 2015, the registrant had 86,256,820 shares of common stock, par value \$0.001 per share, outstanding.

**Table of Contents**

**Explanatory Note**

In the Quarterly Report on Form 10-Q of Alere Inc. (the Company) filed with the Securities and Exchange Commission (the SEC) on November 9, 2015, the Company disclosed that, during the quarter ended September 30, 2015, management identified and corrected out-of-period errors in that quarter relating to U.S. taxes on foreign earnings for the year ended December 31, 2014. The Company disclosed that management had concluded that these errors were the result of a material weakness in that the Company did not maintain a sufficient complement of resources with adequate experience and expertise in accounting for income taxes. Accordingly, the Company stated that it was revising its previous description of the material weakness that existed as of December 31, 2014.

This Amendment No. 3 ( Amendment No. 3 ) on Form 10-K/A to the Annual Report on Form 10-K of the Company for the year ended December 31, 2014, as originally filed with the SEC on March 5, 2015 (the Original Report ) and as amended on April 30, 2015 ( Amendment No. 1 ) and May 28, 2015 ( Amendment No. 2 ), is being filed to restate Item 9A, Controls and Procedures, and the Report of Independent Registered Public Accounting Firm (which is included in Item 8, Financial Statements and Supplementary Data ) in order to revise the description of the material weakness that existed as of December 31, 2014 and related matters, including the Company's remediation plans. Other than the restated Report of Independent Registered Public Accounting Firm on page F-2, no changes have been made to the Company's consolidated financial statements or the notes thereto that were included in Amendment No. 2.

In order to preserve the nature and character of the disclosures set forth in the Original Report, as amended by Amendment No. 1 and Amendment No. 2, this Form 10-K/A speaks as of the date of the filing of the Original Report, March 5, 2015, and the disclosures contained in this Form 10-K/A have not been updated to reflect events occurring subsequent to that date, other than those associated with (a) the restatement described in Amendment No. 2 and (b) the revised description of the material weakness that existed as of December 31, 2014.

Currently dated certifications from the Company's Chief Executive Officer and Chief Financial Officer are attached to this Form 10-K/A as Exhibits 31.1, 31.2 and 32.1. This Form 10-K/A should be read in conjunction with Amendment No. 1 and Amendment No. 2 to the Original Report and the Company's other filings with the SEC.

**Table of Contents**

**ALERE INC.**

**FORM 10-K/A**

**(Amendment No. 3)**

**For The Fiscal Year Ended December 31, 2014**

	<b>Page</b>
<b>PART II</b>	
ITEM 8. <u>Financial Statements and Supplementary Data</u>	4
ITEM 9A. <u>Controls and Procedures</u>	6
<b>PART IV</b>	
ITEM 15. <u>Exhibits and Financial Statement Schedules</u>	9
<u>Signature</u>	14

**Table of Contents****PART II****ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA**

The financial statements and supplementary data, except for selected quarterly financial data which are summarized below, are listed under Item 15(1) and have been filed as part of this report on the pages indicated.

As described in Note 2 of our accompanying consolidated financial statements, we have restated our financial statements for each of the three months ended September 30 and December 31, 2014 and have revised our financial statements for each of the three-month periods ended in 2013 and each of the three months ended March 31 and June 30, 2014. We have also revised the selected quarterly financial data for the quarters presented below to correct the intra-period tax allocations between continuing operations and discontinued operations.

On October 10, 2014, we completed the sale of ACS, and on January 9, 2015, we completed the sale of our health management business. The results of ACS and the health management business are included in income (loss) from discontinued operations, net of tax, for all periods presented in the selected quarterly financial data below. See Note 3 to our accompanying consolidated financial statements for more information about these divestitures and discontinued operations.

The following table presents selected quarterly financial data for each of the quarters in the years ended December 31, 2014 and 2013 (in thousands, except per share data):

	<b>2014</b>			
	<b>First Quarter(2)</b>	<b>Second Quarter(3)</b>	<b>Third Quarter(4) (Restated)</b>	<b>Fourth Quarter(5) (Restated)</b>
Net revenue	\$ 625,239	\$ 647,398	\$ 649,210	\$ 666,857
Gross profit	\$ 310,358	\$ 298,693	\$ 301,622	\$ 308,264
Loss from continuing operations	\$ (2,850)	\$ (57,941)	\$ (84,289)	\$ (30,948)
Income (loss) from discontinued operations, net of tax	\$ (2,596)	\$ 12,915	\$ (14,401)	\$ 142,400
Net income (loss) available to common stockholders(1)	\$ (10,804)	\$ (50,397)	\$ (103,751)	\$ 105,919
Basic and diluted net income (loss) per common share attributable to Alere Inc. and Subsidiaries:				
Loss per common share from continuing operations	\$ (0.10)	\$ (0.77)	\$ (1.08)	\$ (0.44)
Income (loss) per common share from discontinued operations	\$ (0.03)	\$ 0.16	\$ (0.17)	\$ 1.71
Net income (loss) per common share(1)	\$ (0.13)	\$ (0.61)	\$ (1.25)	\$ 1.27
	<b>2013</b>			
	<b>First Quarter(6)</b>	<b>Second Quarter(7)</b>	<b>Third Quarter(8)</b>	<b>Fourth Quarter(9)</b>

Edgar Filing: ALERE INC. - Form 10-K/A

Net revenue	\$ 633,989	\$ 659,839	\$ 650,648	\$ 671,888
Gross profit	\$ 318,938	\$ 337,132	\$ 320,495	\$ 340,490
Income (loss) from continuing operations	\$ (803)	\$ (42,126)	\$ (17,156)	\$ 4,478
Income (loss) from discontinued operations, net of tax	\$ 14,333	\$ (24,746)	\$ (1,916)	\$ (3,797)
Net income (loss) available to common stockholders(1)	\$ 8,305	\$ (72,448)	\$ (24,798)	\$ (5,061)
Basic and diluted net income (loss) per common share attributable to Alere Inc. and Subsidiaries:				
Net income (loss) per common share from continuing operations	\$ (0.08)	\$ (0.59)	\$ (0.28)	\$ (0.01)
Net income (loss) per common share from discontinued operations	\$ 0.18	\$ (0.30)	\$ (0.02)	\$ (0.05)
Net income (loss) per common share(1)	\$ 0.10	\$ (0.89)	\$ (0.30)	\$ (0.06)

- (1) Net income (loss) available to common stockholders and basic and diluted net income (loss) per common share are computed consistent with the annual per share calculations described in Notes 4(o) and 13 of our consolidated financial statements included elsewhere in this report.

---

**Table of Contents**

- (2) Included in net loss from continuing operations for the first quarter of 2014 is \$4.4 million of restructuring charges, \$5.7 million of stock-based compensation expense, \$0.3 million of acquisition-related costs, \$1.4 million of expense recorded for fair value adjustments to acquisition-related contingent consideration, \$3.0 million of costs associated with potential business dispositions, \$0.4 million of interest expense recorded in connection with fees paid for certain debt modifications, \$0.4 million in compensation charges and \$0.1 million of related interest accretion associated with acquisition-related contingent consideration obligations.
- (3) Included in net loss from continuing operations for the second quarter of 2014 is \$15.4 million of restructuring charges, \$0.1 million of acquisition-related costs, \$16.7 million of expense recorded for fair value adjustments to acquisition-related contingent consideration, \$11.6 million of costs associated with potential business dispositions, \$0.4 million of interest expense recorded in connection with fees paid for certain debt modifications, a \$0.6 million loss associated with the disposition of a component of our Alere Informatics business, \$0.6 million in compensation charges and \$0.1 million of related interest accretion associated with acquisition-related contingent consideration obligations, offset by the reversal of \$1.1 million of stock-based compensation expense.
- (4) Included in net loss from continuing operations for the third quarter of 2014 is \$79.4 million of valuation allowance establishment against deferred tax assets associated with our U.S. foreign tax credit carryforwards, \$17.3 million of restructuring charges, \$3.2 million of stock-based compensation expense, \$0.3 million of acquisition-related costs, \$6.2 million of costs associated with potential business dispositions, \$0.4 million of interest expense recorded in connection with fees paid for certain debt modifications, \$0.7 million in compensation charges and \$0.1 million of related interest accretion associated with acquisition-related contingent consideration obligations, \$0.4 million loss on the sale of our equity investment in Vedalab S.A., offset by the reversal of \$5.5 million of expense recorded for fair value adjustments to acquisition-related contingent consideration.
- (5) Included in net loss from continuing operations for the fourth quarter of 2014 is \$60.8 million of amortization, \$21.6 million of restructuring charges, \$4.7 million of stock-based compensation expense, \$0.2 million of acquisition-related costs, \$5.8 million of costs associated with potential business dispositions, \$0.4 million of interest expense recorded in connection with fees paid for certain debt modifications, \$0.2 million in compensation charges and \$0.1 million of related interest accretion associated with acquisition-related contingent consideration obligations and \$7.1 million in impairment and gain (loss) on dispositions, net, offset by the reversal of \$4.8 million of expense recorded for fair value adjustments to acquisition-related contingent consideration.
- (6) Included in net income from continuing operations for the first quarter of 2013 is \$2.0 million related to restructuring charges associated with the decision to close various facilities, acquisition-related costs in the amount of \$0.9 million, \$9.3 million of expense recorded in connection with fair value adjustments to acquisition-related contingent consideration obligations in accordance with ASC 805, *Business Combinations*, \$1.0 million of interest expense recorded in connection with fees paid for certain debt modifications and the termination of our former senior secured credit facility, \$4.1 million of non-cash stock-based compensation expense, \$0.7 million in compensation charges associated with acquisition-related contingent consideration obligations, a \$0.5 million charge associated with the write-up to fair market value of inventory acquired in connection with the acquisition of Epocal Inc. and \$0.2 million of expense associated with the extinguishment of debt.
- (7) Included in net loss from continuing operations for the second quarter of 2013 is \$2.1 million related to restructuring charges associated with the decision to close various facilities, acquisition-related costs in the amount of \$0.4 million, \$5.2 million of expense recorded in connection with fair value adjustments to acquisition-related contingent consideration obligations in accordance with ASC 805, *Business Combinations*, \$35.6 million of loss in connection with the repurchase of our 9% senior subordinated notes, \$8.1 million of bargain purchase gain associated with our acquisition of the Liberty business, \$5.1 million of non-cash write-off of an investment, \$0.8 million of interest expense recorded in connection with fees paid for certain debt modifications and the termination of our former senior secured credit facility, \$4.7 million of non-cash



stock-based compensation expense, \$0.5 million in compensation charges and \$0.2 million of related interest accretion associated with acquisition-related contingent consideration obligations, and a \$0.7 million charge associated with the write-up to fair market value of inventory acquired in connection with the acquisition of Epocal Inc.

- (8) Included in net loss from continuing operations for the third quarter of 2013 is \$6.1 million related to restructuring charges associated with the decision to close various facilities, acquisition-related costs in the amount of \$0.5 million, \$1.8 million of expense recorded in connection with fair value adjustments to acquisition-related contingent consideration obligations in accordance with ASC 805, *Business Combinations*, \$5.5 million of costs associated with the conduct of a contested proxy solicitation, \$5.9 million of loss on disposition of our Spinreact operations, \$0.4 million of interest expense recorded in connection with fees paid for certain debt modifications,

**Table of Contents**

- \$5.7 million of non-cash stock-based compensation expense, \$0.8 million in compensation charges and \$0.1 million of related interest accretion associated with acquisition-related contingent consideration obligations, and a \$0.7 million charge associated with the write-up to fair market value of inventory acquired in connection with the acquisition of Epocal Inc.
- (9) Included in net loss from continuing operations for the fourth quarter of 2013 is amortization of \$70.5 million, \$4.2 million of restructuring charges, \$6.7 million of stock-based compensation expense, \$1.3 million of acquisition-related costs, \$6.1 million of costs associated with potential business dispositions, \$0.4 million of interest expense recorded in connection with fees paid for certain debt modifications, \$0.8 million in compensation charges and \$0.1 million of related interest accretion associated with acquisition-related contingent consideration obligations, a \$0.6 million charge associated with the write-up to fair market value of inventory acquired in connection with the acquisition of Epocal Inc., \$0.1 million of costs associated with the proxy contest, offset by an \$0.8 million reduction in the loss on disposition of our Spinreact, S.A. subsidiary located in Spain and \$1.6 million of income recorded for fair value adjustments to acquisition-related contingent consideration.

**ITEM 9A. CONTROLS AND PROCEDURES***Management's Conclusions Regarding the Effectiveness of Our Disclosure Controls and Procedures*

In connection with the filing of the Original Report on March 5, 2015, our management evaluated, with the participation of our Chief Executive Officer (CEO) and our then-serving Chief Financial Officer (CFO), the effectiveness of the design and operation of our disclosure controls and procedures (as defined in Rule 13a-15(e) under the Securities Exchange Act of 1934, as amended (the Exchange Act)) as of the end of the period covered by the Original Report. Based on that evaluation, our CEO and then-serving CFO concluded in the Original Report that, because of the material weakness related to our accounting for deferred taxes related to dispositions described below our disclosure controls and procedures were not effective to provide reasonable assurance that information required to be disclosed by us in reports that we file or submit under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms, or that such information is accumulated and communicated to our management, including the CEO and CFO, as appropriate to allow timely decisions regarding required disclosure. The conclusion reached in the Original Report has not changed as of the filing of this report as our CEO and current CFO have concluded that our disclosure controls and procedures were not effective as of the end of the period covered by this report.

*Management's Annual Report on Internal Control over Financial Reporting (Restated)*

Our management is responsible for establishing and maintaining adequate internal control over financial reporting as defined in Rule 13a-15(f) under the Exchange Act. Our internal control over financial reporting is a process designed under the supervision of our CEO and CFO to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. Our internal control over financial reporting includes those policies and procedures that:

- (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of our assets;
- (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that our receipts and

expenditures are being made only in accordance with authorizations of our management and directors; and

- (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of assets that could have a material effect on our financial statements.

Management assessed the effectiveness of our internal control over financial reporting as of December 31, 2014. In making this assessment, management used the criteria established in *Internal Control – Integrated Framework* (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

In Management's Annual Report on Internal Control over Financial Reporting included in our Original Report, our management, including our CEO and then-serving CFO, concluded that we did not maintain effective internal control over financial reporting as of December 31, 2014 because of a material weakness related to ineffective controls in assessing the accounting for deferred taxes which become recognizable as a result of dispositions. A material weakness is a deficiency, or a combination of deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of our annual or interim financial statements will not be prevented or detected on a

## **Table of Contents**

timely basis. The material weakness identified by management in the Original Report resulted in adjustments to our deferred tax assets and income from discontinued operations, which were reflected in our consolidated financial statements for the year ended December 31, 2014 included in the Original Report. Subsequent to the filing of the Original Report, the material weakness also resulted in the restatement of the consolidated financial statements for the three and nine months ended September 30, 2014 and the year ended December 31, 2014.

In connection with the preparation of our Quarterly Report on Form 10-Q for the three months ended September 30, 2015, management identified and corrected out-of-period errors in that quarter relating to U.S. taxes on foreign earnings for the year ended December 31, 2014 and concluded that these errors were the result of a material weakness in that we did not maintain a sufficient complement of resources with adequate experience and expertise in accounting for income taxes. As a result, we are restating our Annual Report on Internal Control over Financial Reporting to revise the description of the material weakness as follows: we did not maintain a sufficient complement of resources with adequate experience and expertise in accounting for income taxes, as a result of which our controls did not operate at a level of precision to identify errors in the calculation of tax balances resulting from dispositions and U.S. taxes on foreign earnings. This revision of the description of the material weakness did not alter management's previous conclusion that we did not maintain effective internal control over financial reporting as of December 31, 2014.

Additionally, as initially reported in Amendment No. 2, management concluded that this material weakness could result in misstatements of our income tax accounts and related disclosures that could result in a material misstatement of the consolidated financial statements that would not be prevented or detected. This conclusion has not changed as of the date of the filing of this report.

The effectiveness of our internal control over financial reporting as of December 31, 2014 has been audited by PricewaterhouseCoopers LLP, an independent registered public accounting firm, as stated in their report which appears herein.

### *Changes in Internal Control over Financial Reporting*

There was no change in our internal control over financial reporting that occurred during our fourth fiscal quarter of 2014 that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

### *Plan for Remediation of Material Weakness in Internal Control over Financial Reporting*

With the oversight of senior management and the audit committee, we have been taking steps to remediate the material weakness described above and plan to take additional actions to remediate the underlying cause of this material weakness, primarily through:

- (1) supplementing our accounting and tax professionals with additional personnel with expertise in accounting for the income tax effects of dispositions and other complex transactions. Since May 1, 2015, we have hired a Vice President, Global Tax, a Senior Director, International Tax, a Director, Global Tax Accounting and Senior Manager, Global Tax Accounting, all of whom have experience working on tax provisions of multinational companies;

- (2) enhancing our income tax controls to include specific activities to assess the accounting for deductible outside basis differences that could reverse as a result of transactions to dispose of components of the company;
- (3) enhancing our controls over the income tax provision process to include specific controls over the determination of U.S. taxes on foreign earnings; and
- (4) holding training for our accounting and tax professionals, specifically related to accounting for income taxes relating to transactions to dispose of components of the company.

These actions are subject to ongoing review by our senior management, as well as oversight by the audit committee of our board of directors. Although we plan to complete this remediation process as quickly as possible, we cannot, at this time, estimate when such remediation may occur, and our initiatives may not prove successful in remediating this material weakness. Management may determine to enhance other existing controls and/or implement additional controls as the implementation progresses. It will take time to determine whether the additional controls we are implementing will be sufficient to accomplish their intended purpose; accordingly, the material weakness may continue for a period of time.

The remedial measures we are taking may not be adequate to prevent additional misstatements or avoid other control deficiencies or material weaknesses. The effectiveness of our internal control over financial reporting is subject to various inherent limitations, including judgments used in decision making, the nature and complexity of the transactions we

**Table of Contents**

undertake, assumptions about the likelihood of future events, the soundness of our systems, the adequacy of training and experience, the possibility of human error, cost limitations and the risk of fraud. Moreover, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions and the risk that the degree of compliance with policies or procedures may deteriorate over time. Because of these limitations, there can be no assurance that any system of internal control over financial reporting will be successful in preventing all errors or fraud or in making all material information known in a timely manner to the appropriate levels of management. As a result, our financial statements may contain one or more material misstatements and may not be available on a timely basis, any of which could cause investors to lose confidence in us and lead to, among other things, unanticipated legal, accounting and other expenses, delays in filing required financial disclosures, enforcement actions by government authorities, fines, penalties, the delisting of our securities, a decline in the prices of our securities, liabilities arising from stockholder litigation and defaults under our secured credit facility and notes indentures.

---

**Table of Contents**

**PART IV**

**ITEM 15. EXHIBITS AND FINANCIAL STATEMENT SCHEDULES**

1. Financial Statements.

The financial statements listed below have been filed as part of this report on the pages indicated:

<u>Report of Independent Registered Public Accounting Firm</u>	F-2
<u>Consolidated Statements of Operations for the Years Ended December 31, 2014, 2013 and 2012</u>	F-4
<u>Consolidated Statements of Comprehensive Loss for the Years Ended December 31, 2014, 2013 and 2012</u>	F-5
<u>Consolidated Balance Sheets as of December 31, 2014 and 2013</u>	F-6
<u>Consolidated Statements of Equity for the Years Ended December 31, 2014, 2013 and 2012</u>	F-7
<u>Consolidated Statements of Cash Flows for the Years Ended December 31, 2014, 2013 and 2012</u>	F-10
<u>Notes to Consolidated Financial Statements</u>	F-11

2. Financial Statement Schedules.

All schedules for which provision is made in the applicable accounting regulations of the Securities and Exchange Commission have been omitted because they are inapplicable or the required information is shown in the Consolidated Financial Statements or the notes thereto included herein.

3. Exhibits.

Some of the agreements filed as exhibits to this report contain representations and warranties that were made solely for the benefit of the parties to the agreement. These representations and warranties:

may have been qualified by disclosures that were made to the other party or parties in connection with the negotiation of the agreements, which disclosures are not necessarily reflected in the agreements;

may apply standards of materiality that differ from those of investors;

may have constituted an allocation of risk and responsibility among the parties rather than statements of fact; and

were made only as of specified dates contained in the agreements and are subject to subsequent developments and changed circumstances.

Accordingly, these representations and warranties may not describe the actual state of affairs as of the date that these representations and warranties were made or at any other time. Investors should not rely on them as statements of fact.

## Exhibit

No.	Description
***2.1	Membership Interest Purchase Agreement dated October 27, 2014, by and among Alere Inc., Alere Health, LLC and OptumHealth Care Solutions, Inc. (incorporated by reference to Exhibit 2.1 to the Company's Current Report on Form 8-K, event date October 27, 2014, filed October 28, 2014)
3.1	Amended and Restated Certificate of Incorporation of the Company (incorporated by reference to Exhibit 3.1 to the Company's Quarterly Report on Form 10-Q for the quarter ended September 30, 2014)
3.2	Amended and Restated By-laws of the Company (incorporated by reference to Exhibit 3.2 to the Company's Current Report on Form 8-K, event date August 21, 2014, filed with the SEC on August 26, 2014)
4.1	Indenture, dated May 14, 2007, between the Company and U.S. Bank Trust National Association (incorporated by reference to Exhibit 4.1 to the Company's Current Report on Form 8-K, event date May 9, 2007, filed on May 15, 2007)
4.2	Indenture dated as of May 12, 2009 between Inverness Medical Innovations, Inc., as issuer, and U.S. Bank National Association, as trustee (incorporated by reference to Exhibit 4.1 to the Company's Current Report on Form 8-K, event date May 12, 2009, filed on May 12, 2009)
4.3	Ninth Supplemental Indenture dated September 21, 2010 to Indenture dated as of May 12, 2009 among Alere Inc., as issuer, the subsidiary guarantors named therein, as guarantors, and U.S. Bank National Association, as trustee (incorporated by reference to Exhibit 4.1 to the Company's Current Report on Form 8-K, event date September 15, 2010, filed with the SEC on September 21, 2010)



**Table of Contents****Exhibit**

<b>No.</b>	<b>Description</b>
4.4	Eleventh Supplemental Indenture to Indenture dated as of May 12, 2009 (relating to the Record Date Amendments and Waivers) dated as of June 16, 2011, among the Company, the subsidiary guarantors party thereto and U.S. Bank National Association, as trustee (incorporated by reference to Exhibit 4.3 to the Company's Current Report on Form 8-K, event date June 16, 2011, filed on June 22, 2011)
4.5	Thirteenth Supplemental Indenture to Indenture dated as of May 12, 2009 (relating to the Restricted Payments Amendments and Waivers) dated as of June 16, 2011, among the Company, the subsidiary guarantors party thereto and U.S. Bank National Association, as trustee (incorporated by reference to Exhibit 4.4 to the Company's Current Report on Form 8-K, event date June 16, 2011, filed on June 22, 2011)
4.6	Fifteenth Supplemental Indenture to Indenture dated as of May 12, 2009 (to add the guarantees of Alere Informatics, Inc., Alere Wellogic, LLC, ATS Laboratories, Inc., Avee Laboratories Inc., eScreen, Inc., Global Analytical Development LLC, Ionian Technologies Inc., Pembroke Occupational Health, Inc., Screen Tox, Inc., and Standing Stone, Inc.) dated as of April 3, 2013 among Alere Informatics, Inc., Alere Wellogic, LLC, ATS Laboratories, Inc., Avee Laboratories Inc., eScreen, Inc., Global Analytical Development LLC, Ionian Technologies Inc., Pembroke Occupational Health, Inc., Screen Tox, Inc., and Standing Stone, Inc., as guarantors, the Company as issuer, the other guarantor subsidiaries named therein, as guarantors, and U.S. Bank National Association, as trustee (incorporated by reference to Exhibit 4.2 to the Company's Quarterly Report on Form 10-Q for the period ended March 31, 2013)
4.7	Seventeenth Supplemental Indenture to Indenture dated as of May 12, 2009 (relating to the BBI Transaction) dated as of June 5, 2014, among the Company, the subsidiary guarantors party thereto and U.S. Bank National Association, as trustee (incorporated by reference to Exhibit 4.2 to the Company's Current Report on Form 8-K, event date May 30, 2014, filed on June 5, 2014)
*4.8	Nineteenth Supplemental Indenture to Indenture dated as of May 12, 2009 (to add the guarantees of NewCo SS, LLC, Newco AA, Inc., Newco RD, LLC, Newco RD2, LLC, and Alere Holdco, Inc.) dated October 30, 2014 among NewCo SS, LLC, Newco AA, Inc., Newco RD, LLC, Newco RD2, LLC, and Alere Holdco, Inc., as guarantors, the Company as issuer, the other guarantor subsidiaries named therein, as guarantors, and U.S. Bank National Association, as trustee
4.9	Sixteenth Supplemental Indenture dated as of May 24, 2013 to Indenture dated as of May 12, 2009, by and among the Company, the subsidiary guarantors named therein and U.S. Bank National Association, as trustee (incorporated by reference to Exhibit 4.1 to the Company's Current Report on Form 8-K, event date May 23, 2013, filed May 30, 2013)
4.10	Eighteenth Supplemental Indenture to Indenture dated as of May 12, 2009 (relating to the BBI Transaction) dated as of June 5, 2014, among the Company, the subsidiary guarantors party thereto and U.S. Bank National Association, as trustee (incorporated by reference to Exhibit 4.3 to the Company's Current Report on Form 8-K, event date May 30, 2014, filed on June 5, 2014)
*4.11	Twentieth Supplemental Indenture to Indenture dated as of May 12, 2009 (to add the guarantees of NewCo SS, LLC, Newco AA, Inc., Newco RD, LLC, Newco RD2, LLC, and Alere Holdco, Inc.) dated October 30, 2014 among NewCo SS, LLC, Newco AA, Inc., Newco RD, LLC, Newco RD2, LLC, and Alere Holdco, Inc., as guarantors, the Company as issuer, the other guarantor subsidiaries named therein, as guarantors, and U.S. Bank National Association, as trustee
4.12	

Edgar Filing: ALERE INC. - Form 10-K/A

Indenture dated as of August 11, 2009 between Inverness Medical Innovations, Inc., as issuer, and The Bank of New York Mellon Trust Company, N.A., as trustee (incorporated by reference to Exhibit 4.1 to the Company's Current Report on Form 8-K, event date August 11, 2009, filed on August 11, 2009)

- 4.13 Fifteenth Supplemental Indenture dated as of December 11, 2012 to Indenture dates as of August 11, 2009, by and among the Company, the subsidiary guarantors named therein and Bank of New York Mellon Trust Company, N.A., as trustee (incorporated by reference to Exhibit 4.2 to the Company's Current Report on Form 8-K, event date December 11, 2012, filed on December 14, 2012)

**Table of Contents****Exhibit**

<b>No.</b>	<b>Description</b>
4.14	Sixteenth Supplemental Indenture, dated April 3, 2013 (to add the guarantees of Alere Informatics, Inc., Alere Wellogic, LLC, ATS Laboratories, Inc., Avee Laboratories Inc., eScreen, Inc., Global Analytical Development LLC, Ionian Technologies Inc., Pembroke Occupational Health, Inc., Screen Tox, Inc., and Standing Stone, Inc.) to Indenture dated as of August 11, 2009 among Alere Informatics, Inc., Alere Wellogic, LLC, ATS Laboratories, Inc., Avee Laboratories Inc., eScreen, Inc., Global Analytical Development LLC, Ionian Technologies Inc., Pembroke Occupational Health, Inc., Screen Tox, Inc., and Standing Stone, Inc., as guarantors, the Company as issuer, the other guarantor subsidiaries named therein, as guarantors, and Bank of New York Mellon Trust Company, N.A., as trustee (incorporated by reference to Exhibit 4.6 of the Company's Registration Statement on Form S-4 (File No. 333-187776))
4.15	Seventeenth Supplemental Indenture to Indenture dated as of August 11, 2009 (relating to the BBI Transaction) dated as of June 5, 2014, among the Company, the subsidiary guarantors party thereto and Bank of New York Mellon Trust Company, N.A., as trustee (incorporated by reference to Exhibit 4.1 to the Company's Current Report on Form 8-K, event date May 30, 2014, filed on June 5, 2014)
*4.16	Eighteenth Supplemental Indenture to Indenture dated as of August 11, 2009 (to add the guarantees of NewCo SS, LLC, Newco AA, Inc., Newco RD, LLC, Newco RD2, LLC, and Alere Holdco, Inc.) dated October 30, 2014 among NewCo SS, LLC, Newco AA, Inc., Newco RD, LLC, Newco RD2, LLC, and Alere Holdco, Inc., as guarantors, the Company as issuer, the other guarantor subsidiaries named therein, as guarantors, and Bank of New York Mellon Trust Company, N.A., as trustee
4.17	Registration Rights Agreement, dated as of December 11, 2012, by and among the Company, the guarantors named therein, and Jefferies & Company, Inc., Goldman, Sachs & Co., and Credit Suisse Securities (USA) LLC, as representatives of the Initial Purchasers (incorporated by reference to Exhibit 4.4 to the Company's Current Report on Form 8-K, event date December 11, 2012, filed on December 14, 2012)
4.18	Registration Rights Agreement, dated as of May 24, 2013, by and among the Company, the guarantors named therein, and Goldman, Sachs & Co., Jefferies LLC and Credit Suisse Securities (USA) LLC, as representatives of the Initial Purchasers (incorporated by reference to Exhibit 4.3 to the Company's Current Report on Form 8-K, event date May 23, 2013, filed May 30, 2013)
+10.1	BNP Assay Development, Manufacture and Supply Agreement between Biosite Incorporated and Beckman Coulter, Inc. effective June 24, 2003 (incorporated by reference to Exhibit 10.22 to Annual Report of Biosite Incorporated on Form 10-K, filed on March 12, 2007)
+10.2	Shareholder Agreement dated as of May 17, 2007 among Inverness Medical Switzerland GmbH, Procter & Gamble International Operations, SA and SPD Swiss Precision Diagnostics GmbH (incorporated by reference to Exhibit 10.12 to Company's Quarterly Report on Form 10-Q for the period ended June 30, 2007)
10.3	Inverness Medical Innovations, Inc. 2001 Stock Option and Incentive Plan, as amended (incorporated by reference to Appendix A to the Company's Proxy Statement filed on Schedule 14A as filed with the SEC on April 30, 2009)
10.4	Alere Inc. 2010 Stock Option and Incentive Plan, as amended (incorporated by reference to Appendix A to the Company's Proxy Statement filed on Schedule 14A as filed with the SEC on July 17, 2014)
10.5	

Edgar Filing: ALERE INC. - Form 10-K/A

Rules of Alere Inc. HM Revenue and Customs Approved Share Option Plan (2007), as amended (authorized for use under the Alere Inc. 2001 Stock Option and Incentive Plan and the Alere Inc. 2010 Stock Option and Incentive Plan) (incorporated by reference to Exhibit 10.5 to the Company's Quarterly Report on Form 10-Q for the period ended June 30, 2010)

- 10.6 Summary of Terms of Award Agreements under Alere Inc. Stock Option Plans (incorporated by reference to Exhibit 10.4 to the Company's Quarterly Report on Form 10-Q, for the period ended September 30, 2014)
- 10.7 Form of Change of Control Agreement between the Company and each of its executive officers (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K, event date October 25, 2014, filed on October 28, 2014)
- 10.8 Summary of Non-Employee Director Compensation (incorporated by reference to Exhibit 10.8 to the Company's Quarterly Report on Form 10-Q for the period ended September 30, 2010)

**Table of Contents****Exhibit**

<b>No.</b>	<b>Description</b>
10.9	Alere Inc. 2001 Employee Stock Purchase Plan, as amended (incorporated by reference to Appendix B to the Company's Proxy Statement filed on Schedule 14A as filed with the SEC on July 17, 2014)
10.10	Restricted Stock Unit Agreement, dated December 30, 2012, between Alere Inc. and Namal Nawana (incorporated by reference to Exhibit 10.9 to the Company's Annual Report on Form 10-K, for the year ended December 31, 2012)
10.11	Purchase Agreement dated November 28, 2012 among Alere Inc., the subsidiary guarantors named therein and Jefferies & Company, Inc., Goldman, Sachs & Co. and Credit Suisse Securities (USA) LLC, as Representatives of the Initial Purchasers (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K, event date November 28, 2012, filed with the SEC on November 30, 2012)
10.12	Summary of Arrangement with Chairman of the Board Regarding Expense Reimbursement (incorporated by reference to Exhibit 10.2 to the Company's Quarterly Report on Form 10-Q, for the quarter ended June 30, 2014)
10.13	Purchase Agreement dated May 13, 2013 among Alere Inc., the subsidiary guarantors named therein and Goldman, Sachs & Co., Jefferies LLC and Credit Suisse Securities (USA) LLC, as Representatives of the Initial Purchasers (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K, event date May 10, 2013, filed May 16, 2013)
10.14	Credit Agreement dated as of June 30, 2011 among Alere Inc., as Borrower, the Lenders and L/C Issuers party thereto, General Electric Capital Corporation, as Administrative Agent, Jefferies Finance LLC, as Syndication Agent, and Credit Suisse Securities (USA) LLC, Goldman Sachs Bank USA, DnB Nor Bank ASA and SunTrust Bank, as Co-Documentation Agents (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K, event date June 30, 2011, filed on July 7, 2011)
10.15	Guaranty and Security Agreement dated as of June 30, 2011 among Alere Inc., as Borrower, and each Grantor party thereto and General Electric Capital Corporation, as Administrative Agent (incorporated by reference to Exhibit 10.2 to the Company's Current Report on Form 8-K, event date June 30, 2011, filed on July 7, 2011)
10.16	First Amendment to Credit Agreement dated as of July 27, 2011 among Alere Inc., as Borrower, the Lenders and L/C Issuers party thereto, General Electric Capital Corporation, as Administrative Agent, Jefferies Finance LLC, as Syndication Agent, and Credit Suisse Securities (USA) LLC, Goldman Sachs Bank USA, DnB Nor Bank ASA and SunTrust Bank, as Co-Documentation Agents (incorporated by reference to Exhibit 10.3 to the Company's Quarterly Report on Form 10-Q for the period ended June 30, 2011)
10.17	Second Amendment to Credit Agreement dated as of December 7, 2011 among Alere Inc., as Borrower, the Lenders party thereto, and General Electric Capital Corporation, as Administrative Agent (incorporated by reference to Exhibit 10.3 to the Company's Current Report on Form 8-K, event date December 7, 2011, filed on December 9, 2011)
10.18	Third Amendment to Credit Agreement dated as of March 28, 2012 among Alere Inc., as Borrower, the Lenders party thereto, and General Electric Capital Corporation, as Administrative Agent (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K, event date March 28, 2012, filed on April 2, 2012)
10.19	

Edgar Filing: ALERE INC. - Form 10-K/A

Fourth Amendment to Credit Agreement, dated as of March 22, 2013, among Alere Inc., as Borrower, each of the Guarantors (as defined therein), the Lenders party thereto, and General Electric Capital Corporation, as Administrative Agent (incorporated by reference to Exhibit 10.1 to the Company's Quarterly Report on Form 10-Q for the period ended March 31, 2013)

- 10.20 Fifth Amendment to Credit Agreement, dated as of May 30, 2014, among Alere Inc., as Borrower, each of the Guarantors (as defined therein), the Lenders party thereto, and General Electric Capital Corporation, as Administrative Agent (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K, event dated May 30, 2014, filed June 5, 2014)
- \*10.21 Sixth Amendment to Credit Agreement, dated as of December 1, 2014, among Alere Inc., as Borrower, each of the Guarantors (as defined therein), the Lenders party thereto, and General Electric Capital Corporation, as Administrative Agent
- \*21.1 List of Subsidiaries of the Company as of March 5, 2015

**Table of Contents**

**Exhibit**

<b>No.</b>	<b>Description</b>
**23.1	Consent of PricewaterhouseCoopers LLP, Independent Registered Public Accounting Firm
**31.1	Certification by Chief Executive Officer Pursuant to Section 302 of the Sarbanes-Oxley Act
**31.2	Certification by Chief Financial Officer Pursuant to Section 302 of the Sarbanes-Oxley Act
**32.1	Certification Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act
*101	Interactive Data Files regarding (a) our Consolidated Statements of Operations for the Years Ended December 31, 2014, 2013 and 2012, (b) our Consolidated Statements of Comprehensive Income (Loss) for the Years Ended December 31, 2014, 2013 and 2012 (c) our Consolidated Balance Sheets as of December 31, 2014 and 2013, (d) our Consolidated Statements of Equity for the Years Ended December 31, 2014, 2013 and 2012, (e) our Consolidated Statements of Cash Flows for the Years Ended December 31, 2014, 2013 and 2012 and (f) the Notes to such consolidated financial statements.

\* Previously filed.

\*\* Filed herewith.

\*\*\* The Company agrees to furnish supplementally to the Securities and Exchange Commission ( the Commission ) a copy of any omitted schedule or exhibit to this agreement upon request by the Commission.

+ We have omitted portions of this exhibit which have been granted confidential treatment. Management contract or compensatory plan or arrangement, or amendment thereto.

Table of Contents

**SIGNATURE**

Pursuant to the requirements of Section 13 or 15(d) 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: November 13, 2015

By:

/s/ Namal Nawana  
Namal Nawana  
*Chief Executive Officer and President*



**Table of Contents**

**ALERE INC. AND SUBSIDIARIES**

**CONSOLIDATED FINANCIAL STATEMENTS**

**Table of Contents**

	<b>Page</b>
<u>Report of Independent Registered Public Accounting Firm</u>	F-2
<u>Consolidated Statements of Operations for the Years Ended December 31, 2014, 2013 and 2012</u>	F-4
<u>Consolidated Statements of Comprehensive Loss for the Years Ended December 31, 2014, 2013 and 2012</u>	F-5
<u>Consolidated Balance Sheets as of December 31, 2014 and 2013</u>	F-6
<u>Consolidated Statements of Equity for the Years Ended December 31, 2014, 2013 and 2012</u>	F-7
<u>Consolidated Statements of Cash Flows for the Years Ended December 31, 2014, 2013 and 2012</u>	F-10
<u>Notes to Consolidated Financial Statements</u>	F-11

F-1

---

**Table of Contents**

**Report of Independent Registered Public Accounting Firm**

To the Board of Directors and Stockholders of Alere Inc.,

In our opinion, the accompanying consolidated balance sheets and the related consolidated statements of operations, of comprehensive loss, of equity and of cash flows present fairly, in all material respects, the financial position of Alere Inc. and its subsidiaries at December 31, 2014 and 2013, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2014 in conformity with accounting principles generally accepted in the United States of America.

Management and we previously concluded that the Company did not maintain effective internal control over financial reporting as of December 31, 2014, because of a material weakness related to the accounting for deferred taxes related to dispositions. However, management has subsequently determined that the Company did not maintain a sufficient complement of resources with adequate experience and expertise in accounting for income taxes. As a result, the description of the material weakness for accounting for deferred taxes related to dispositions at December 31, 2014 was revised to state: The Company did not maintain a sufficient complement of resources with adequate experience and expertise in accounting for income taxes, which resulted in controls that did not operate at a level of precision to identify errors in the calculation of tax balances resulting from dispositions and U.S. taxes on foreign earnings. Accordingly, our opinion on the effectiveness of internal control over financial reporting has been restated to include this revised material weakness. Also in our opinion, the Company did not maintain, in all material respects, effective internal control over financial reporting as of December 31, 2014, based on criteria established in *Internal Control Integrated Framework* (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) because a material weakness in internal control over financial reporting relating to lack of a sufficient complement of resources with adequate experience and expertise in accounting for income taxes, which resulted in controls that did not operate at a level of precision to identify errors in the calculation of tax balances resulting from dispositions and U.S. taxes on foreign earnings existed as of that date. A material weakness is a deficiency, or a combination of deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of the annual or interim financial statements will not be prevented or detected on a timely basis. The material weakness referred to above is described in Management's Annual Report on Internal Control over Financial Reporting appearing under Item 9A. We considered this material weakness in determining the nature, timing, and extent of audit tests applied in our audit of the 2014 consolidated financial statements, and our opinion regarding the effectiveness of the Company's internal control over financial reporting does not affect our opinion on those consolidated financial statements. The Company's management is responsible for these financial statements, for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting included in management's report referred to above. Our responsibility is to express opinions on these financial statements and on the Company's internal control over financial reporting based on our integrated audits. We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement and whether effective internal control over financial reporting was maintained in all material respects. Our audits of the financial statements included examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audits also included performing such other procedures as we considered necessary in the circumstances. We believe that our audits provide a reasonable basis for our opinions.

As discussed in Note 2 to the consolidated financial statements, the Company has restated its 2014 consolidated financial statements to correct errors.

As discussed in Notes 3 and 4 to the consolidated financial statements, effective October 1, 2014, the Company changed the manner in which it accounts for discontinued operations.

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.



**Table of Contents**

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

/s/ PricewaterhouseCoopers LLP

Boston, Massachusetts

March 5, 2015, except for the effects of the restatement and revision discussed in Note 2 to the consolidated financial statements, as to which the date is May 28, 2015, and except with respect to our opinion on internal control over financial reporting insofar as it relates to the matter described in the fourth paragraph of Management's Annual Report on Internal Control over Financial Reporting as to which the date is November 13, 2015

F-3

**Table of Contents****ALERE INC. AND SUBSIDIARIES****CONSOLIDATED STATEMENTS OF OPERATIONS**

(in thousands, except per share amounts)

	Year Ended December 31,		
	2014 (Restated)	2013	2012
Net product sales	\$ 2,035,666	\$ 2,056,519	\$ 1,899,913
Services revenue	531,988	532,616	465,882
Net product sales and services revenue	2,567,654	2,589,135	2,365,795
License and royalty revenue	21,050	27,229	28,576
<b>Net revenue</b>	<b>2,588,704</b>	<b>2,616,364</b>	<b>2,394,371</b>
Cost of net product sales	1,069,422	1,017,501	920,617
Cost of services revenue	294,753	274,045	220,510
Cost of net product sales and services revenue	1,364,175	1,291,546	1,141,127
Cost of license and royalty revenue	5,592	7,763	7,354
<b>Cost of net revenue</b>	<b>1,369,767</b>	<b>1,299,309</b>	<b>1,148,481</b>
<b>Gross profit</b>	<b>1,218,937</b>	<b>1,317,055</b>	<b>1,245,890</b>
Operating expenses:			
Research and development	144,828	159,053	181,735
Sales and marketing	513,801	566,137	556,594
General and administrative	453,988	435,199	347,379
Impairment and (gain) loss on dispositions, net	7,742	5,124	
<b>Operating income</b>	<b>98,578</b>	<b>151,542</b>	<b>160,182</b>
Interest expense, including amortization of original issue discounts and deferred financing costs	(209,191)	(255,346)	(240,397)
Other income (expense), net	(731)	(11,260)	11,137
<b>Loss from continuing operations before provision (benefit) for income taxes</b>	<b>(111,344)</b>	<b>(115,064)</b>	<b>(69,078)</b>
Provision (benefit) for income taxes	82,193	(42,014)	(10,742)
<b>Loss from continuing operations before equity earnings of unconsolidated entities, net of tax</b>	<b>(193,537)</b>	<b>(73,050)</b>	<b>(58,336)</b>
Equity earnings of unconsolidated entities, net of tax	17,509	17,443	13,245
Loss from continuing operations	(176,028)	(55,607)	(45,091)
Income (loss) from discontinued operations, net of tax	138,318	(16,126)	(33,126)
<b>Net income (loss)</b>	<b>(37,710)</b>	<b>(71,733)</b>	<b>(78,217)</b>
Less: Net income attributable to non-controlling interests	30	976	275
<b>Net income (loss) attributable to Alere Inc. and Subsidiaries</b>	<b>(37,740)</b>	<b>(72,709)</b>	<b>(78,492)</b>
Preferred stock dividends	(21,293)	(21,293)	(21,293)
<b>Net loss available to common stockholders</b>	<b>\$ (59,033)</b>	<b>\$ (94,002)</b>	<b>\$ (99,785)</b>

Edgar Filing: ALERE INC. - Form 10-K/A

<b>Basic and diluted net loss per common share attributable to Alere Inc. and Subsidiaries:</b>						
Loss from continuing operations	\$	(2.38)	\$	(0.95)	\$	(0.83)
Income (loss) from discontinued operations		1.67		(0.20)		(0.41)
Net loss per common share	\$	(0.71)	\$	(1.15)	\$	(1.24)
<b>Weighted-average shares</b>	<b>basic and diluted</b>					
		82,938		81,542		80,587

The accompanying notes are an integral part of these consolidated financial statements.

F-4

**Table of Contents****ALERE INC. AND SUBSIDIARIES****CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS****(in thousands)**

	<b>Year Ended December 31,</b>		
	<b>2014</b>	<b>2013</b>	<b>2012</b>
	<b>(Restated)</b>		
<b>Net income (loss)</b>	<b>\$ (37,710)</b>	<b>\$ (71,733)</b>	<b>\$ (78,217)</b>
Other comprehensive income (loss), before tax:			
Changes in cumulative translation adjustment	(166,448)	(50,166)	54,642
Unrealized losses on available for sale securities	(17)		(216)
Unrealized gains on hedging instruments	38	39	388
Minimum pension liability adjustment	(169)	(415)	(1,042)
Other comprehensive income (loss), before tax	(166,596)	(50,542)	53,772
Income tax provision (benefit) related to items of other comprehensive income (loss)	(173)	(106)	(372)
Other comprehensive income (loss), net of tax	(166,423)	(50,436)	54,144
<b>Comprehensive loss</b>	<b>(204,133)</b>	<b>(122,169)</b>	<b>(24,073)</b>
Less: Comprehensive income attributable to non-controlling interests	30	976	275
<b>Comprehensive loss attributable to Alere Inc. and Subsidiaries</b>	<b>\$ (204,163)</b>	<b>\$ (123,145)</b>	<b>\$ (24,348)</b>

The accompanying notes are an integral part of these consolidated financial statements.

**Table of Contents****ALERE INC. AND SUBSIDIARIES****CONSOLIDATED BALANCE SHEETS**

(in thousands, except par value)

	As of December 31,	
	2014	2013
	(Restated)	
<b>ASSETS</b>		
<b>Current assets:</b>		
Cash and cash equivalents	\$ 378,461	\$ 355,431
Restricted cash	37,571	3,458
Marketable securities	259	858
Accounts receivable, net of allowances of \$76,163 and \$69,146 at December 31, 2014 and December 31, 2013, respectively	466,106	487,377
Inventories, net	365,165	365,267
Deferred tax assets	112,573	48,858
Prepaid expenses and other current assets	132,413	125,645
Assets held for sale	315,515	380,483
<b>Total current assets</b>	<b>1,808,063</b>	<b>1,767,377</b>
Property, plant and equipment, net	453,570	466,497
Goodwill	2,926,666	3,006,997
Other intangible assets with indefinite lives	43,651	56,702
Finite-lived intangible assets, net	1,276,444	1,557,426
Restricted cash		29,370
Deferred financing costs, net, and other non-current assets	67,832	83,497
Investments in unconsolidated entities	91,693	86,830
Deferred tax assets	8,569	7,389
Non-current income tax receivable	2,468	
<b>Total assets</b>	<b>\$ 6,678,956</b>	<b>\$ 7,062,085</b>
<b>LIABILITIES AND EQUITY</b>		
<b>Current liabilities:</b>		
Short-term debt and current portion of long-term debt	\$ 88,875	\$ 64,112
Current portion of capital lease obligations	4,241	5,962
Accounts payable	213,592	181,642
Accrued expenses and other current liabilities	375,494	381,894
Liabilities related to assets held for sale	78,843	133,242
<b>Total current liabilities</b>	<b>761,045</b>	<b>766,852</b>
<b>Long-term liabilities:</b>		
Long-term debt, net of current portion	3,621,385	3,757,788
Capital lease obligations, net of current portion	10,560	13,242
Deferred tax liabilities	214,639	285,034
Other long-term liabilities	161,582	161,031
<b>Total long-term liabilities</b>	<b>4,008,166</b>	<b>4,217,095</b>
<b>Commitments and contingencies (Notes 10, 11 and 12)</b>		
<b>Stockholders equity:</b>		



## Edgar Filing: ALERE INC. - Form 10-K/A

Series B preferred stock, \$0.001 par value (liquidation preference: \$709,763 at December 31, 2014 and 2013); Authorized: 2,300 shares; Issued: 2,065 shares at December 31, 2014 and 2013; Outstanding: 1,774 shares at December 31, 2014 and 2013	606,468	606,468
Common stock, \$0.001 par value; Authorized: 200,000 shares; Issued: 91,532 shares and 89,666 shares at December 31, 2014 and 2013, respectively; Outstanding: 83,853 shares and 81,987 shares at December 31, 2014 and 2013, respectively	92	90
Additional paid-in capital	3,355,672	3,319,168
Accumulated deficit	(1,679,552)	(1,641,812)
Treasury stock, at cost, 7,679 shares at December 31, 2014 and 2013	(184,971)	(184,971)
Accumulated other comprehensive loss	(192,110)	(25,687)
<b>Total stockholders' equity</b>	<b>1,905,599</b>	<b>2,073,256</b>
Non-controlling interests	4,146	4,882
<b>Total equity</b>	<b>1,909,745</b>	<b>2,078,138</b>
<b>Total liabilities and equity</b>	<b>\$ 6,678,956</b>	<b>\$ 7,062,085</b>

The accompanying notes are an integral part of these consolidated financial statements.

**Table of Contents****ALERE INC. AND SUBSIDIARIES****CONSOLIDATED STATEMENTS OF EQUITY**

(in thousands)

	Preferred Stock		Common Stock		Additional	Accumulated	Accumulated	Treasury Stock,		Total	Non-	Total	Redeemable
	Number of	Amount	Number of	\$0.001	Paid-in	Deficit	Income	Number of	at cost	Stockholders	controlling	Equity	Non-
	Shares		Shares	Par	Capital		(Loss)	Shares	Value	Equity	Interest	Equity	controlling
				Value									Interest
BALANCE, DECEMBER 31, 2011	1,774	\$ 606,468	87,647	\$ 88	\$ 3,324,710	\$ (1,490,611)	\$ (29,395)	7,679	\$ (184,971)	\$ 2,226,289	\$ 2,340	\$ 2,228,629	\$ 2,497
Exercise of common stock options, warrants and shares issued under employee stock purchase plan			862	1	14,923					14,924		14,924	
Issuance of common stock for settlement of an acquisition-related contingent consideration obligation			67		1,243					1,243		1,243	
Preferred stock dividends					(21,293)					(21,293)		(21,293)	
Stock-based compensation expense					15,665					15,665		15,665	
Excess tax benefits on exercised stock options					(234)					(234)		(234)	
Minimum pension liability adjustment, net of tax							(756)			(756)		(756)	
Changes in cumulative translation adjustment, net of tax							54,642			54,642		54,642	
Unrealized gain on hedging instruments, net of tax							388			388		388	
Unrealized loss on available-for-sale securities, net of tax							(130)			(130)		(130)	
Purchase of subsidiary shares					(35,079)					(35,079)		(35,079)	(2,434)

Edgar Filing: ALERE INC. - Form 10-K/A

from non-controlling interest															
Non-controlling interest dividend													(396)	(396)	
Net income (loss)					(78,492)					(78,492)			338	(78,154)	(63)

BALANCE, DECEMBER 31, 2012	1,774	\$ 606,468	88,576	\$ 89	\$ 3,299,935	\$ (1,569,103)	\$ 24,749	7,679	\$ (184,971)	\$ 2,177,167	\$ 2,282	\$ 2,179,449	\$
----------------------------	-------	------------	--------	-------	--------------	----------------	-----------	-------	--------------	--------------	----------	--------------	----

The accompanying notes are an integral part of these consolidated financial statements.

F-7

**Table of Contents**

	Preferred Stock		Common Stock		Additional Paid-in Capital	Accumulated Deficit	Accumulated Other Comprehensive Income (Loss)	Treasury Stock, at cost		Total Stockholders Equity	Non-controlling Interest	Total Equity
	Number of Shares	Amount	Number of Shares	\$0.001 Par Value				Number of Shares	Value			
BALANCE, DECEMBER 31, 2012	1,774	\$ 606,468	88,576	\$ 89	\$ 3,299,935	\$ (1,569,103)	\$ 24,749	7,679	\$ (184,971)	\$ 2,177,167	\$ 2,282	\$ 2,179,449
Issuance of common stock under employee compensation plans			1,090	1	20,714					20,715		20,715
Preferred stock dividends					(21,293)					(21,293)		(21,293)
Stock-based compensation expense					21,210					21,210		21,210
Excess tax benefits on exercised stock options					(1,398)					(1,398)		(1,398)
Minimum pension liability adjustment, net of tax							(309)			(309)		(309)
Changes in cumulative translation adjustment, net of tax							(50,166)			(50,166)		(50,166)
Unrealized gain on hedging instruments, net of tax							39			39		39
Non-controlling interest from acquisition											1,788	1,788
Non-controlling interest dividend											(164)	(164)
Net income (loss)						(72,709)				(72,709)	976	(71,733)
BALANCE, DECEMBER 31, 2013	1,774	\$ 606,468	89,666	\$ 90	\$ 3,319,168	\$ (1,641,812)	\$ (25,687)	7,679	\$ (184,971)	\$ 2,073,256	\$ 4,882	\$ 2,078,138

The accompanying notes are an integral part of these consolidated financial statements.

Table of Contents

## ALERE INC. AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF EQUITY (Continued) (Restated)

(in thousands)

	Preferred Stock		Common Stock		Additional Paid-in Capital	Accumulated Deficit	Accumulated Other Comprehensive Loss	Treasury Stock, at cost		Total Stockholders' Equity	Non-controlling Interest	Total Equity
	Number of Shares	Amount	Number of Shares	Par Value				Number of Shares	Value			
BALANCE, DECEMBER 31, 2013	1,774	\$ 606,468	89,666	\$ 90	\$ 3,319,168	\$ (1,641,812)	\$ (25,687)	7,679	\$ (184,971)	\$ 2,073,256	\$ 4,882	\$ 2,078,138
Issuance of common stock under employee compensation plans			1,866	2	51,553					51,555		51,555
Preferred stock dividends					(21,293)					(21,293)		(21,293)
Stock-based compensation expense					12,452					12,452		12,452
Excess tax benefits on exercised stock options					(6,208)					(6,208)		(6,208)
Minimum pension liability adjustment, net of tax							4			4		4
Changes in cumulative translation adjustment, net of tax							(166,448)			(166,448)		(166,448)
Unrealized gain on hedging instruments and marketable securities, net of tax							21			21		21
Non-controlling interest share purchase											(766)	(766)
Net income (loss)						(37,740)				(37,740)	30	(37,710)
BALANCE, DECEMBER 31, 2014	1,774	\$ 606,468	91,532	\$ 92	\$ 3,355,672	\$ (1,679,552)	\$ (192,110)	7,679	\$ (184,971)	\$ 1,905,599	\$ 4,146	\$ 1,909,745

The accompanying notes are an integral part of these consolidated financial statements.



**Table of Contents****ALERE INC. AND SUBSIDIARIES****CONSOLIDATED STATEMENTS OF CASH FLOWS****(in thousands)**

	<b>For The Year Ended December 31,</b>		
	<b>2014</b>		
	<b>(Restated)</b>	<b>2013</b>	<b>2012</b>
<b>Cash Flows from Operating Activities:</b>			
Net income (loss)	\$ (37,710)	\$ (71,733)	\$ (78,217)
Income (loss) from discontinued operations, net of tax	138,318	(16,126)	(33,126)
Loss from continuing operations	(176,028)	(55,607)	(45,091)
Adjustments to reconcile net loss from continuing operations to net cash provided by operating activities:			
Non-cash interest expense, including amortization of original issue discounts and deferred financing costs	16,233	17,839	21,346
Depreciation and amortization	335,833	374,473	383,900
Non-cash charges for sale of inventories revalued at the date of acquisition		2,504	4,681
Non-cash stock-based compensation expense	12,452	21,210	15,665
Tax benefit related to discontinued operations retained by Alere Inc.	9,845	7,882	4,888
Impairment of inventory	3,124	337	290
Impairment of long-lived assets	7,019	5,818	1,037
Impairment of intangible assets		686	
(Gain) loss on disposition of fixed assets	6,545	1,471	(3,134)
Gain on sales of marketable securities			(751)
Equity earnings of unconsolidated entities, net of tax	(17,509)	(17,443)	(13,245)
Deferred income taxes	(6,982)	(129,687)	(57,909)
Loss on extinguishment of debt		35,603	23,235
Loss related to impairment and net gain on dispositions	7,742	5,124	
Bargain purchase gain		(8,023)	
Other non-cash items	4,965	10,450	7,367
Changes in assets and liabilities, net of acquisitions:			
Accounts receivable, net	(689)	(46,672)	(19,810)
Inventories, net	(61,110)	(82,710)	(16,893)
Prepaid expenses and other current assets	(51,998)	(11,310)	(5,360)
Accounts payable	47,851	17,750	(11,672)
Accrued expenses and other current liabilities	63,689	57,158	41,025
Other non-current liabilities	9,150	(20,525)	(39,775)
Cash paid for contingent consideration	(22,077)	(11,660)	(10,317)
Net cash provided by continuing operations	188,055	174,668	279,477
Net cash provided by discontinued operations	43,468	69,232	40,204
<b>Net cash provided by operating activities</b>	<b>231,523</b>	<b>243,900</b>	<b>319,681</b>
<b>Cash Flows from Investing Activities:</b>			
(Increase) decrease in restricted cash	(5,446)	(31,164)	5,911
Purchases of property, plant and equipment	(100,562)	(99,908)	(109,097)
Proceeds from sale of property, plant and equipment	1,486	3,618	21,646
Cash received from disposition, net of cash divested	45,076	29,000	
Cash paid for business acquisitions, net of cash acquired	(75)	(176,131)	(419,987)
Cash received from investments	198		

Edgar Filing: ALERE INC. - Form 10-K/A

Proceeds from sale of equity investment	9,526		
Cash received from sales of marketable securities	580	41	3,056
Cash received from (paid for) equity method investments		29,338	12,707
(Increase) decrease in other assets	986	14,723	(56,355)
<b>Net cash used in continuing operations</b>	<b>(48,231)</b>	<b>(230,483)</b>	<b>(542,119)</b>
<b>Net cash used in discontinued operations</b>	<b>(8,972)</b>	<b>(26,963)</b>	<b>(32,070)</b>
<b>Net cash used in investing activities</b>	<b>(57,203)</b>	<b>(257,446)</b>	<b>(574,189)</b>
<b>Cash Flows from Financing Activities:</b>			
Cash paid for financing costs	(1,528)	(9,845)	(10,139)
Cash paid for contingent purchase price consideration	(32,902)	(40,079)	(20,132)
Cash paid for dividends	(21,293)	(21,293)	(21,293)
Proceeds from issuance of common stock, net of issuance costs	51,555	20,863	14,924
Proceeds from issuance of short-term debt	806		
Proceeds from issuance of long-term debt	58	458,962	648,535
Payments on short-term debt			(6,240)
Payments on long-term debt	(65,122)	(470,557)	(311,312)
Net (payments) proceeds under revolving credit facilities	(42,522)	138,963	14,272
Excess tax benefits on exercised stock options	972	461	504
Principal payments on capital lease obligations	(6,085)	(6,533)	(6,731)
Purchase of non-controlling interest	(623)	(165)	(2,972)
Other		(18,953)	(12,267)
<b>Net cash provided by (used in) continuing operations</b>	<b>(116,684)</b>	<b>51,824</b>	<b>287,149</b>
<b>Net cash provided by (used in) discontinued operations</b>	<b>(1,471)</b>	<b>(2,833)</b>	<b>(1,406)</b>
<b>Net cash provided by (used in) financing activities</b>	<b>(118,155)</b>	<b>48,991</b>	<b>285,743</b>
Foreign exchange effect on cash and cash equivalents	(16,312)	(1,871)	(2,064)
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>39,853</b>	<b>33,574</b>	<b>29,171</b>
Cash and cash equivalents, beginning of period continuing operations	355,431	316,479	287,541
Cash and cash equivalents, beginning of period discontinued operations	6,477	11,855	11,622
Cash and cash equivalents, end of period	401,761	361,908	328,334
Less: Cash and cash equivalents of discontinued operations, end of period	23,300	6,477	11,855
<b>Cash and cash equivalents of continuing operations, end of period</b>	<b>\$ 378,461</b>	<b>\$ 355,431</b>	<b>\$ 316,479</b>

The accompanying notes are an integral part of these consolidated financial statements.



---

**Table of Contents**

**ALERE INC. AND SUBSIDIARIES**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**(1) Description of Business and Basis of Presentation of Financial Information**

Alere Inc. delivers reliable and actionable health information through rapid diagnostic tests, resulting in better clinical and economic healthcare outcomes globally. A leading global provider of point-of-care diagnostics and services, we have developed a strong commercial presence in cardiometabolic disease, infectious disease, toxicology, and diabetes.

Our business is organized into three operating segments: (i) professional diagnostics, (ii) patient self-testing and (iii) consumer diagnostics. The professional diagnostics segment includes an array of innovative rapid diagnostic test products and other in vitro diagnostic tests marketed to medical professionals and laboratories for detection of diseases and conditions within our areas of focus identified above. The patient-self testing segment provides services designed to provide physicians with actionable data that allow them to make more effective decisions in real time, deliver quality care, and put the individuals they treat on a pathway to better health. The consumer diagnostics segment consists primarily of manufacturing operations related to our role as the exclusive manufacturer of products for SPD Swiss Precision Diagnostics, or SPD, our 50/50 joint venture with The Procter & Gamble Company, or P&G. SPD has significant operations in the worldwide over-the-counter pregnancy and fertility/ovulation test market.

Acquisitions have historically been an important part of our growth strategy. When we acquired businesses, we sought to complement existing products and services, enhance or expand our product lines and/or expand our customer base. We determined what we were willing to pay for each acquisition partially based upon our expectation that we could cost effectively integrate the products and services of the acquired companies into our existing infrastructure. In addition, we utilized existing infrastructure of the acquired companies to cost effectively introduce our products to new geographic areas. All of these factors contributed to the acquisition prices of acquired businesses that were in excess of the fair value of net assets acquired, resulting in goodwill (Note 6).

The consolidated financial statements include the accounts of Alere Inc. and its subsidiaries. Intercompany transactions and balances are eliminated and net earnings are reduced by the portion of the net earnings of subsidiaries applicable to non-controlling interests. Equity investments in which we exercise significant influence but do not control and are not the primary beneficiary are accounted for using the equity method. Investments in which we are not able to exercise significant influence over the investee and which do not have readily determinable fair values are accounted for under the cost method.

Certain amounts for prior periods have been reclassified to conform to the current period classification. These reclassifications had no effect on net income or equity.

Certain amounts presented may not recalculate directly, due to rounding.

**(2) Restatement and Revision of Previously Reported Consolidated Financial Statements**

In connection with the preparation of our consolidated financial statements for the three months ended March 31, 2015, we determined that, in 2014, we had incorrectly accounted for income taxes associated with two divestitures. We determined that, for the three months ended December 31, 2014, we incorrectly accounted for the deferred taxes related to the divestiture of our health management business. The adjustment to correct this error resulted in a decrease to deferred tax assets and to income from discontinued operations of \$30.3 million. In addition, for the three months ended September 30, 2014, we incorrectly accounted for deferred taxes in connection with the ACS Companies divestiture. The adjustment to correct this error resulted in an increase to deferred tax

---

**Table of Contents**

**ALERE INC. AND SUBSIDIARIES**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

**(2) Restatement and Revision of Previously Reported Consolidated Financial Statements (Continued)**

liabilities of \$7.0 million, an increase in income taxes payable of \$0.3 million and a decrease in income from discontinued operations of \$7.3 million. In the quarter ended December 31, 2014 we recorded a \$2.1 million adjustment to decrease income from discontinued operations.

The impact of these errors was determined to be material to our fiscal year 2014 consolidated financial statements and, accordingly, we have restated our consolidated financial statements and related footnotes for the year ended December 31, 2014 and for the three months ended September 30, 2014. We also corrected additional errors in the three months ended September 30 and December 31, 2014 as part of these restatements to correct out-of-period adjustments that were previously determined to be immaterial. In the three months ended September 30, 2014, we recorded a \$3.4 million adjustment to increase the provision for income taxes and increase income taxes payable related to an audit settlement. For the three months ended December 31, 2014, we recorded a \$5.6 million adjustment to increase the provision for income taxes and increase income taxes payable related to a non-creditable withholding tax on an intercompany dividend. In addition to these adjustments, we are correcting certain other out-of-period adjustments for the three months ended September 30 and December 31, 2014. Those adjustments, in the aggregate, increased the provision for income taxes by \$2.9 million and increase the loss from continuing operations before provision (benefit) for income taxes by an additional \$0.1 million for the three months ended December 31, 2014. Those adjustments, in the aggregate, increased the provision for income taxes by \$0.1 million and decreased loss from continuing operations before provision (benefit) for income taxes by \$1.3 million for the three months ended September 30, 2014.

In connection with those restatements, we corrected additional errors in 2012, 2013 and 2014 and in each of the three-month periods ended in 2013 and in each of the three-month periods ended March 31, 2014 and June 30, 2014. We concluded that the correction of these errors was not material individually, or in the aggregate, to our previously issued financial statements. Accordingly, we have revised our consolidated financial statements and related footnotes for the years ended December 31, 2012 and 2013 and for each of the three-month periods ended March 31, 2014 and June 30, 2014 and each of the three-month periods ended in 2013. The adjustments in these periods are all corrections to out-of-period adjustments. The adjustments recorded in connection with the revisions include:

A \$4.6 million decrease in general and administrative expense related to our contingent consideration obligations in the three months ended March 31, 2014.

A \$4.2 million adjustment to reverse the benefit from certain foreign tax credits, which decreased the benefit for income taxes in the three months ended March 31, 2014.

Additional adjustments to the three months ended March 31, 2014 and June 30, 2014 that, in the aggregate, decreased the loss from continuing operations before provision (benefit) for income taxes by \$2.6 million and increased the benefit for income taxes by \$0.7 million.

A \$4.6 million increase in general and administrative expense related to our contingent consideration obligations in the three months ended December 31, 2013.

A \$4.2 million adjustment to record the benefit from certain foreign tax credits, which increased the benefit from income taxes in the three months ended December 31, 2013, the period in which this adjustment originated.

## Edgar Filing: ALERE INC. - Form 10-K/A

A \$4.0 million adjustment to record additional income taxes payable related to various foreign subsidiaries in the three months ended December 31, 2013, which decreased the benefit from income taxes.

A \$5.4 million adjustment to reverse a valuation allowance against state deferred tax assets in the three months ended December 31, 2013, which increased the benefit from income taxes by \$5.4 million.

F-12

**Table of Contents****ALERE INC. AND SUBSIDIARIES****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)****(2) Restatement and Revision of Previously Reported Consolidated Financial Statements (Continued)**

Additional adjustments to the three-month periods ended March 31, June 30, September 30 and December 31, 2013 that, in the aggregate for the year, increased the loss from continuing operations before provision (benefit) for income taxes by \$4.2 million and increased the benefit from income taxes by \$1.3 million.

A \$39.6 million adjustment to increase accrued expenses and other current liabilities and decrease liabilities related to assets held for sale as of December 31, 2013.

A \$15.0 million adjustment to increase short-term debt and current portion of long-term debt and decrease long-term debt, net of current portion as of December 31, 2013.

A \$8.7 million adjustment to increase assets held for sale and decrease goodwill as of December 31, 2014.

A \$5.4 million adjustment to record a valuation allowance against state deferred tax assets which decreased the benefit from income taxes in the year ended December 31, 2012, the period in which this adjustment originated.

Additional adjustments to the year ended December 31, 2012 that, in the aggregate, decreased the loss from continuing operations before provision (benefit) for income taxes by \$1.2 million and increased the benefit from income taxes by \$4.4 million. Adjustments recorded in periods prior to December 31, 2011 had the cumulative effect of increasing the opening 2012 accumulated deficit by \$3.8 million. In addition, we corrected the disclosure of cash paid for interest for the year ended December 31, 2014 from \$102.3 million, as previously reported, to \$192.1 million.

The following schedules reconcile the amounts as previously reported in the applicable financial statement to the corresponding restated or revised amounts:

Restated Consolidated Statement of Operations (in thousands)	Year Ended December 31, 2014		
	As Previously Reported, Giving Effect to the Impact of		
	Discontinued Operations	Restatement Adjustment	As Restated
Net product sales	\$ 2,033,651	\$ 2,015	\$ 2,035,666
Net product sales and services revenue	\$ 2,565,639	\$ 2,015	\$ 2,567,654
Net revenue	\$ 2,586,689	\$ 2,015	\$ 2,588,704
Cost of net product sales	\$ 1,070,268	\$ (846)	\$ 1,069,422
Cost of service revenue	\$ 288,925	\$ 5,828	\$ 294,753
Cost of net product sales and services revenue	\$ 1,359,193	\$ 4,982	\$ 1,364,175
Cost of net revenue	\$ 1,364,785	\$ 4,982	\$ 1,369,767
Gross profit	\$ 1,221,904	\$ (2,967)	\$ 1,218,937

Edgar Filing: ALERE INC. - Form 10-K/A

General and administrative	\$ 462,108	\$ (8,120)	\$ 453,988
Operating income	\$ 93,425	\$ 5,153	\$ 98,578
Other income (expense), net	\$ (2,733)	\$ 2,002	\$ (731)
Loss from continuing operations before benefit for income taxes	\$ (118,499)	\$ 7,155	\$ (111,344)
Provision for income taxes	\$ 67,022	\$ 15,171	\$ 82,193

F-13

**Table of Contents****ALERE INC. AND SUBSIDIARIES****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)****(2) Restatement and Revision of Previously Reported Consolidated Financial Statements (Continued)**

Restated Consolidated Statement of Operations (in thousands)	Year Ended December 31, 2014		
	As Previously Reported, Giving Effect to the Impact of Discontinued Operations	Restatement Adjustment	As Restated
Loss from continuing operations before equity earnings of unconsolidated entities, net of tax	\$ (185,521)	\$ (8,016)	\$ (193,537)
Loss from continuing operations	\$ (168,012)	\$ (8,016)	\$ (176,028)
Net income from discontinued operations, net of tax	\$ 177,960	\$ (39,642)	\$ 138,318
Net income (loss)	\$ 9,948	\$ (47,658)	\$ (37,710)
Net income (loss) attributable to Alere Inc. and Subsidiaries	\$ 9,918	\$ (47,658)	\$ (37,740)
Net loss available to common stockholders	\$ (11,375)	\$ (47,658)	\$ (59,033)
Basic and diluted net income (loss) per common share: Loss from continuing operations	\$ (2.28)	\$ (0.10)	\$ (2.38)
Income from discontinued operations	\$ 2.14	\$ (0.47)	\$ 1.67
Basic and diluted net income (loss) per common share: Net income (loss) per common share	\$ (0.14)	\$ (0.57)	\$ (0.71)

Revised Consolidated Statement of Operations (in thousands)	Year Ended December 31, 2013		
	As Previously Reported, Giving Effect to the Impact of Discontinued Operations	Revision Adjustment	As Revised
Net product sales	\$ 2,058,534	\$ (2,015)	\$ 2,056,519
Services revenue	\$ 534,099	\$ (1,483)	\$ 532,616
Net product sales and services revenue	\$ 2,592,633	\$ (3,498)	\$ 2,589,135
Net revenue	\$ 2,619,862	\$ (3,498)	\$ 2,616,364
Cost of net product sales	\$ 1,017,632	\$ (131)	\$ 1,017,501
Cost of service revenue	\$ 272,089	\$ 1,956	\$ 274,045
Cost of net product sales and services revenue	\$ 1,289,721	\$ 1,825	\$ 1,291,546
Cost of net revenue	\$ 1,297,484	\$ 1,825	\$ 1,299,309
Gross profit	\$ 1,322,378	\$ (5,323)	\$ 1,317,055
General and administrative	\$ 431,666	\$ 3,533	\$ 435,199
Operating income	\$ 160,398	\$ (8,856)	\$ 151,542
Loss from continuing operations before benefit for income taxes	\$ (106,208)	\$ (8,856)	\$ (115,064)
Benefit for income taxes	\$ (35,167)	\$ (6,847)	\$ (42,014)
Loss from continuing operations before equity earnings of unconsolidated entities, net of tax	\$ (71,041)	\$ (2,009)	\$ (73,050)
Loss from continuing operations	\$ (53,598)	\$ (2,009)	\$ (55,607)
Loss from discontinued operations, net of tax	\$ (16,680)	\$ 554	\$ (16,126)
Net loss	\$ (70,278)	\$ (1,455)	\$ (71,733)
Net loss attributable to Alere Inc. and Subsidiaries	\$ (71,254)	\$ (1,455)	\$ (72,709)
Net loss available to common stockholders	\$ (92,547)	\$ (1,455)	\$ (94,002)
Basic and diluted loss per common share: Loss from continuing operations	\$ (0.92)	\$ (0.03)	\$ (0.95)
Loss from discontinued operations	\$ (0.21)	\$ 0.01	\$ (0.20)
Basic and diluted loss per common share: Net loss per common share	\$ (1.13)	\$ (0.02)	\$ (1.15)



**Table of Contents****ALERE INC. AND SUBSIDIARIES****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)****(2) Restatement and Revision of Previously Reported Consolidated Financial Statements (Continued)**

Revised Consolidated  Statement of Operations  (in thousands)	Year Ended December 31, 2012		
	As Previously Reported, Giving Effect to the Impact of Discontinued Operations	Revision Adjustment	As Revised
Services revenue	\$ 464,637	\$ 1,245	\$ 465,882
Net product sales and services revenue	\$ 2,364,550	\$ 1,245	\$ 2,365,795
Net revenue	\$ 2,393,126	\$ 1,245	\$ 2,394,371
Cost of net product sales	\$ 920,385	\$ 232	\$ 920,617
Cost of service revenue	\$ 221,228	\$ (718)	\$ 220,510
Cost of net product sales and services revenue	\$ 1,141,613	\$ (486)	\$ 1,141,127
Cost of net revenue	\$ 1,148,967	\$ (486)	\$ 1,148,481
Gross profit	\$ 1,244,159	\$ 1,731	\$ 1,245,890
Sales and marketing	\$ 556,724	\$ (130)	\$ 556,594
General and administrative	\$ 348,817	\$ (1,438)	\$ 347,379
Operating income	\$ 156,883	\$ 3,299	\$ 160,182
Loss from continuing operations before benefit for income taxes	\$ (72,377)	\$ 3,299	\$ (69,078)
Benefit for income taxes	\$ (12,880)	\$ 2,138	\$ (10,742)
Loss from continuing operations before equity earnings of unconsolidated entities, net of tax	\$ (59,497)	\$ 1,161	\$ (58,336)
Loss from continuing operations	\$ (46,252)	\$ 1,161	\$ (45,091)
Net loss from discontinued operations, net of tax	\$ (31,655)	\$ (1,471)	\$ (33,126)
Net loss	\$ (77,907)	\$ (310)	\$ (78,217)
Net loss attributable to Alere Inc. and Subsidiaries	\$ (78,182)	\$ (310)	\$ (78,492)
Net loss available to common stockholders	\$ (99,475)	\$ (310)	\$ (99,785)
Basic and diluted net loss per common share: Loss from continuing operations	\$ (0.85)	\$ 0.02	\$ (0.83)
Loss from discontinued operations	\$ (0.38)	\$ (0.03)	\$ (0.41)
Basic and diluted net loss per common share: Net loss per common share	\$ (1.23)	\$ (0.01)	\$ (1.24)

Restated Consolidated  Statement of Comprehensive Loss  (in thousands)	Year Ended December 31, 2014		
	As Previously Reported, Giving Effect to the Impact of Discontinued Operations	Restatement Adjustment	As Restated
Net income (loss)	\$ 9,948	\$ (47,658)	\$ (37,710)
Comprehensive loss	\$ (156,475)	\$ (47,658)	\$ (204,133)
Comprehensive loss attributable to Alere Inc. and Subsidiaries	\$ (156,505)	\$ (47,658)	\$ (204,163)



**Table of Contents****ALERE INC. AND SUBSIDIARIES****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)****(2) Restatement and Revision of Previously Reported Consolidated Financial Statements (Continued)**

Revised Consolidated  Statement of Comprehensive Loss  (in thousands)	Year Ended December 31, 2013		
	As Previously Reported, Giving Effect to the Impact of		
	Discontinued Operations	Revision Adjustment	As Revised
Net loss	\$ (70,278)	\$ (1,455)	\$ (71,733)
Comprehensive loss	\$ (120,714)	\$ (1,455)	\$ (122,169)
Comprehensive loss attributable to Alere Inc. and Subsidiaries	\$ (121,690)	\$ (1,455)	\$ (123,145)

Revised Consolidated  Statement of Comprehensive Loss  (in thousands)	Year Ended December 31, 2012		
	As Previously Reported, Giving Effect to the Impact of		
	Discontinued Operations	Revision Adjustment	As Revised
Net loss	\$ (77,907)	\$ (310)	\$ (78,217)
Comprehensive loss	\$ (23,763)	\$ (310)	\$ (24,073)
Comprehensive loss attributable to Alere Inc. and Subsidiaries	\$ (24,038)	\$ (310)	\$ (24,348)

Restated Consolidated  Balance Sheet  (In thousands)	As of December 31, 2014		
	As Previously Reported, Giving Effect to the Impact of		
	Discontinued Operations	Restatement Adjustment	As Restated
Deferred tax assets	\$ 146,812	\$ (34,239)	\$ 112,573
Prepaid expenses and other current assets	\$ 131,554	\$ 859	\$ 132,413
Assets held for sale	\$ 306,865	\$ 8,650	\$ 315,515
Total current assets	\$ 1,832,793	\$ (24,730)	\$ 1,808,063
Property, plant and equipment	\$ 456,767	\$ (3,197)	\$ 453,570
Goodwill	\$ 2,936,581	\$ (9,915)	\$ 2,926,666
Deferred tax assets	\$ 9,812	\$ (1,243)	\$ 8,569
Total assets	\$ 6,718,041	\$ (39,085)	\$ 6,678,956
Accrued expenses and other current liabilities	\$ 365,954	\$ 9,540	\$ 375,494
Liabilities related to assets held for sale	\$ 70,752	\$ 8,091	\$ 78,843
Total current liabilities	\$ 743,414	\$ 17,631	\$ 761,045
Deferred tax liabilities	\$ 215,274	\$ (635)	\$ 214,639
Other long-term liabilities	\$ 164,925	\$ (3,343)	\$ 161,582
Total long-term liabilities	\$ 4,012,144	\$ (3,978)	\$ 4,008,166
Accumulated deficit	\$ (1,625,939)	\$ (53,613)	\$ (1,679,552)

Edgar Filing: ALERE INC. - Form 10-K/A

Accumulated other comprehensive loss	\$ (192,985)	\$ 875	\$ (192,110)
Total stockholders' equity	\$ 1,958,337	\$ (52,738)	\$ 1,905,599
Total equity	\$ 1,962,483	\$ (52,738)	\$ 1,909,745
Total liabilities and equity	\$ 6,718,041	\$ (39,085)	\$ 6,678,956

F-16

**Table of Contents****ALERE INC. AND SUBSIDIARIES****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)****(2) Restatement and Revision of Previously Reported Consolidated Financial Statements (Continued)**

Revised Consolidated	As of December 31, 2013		
	As Previously Reported, Giving Effect to the Impact of Discontinued Operations	Revision Adjustment	As Revised
<b>Balance Sheet</b>			
<b>(In thousands)</b>			
Accounts receivable, net of allowances	\$ 489,392	\$ (2,015)	\$ 487,377
Inventories, net	\$ 362,167	\$ 3,100	\$ 365,267
Deferred tax assets	\$ 48,085	\$ 773	\$ 48,858
Prepaid expenses and other current assets	\$ 123,598	\$ 2,047	\$ 125,645
Assets held for sale	\$ 371,291	\$ 9,192	\$ 380,483
Total current assets	\$ 1,754,280	\$ 13,097	\$ 1,767,377
Property, plant and equipment	\$ 468,232	\$ (1,735)	\$ 466,497
Goodwill	\$ 3,016,518	\$ (9,521)	\$ 3,006,997
Deferred tax assets	\$ 7,959	\$ (570)	\$ 7,389
Total assets	\$ 7,060,814	\$ 1,271	\$ 7,062,085
Short-term debt and current portion of long-term debt	\$ 49,112	\$ 15,000	\$ 64,112
Accounts payable	\$ 179,565	\$ 2,077	\$ 181,642
Accrued expenses and other current liabilities	\$ 341,076	\$ 40,818	\$ 381,894
Liabilities related to assets held for sale	\$ 172,799	\$ (39,557)	\$ 133,242
Total current liabilities	\$ 748,514	\$ 18,338	\$ 766,852
Long-term debt, net of current portion	\$ 3,772,788	\$ (15,000)	\$ 3,757,788
Deferred tax liabilities	\$ 293,370	\$ (8,336)	\$ 285,034
Other long-term liabilities	\$ 150,081	\$ 10,950	\$ 161,031
Total long-term liabilities	\$ 4,229,481	\$ (12,386)	\$ 4,217,095
Accumulated deficit	\$ (1,636,256)	\$ (5,556)	\$ (1,641,812)
Accumulated other comprehensive loss	\$ (26,562)	\$ 875	\$ (25,687)
Total stockholders' equity	\$ 2,077,937	\$ (4,681)	\$ 2,073,256
Total equity	\$ 2,082,819	\$ (4,681)	\$ 2,078,138
Total liabilities and equity	\$ 7,060,814	\$ 1,271	\$ 7,062,085

Revised Consolidated	As Previously Reported, Giving Effect to the Impact of Discontinued Operations		
Statement of Equity	Adjustment	As Revised	
<b>(in thousands)</b>			
Accumulated deficit, Balance at December 31, 2011	\$ (1,486,791)	\$ (3,820)	\$ (1,490,611)
Net loss	\$ (78,182)	\$ (310)	\$ (78,492)
Accumulated deficit, Balance at December 31, 2012	\$ (1,564,973)	\$ (4,130)	\$ (1,569,103)
Total stockholders' equity, Balance at December 31, 2011	\$ 2,229,234	\$ (2,945)	\$ 2,226,289
Net loss	\$ (78,182)	\$ (310)	\$ (78,492)
Total stockholders' equity, Balance at December 31, 2012	\$ 2,180,422	\$ (3,255)	\$ 2,177,167
Total equity, Balance at December 31, 2011	\$ 2,234,071	\$ (2,945)	\$ 2,231,126
Net loss	\$ (78,182)	\$ (310)	\$ (78,492)
Total equity, Balance at December 31, 2012	\$ 2,182,704	\$ (3,255)	\$ 2,179,449



**Table of Contents****ALERE INC. AND SUBSIDIARIES****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)****(2) Restatement and Revision of Previously Reported Consolidated Financial Statements (Continued)**

<b>Revised Consolidated</b>	<b>As Previously Reported, Giving Effect to the Impact of Discontinued Operations</b>		
<b>Statement of Equity</b>	<b>Adjustment</b>		<b>As Revised</b>
<b>(in thousands)</b>	<b>Operations</b>	<b>Adjustment</b>	<b>As Revised</b>
Accumulated deficit, Balance at December 31, 2012	\$ (1,564,973)	\$ (4,130)	\$ (1,569,103)
Net loss	\$ (71,254)	\$ (1,455)	\$ (72,709)
Accumulated deficit, Balance at December 31, 2013	\$ (1,636,256)	\$ (5,556)	\$ (1,641,812)
Total stockholders' equity, Balance at December 31, 2012	\$ 2,180,422	\$ (3,255)	\$ 2,177,167
Net loss	\$ (71,254)	\$ (1,455)	\$ (72,709)
Total stockholders' equity, Balance at December 31, 2013	\$ 2,077,937	\$ (4,681)	\$ 2,073,256
Total equity, Balance at December 31, 2012	\$ 2,182,704	\$ (3,255)	\$ 2,179,449
Net loss	\$ (70,278)	\$ (1,455)	\$ (71,733)
Total equity, Balance at December 31, 2013	\$ 2,082,819	\$ (4,681)	\$ 2,078,138

<b>Restated Consolidated</b>	<b>As Previously Reported, Giving Effect to the Impact of Discontinued Operations</b>		
<b>Statement of Equity</b>	<b>Adjustment</b>		<b>As Restated</b>
<b>(in thousands)</b>	<b>Operations</b>	<b>Adjustment</b>	<b>As Restated</b>
Accumulated deficit, Balance at December 31, 2013	\$ (1,636,256)	\$ (5,556)	\$ (1,641,812)
Net income (loss)	\$ 9,948	\$ (47,658)	\$ (37,710)
Accumulated deficit, Balance at December 31, 2014	\$ (1,625,939)	\$ (53,613)	\$ (1,679,552)
Total stockholders' equity, Balance at December 31, 2013	\$ 2,077,937	\$ (4,681)	\$ 2,073,256
Net income (loss)	\$ 9,948	\$ (47,658)	\$ (37,710)
Total stockholders' equity, Balance at December 31, 2014	\$ 1,958,337	\$ (52,738)	\$ 1,905,599
Total equity, Balance at December 31, 2013	\$ 2,082,819	\$ (4,681)	\$ 2,078,138
Net income (loss)	\$ 9,948	\$ (47,658)	\$ (37,710)
Total equity, Balance at December 31, 2014	\$ 1,962,483	\$ (52,738)	\$ 1,909,745

<b>Restated Consolidated</b>	<b>Year Ended December 31, 2014</b>		
	<b>As Previously Reported, Giving Effect to the Impact of Discontinued Operations</b>		
<b>Statement of Cash Flows</b>	<b>Restatement Adjustment</b>		<b>As Restated</b>
<b>(In thousands)</b>	<b>Operations</b>	<b>Restatement Adjustment</b>	<b>As Restated</b>
Net income (loss)	\$ 9,948	\$ (47,658)	\$ (37,710)
Income from discontinued operations, net of tax	\$ 177,960	\$ (39,642)	\$ 138,318
Loss from continuing operations	\$ (168,012)	\$ (8,016)	\$ (176,028)
Impairment of long-lived assets	\$ 7,865	\$ (846)	\$ 7,019
Deferred income taxes	\$ (11,947)	\$ 4,965	\$ (6,982)
Accounts receivable, net	\$ 1,326	\$ (2,015)	\$ (689)
Prepaid expenses and other current assets	\$ (47,997)	\$ (4,001)	\$ (51,998)
Accrued expenses and other current liabilities	\$ 55,271	\$ 8,418	\$ 63,689

Edgar Filing: ALERE INC. - Form 10-K/A

Other non-current liabilities	\$ 9,964	\$ (814)	\$ 9,150
Purchases of property, plant and equipment	\$ (102,870)	\$ 2,308	\$ (100,562)
Net cash used in continuing operations investing activities	\$ (50,539)	\$ 2,308	\$ (48,231)
Net cash used in investing activities	\$ (59,511)	\$ 2,308	\$ (57,203)

F-18

**Table of Contents****ALERE INC. AND SUBSIDIARIES****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)****(2) Restatement and Revision of Previously Reported Consolidated Financial Statements (Continued)**

Revised Consolidated	Year Ended December 31, 2013		
	As Previously Reported, Giving Effect to the Impact of Discontinued Operations	Revision Adjustment	As Revised
<b>Statement of Cash Flows</b>			
(in thousands)			
Net loss	\$ (70,278)	\$ (1,455)	\$ (71,733)
Loss from discontinued operations, net of tax	\$ (16,680)	\$ 554	\$ (16,126)
Loss from continuing operations	\$ (53,598)	\$ (2,009)	\$ (55,607)
Impairment of long-lived assets	\$ 5,949	\$ (131)	\$ 5,818
Deferred income taxes	\$ (117,938)	\$ (11,749)	\$ (129,687)
Accounts receivable, net	\$ (50,170)	\$ 3,498	\$ (46,672)
Inventories, net	\$ (79,610)	\$ (3,100)	\$ (82,710)
Prepaid expenses and other current assets	\$ (6,121)	\$ (5,189)	\$ (11,310)
Accounts payable	\$ 15,673	\$ 2,077	\$ 17,750
Accrued expenses and other current liabilities	\$ 50,112	\$ 7,046	\$ 57,158
Other non-current liabilities	\$ (27,443)	\$ 6,918	\$ (20,525)
Net cash provided by continuing operations operating activities	\$ 177,319	\$ (2,651)	\$ 174,668
Net cash provided by discontinued operations operating activities	\$ 67,470	\$ 1,762	\$ 69,232
Purchases of property, plant and equipment	\$ (100,797)	\$ 889	\$ (99,908)
Net cash used in continuing operations investing	\$ (231,372)	\$ 889	\$ (230,483)
Net cash used in investing activities	\$ (258,335)	\$ 889	\$ (257,446)

Revised Consolidated	Year Ended December 31, 2012		
	As Previously Reported, Giving Effect to the Impact of Discontinued Operations	Revision Adjustment	As Revised
<b>Statement of Cash Flows</b>			
(in thousands)			
Net loss	\$ (77,907)	\$ (310)	\$ (78,217)
Loss from discontinued operations, net of tax	\$ (31,655)	\$ (1,471)	\$ (33,126)
Loss from continuing operations	\$ (46,252)	\$ 1,161	\$ (45,091)
Impairment of long-lived assets	\$ 805	\$ 232	\$ 1,037
Deferred income taxes	\$ (63,565)	\$ 5,656	\$ (57,909)
Accounts receivable, net	\$ (18,327)	\$ (1,483)	\$ (19,810)
Accrued expenses and other current liabilities	\$ 43,547	\$ (2,522)	\$ 41,025
Other non-current liabilities	\$ (36,730)	\$ (3,045)	\$ (39,775)

The Company has also reflected these corrections as applicable in its consolidated financial statements and also in the consolidating financial statements presented in Note 26 *Guarantor Financial Information*.

**Table of Contents****ALERE INC. AND SUBSIDIARIES****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)****(3) Discontinued Operations**

On October 10, 2014, we completed the sale of our ACS subsidiary to ACS Acquisition, LLC (the Purchaser), pursuant to the terms of a Membership Interest Purchase Agreement with the Purchaser and Sumit Nagpal. In connection with the sale of ACS, we also agreed to sell our subsidiary Wellogic ME FZ LLC ( Wellogic, together with ACS, the ACS Companies ) to the Purchaser, subject to the satisfaction of routine requirements of Dubai law relating to the transfer of equity. The ACS Companies were included in our patient self-testing segment. The purchase price for the ACS Companies consisted of cash proceeds of \$2.00 at closing and contingent consideration of up to an aggregate of \$7.0 million, consisting of (i) payments based on the gross revenues of the ACS Companies, (ii) payments to be made in connection with financing transactions by the Purchaser or the ACS Companies and (iii) payments to be made in connection with a sale by the Purchaser of the ACS Companies. In connection with the sale, we agreed to reimburse the Purchaser for up to \$750,000 of the Purchaser's and the ACS Companies transitional expenses. We accounted for our divestiture of the ACS Companies in accordance with ASC 205, *Presentation of Financial Statements*.

On January 9, 2015, we completed the sale of our health management business to OptumHealth Care Solutions for a purchase price of approximately \$600.1 million, subject to a customary post-closing working capital adjustment. We used the net cash proceeds of the sale to repay \$575.0 million in aggregate principal amount of outstanding indebtedness under our senior secured credit facility.

We accounted for our divestiture of the health management business in accordance with ASU No. 2014-08. See Note 4. The following assets and liabilities associated with the health management business have been segregated and classified as assets held for sale and liabilities related to assets held for sale, as appropriate, in the consolidated balance sheets as of December 31, 2014 and 2013, respectively (in thousands):

	December 31, 2014 (Restated)	December 31, 2013
<b>Assets</b>		
Cash and cash equivalents	\$ 23,300	\$ 6,477
Restricted cash	361	2,915
Accounts receivable, net of allowances of \$5,882 and \$7,497 at December 31, 2014 and 2013, respectively	50,902	59,337
Inventories, net	1,656	2,018
Deferred tax assets - current	6,939	12,604
Prepaid expenses and other current assets	3,857	6,074
Property, plant and equipment, net	57,595	76,932
Goodwill	82,665	86,365
Finite-lived intangible assets, net	82,428	127,185
Deferred tax assets - non-current	3,347	
Other non-current assets	2,465	576
<b>Total assets held for sale</b>	<b>\$ 315,515</b>	<b>\$ 380,483</b>
<b>Liabilities</b>		
Current portion of capital lease obligations	\$ 799	\$ 893
Accounts payable	5,654	7,806
Accrued expenses and other current liabilities	32,822	49,243
Capital lease obligations, net of current portion	365	1,165
Deferred tax liabilities - non-current	27,453	35,879
Other long-term liabilities	11,750	38,256
<b>Total liabilities related to assets held for sale</b>	<b>\$ 78,843</b>	<b>\$ 133,242</b>





**Table of Contents****ALERE INC. AND SUBSIDIARIES****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)****(3) Discontinued Operations (Continued)**

The following summarized financial information related to the businesses of the ACS Companies and health management business, which were previously included in our patient self-testing reporting segment, has been segregated from continuing operations and has been reported as discontinued operations in our consolidated statements of operations (in thousands):

	<b>For The Years Ended December 31,</b>		
	<b>2014</b>		
	<b>(Restated)</b>	<b>2013</b>	<b>2012</b>
Net revenue	\$ 359,496	\$ 409,579	\$ 425,938
Cost of net revenue	(203,115)	(229,310)	(243,111)
Research and development		(1,750)	(1,266)
Sales and marketing	(56,808)	(73,700)	(86,829)
General and administrative	(99,383)	(129,565)	(145,387)
Interest expense	(506)	(310)	(164)
Other income (expense), net	(1,799)	(1,860)	(1,179)
Loss from discontinued operations before provision (benefit) for income taxes	(2,115)	(26,916)	(51,998)
Provision (benefit) for income taxes	(140,433)	(10,790)	(18,872)
Income (loss) from discontinued operations, net of tax	\$ 138,318	\$ (16,126)	\$ (33,126)

**(4) Summary of Significant Accounting Policies***(a) Use of Estimates*

To prepare our financial statements in conformity with accounting principles generally accepted in the United States of America, our management must make estimates, judgments and assumptions that may affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ significantly from such estimates under different assumptions or conditions.

*(b) Foreign Currencies*

In general, the functional currencies of our foreign subsidiaries are the local currencies. For the purpose of consolidating the financial statements of our foreign subsidiaries, all assets and liabilities of the foreign subsidiaries are translated into U.S. dollars using the exchange rate at each balance sheet date, while the stockholders' equity accounts are translated at historical exchange rates. Translation gains and losses that result from the conversion of the balance sheets of the foreign subsidiaries into U.S. dollars are recorded to cumulative translation adjustment, which is a component of accumulated other comprehensive income (loss) (Note 16) within stockholders' equity. The revenue and expenses of our foreign subsidiaries are translated using the average of the rates of exchange in effect during each fiscal month.

Net realized and unrealized foreign currency exchange transaction losses of \$12.8 million, \$4.0 million and \$7.9 million during 2014, 2013 and 2012, respectively, are included as a component of other income (expense), net in the accompanying consolidated statements of operations.

---

**Table of Contents**

**ALERE INC. AND SUBSIDIARIES**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

**(4) Summary of Significant Accounting Policies (Continued)**

*(c) Cash and Cash Equivalents*

We consider all highly-liquid investments purchased with original maturities of three months or less at the date of acquisition to be cash equivalents. Cash equivalents consisted of money market funds at December 31, 2014 and 2013.

*(d) Restricted Cash*

We had restricted cash of \$37.6 million and \$32.8 million as of December 31, 2014 and 2013, respectively. As of December 31, 2013, \$29.4 million was classified as non-current on our consolidated balance sheet, as it secures a foreign bank loan arrangement that we entered into during the third quarter of 2013 and, under the terms of the loan agreement, is required to remain on deposit for two years.

*(e) Marketable Securities*

Securities classified as available-for-sale or trading are carried at fair value, as determined by quoted market prices at the balance sheet date. Realized gains and losses on securities are included in other income (expense), net, on a specific identification basis. Unrealized holding gains and losses (except for other than temporary impairments) on securities classified as available-for-sale, are reported in accumulated other comprehensive income (loss), net of related tax effects. Marketable securities that are held indefinitely are classified in our accompanying consolidated balance sheets as long-term marketable securities.

*(f) Inventories*

Inventories are stated at the lower of cost (first-in, first-out) or market and are made up of raw material, work-in-process and finished goods. The cost elements of work-in-process and finished goods inventory consist of raw material, direct labor and manufacturing overhead. Where finished goods inventory is purchased from third-party manufacturers, the costs of finished goods inventory recorded in the financial statements represent the costs to acquire such inventory.

*(g) Property, Plant and Equipment*

We record property, plant and equipment at historical cost or, in the case of a business combination, at fair value on the date of the business combination. Depreciation is computed using the straight-line method based on the following estimated useful lives of the related assets: machinery, laboratory equipment and tooling, 1-15 years; buildings, 7-61 years; leasehold improvements, lesser of the remaining term of the lease or estimated useful life of the asset; computer software and equipment, 1-10 years and furniture and fixtures, 2-16 years. Land is not depreciated. Depreciation expense related to property, plant and equipment amounted to \$97.5 million, \$94.2 million and \$84.5 million in 2014, 2013 and 2012, respectively. Fully-depreciated property, plant and equipment that are still in use remain on the books until disposal or retirement. When property, plant and equipment are retired or disposed of, the cost and respective accumulated depreciation are removed from the books. Any gain or loss on disposal is recorded in the income statement. Expenditures for repairs and maintenance are expensed as incurred.

---

**Table of Contents**

**ALERE INC. AND SUBSIDIARIES**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

**(4) Summary of Significant Accounting Policies (Continued)**

*(h) Goodwill and Other Intangible Assets with Indefinite Lives*

Goodwill relates to amounts that arose in connection with our various business combinations and represents the difference between the purchase price and the fair value of the identifiable tangible and intangible net assets when accounted for using the acquisition method of accounting. Goodwill is not amortized, but is subject to periodic review for impairment.

We test goodwill and other intangible assets with indefinite lives at the reporting unit level for impairment on an annual basis and between annual tests, if events and circumstances indicate it is more likely than not that the fair value of a reporting unit is less than its carrying value. Events that would indicate impairment and trigger an interim impairment assessment include, but are not limited to, current economic and market conditions, including a decline in market capitalization, a significant adverse change in legal factors, business climate or operational performance of the business and an adverse action or assessment by a regulator.

In performing the annual goodwill impairment test, we utilize the two-step approach. The first step, or Step 1, requires a comparison of the carrying value of each reporting unit to its estimated fair value. To estimate the fair value of our reporting units for Step 1, we use a combination of the income approach, the market comparable approach and the market transaction approach. The income approach is based on a discounted cash flow analysis, or DCF approach, and calculates the fair value by estimating the after-tax cash flows attributable to a reporting unit and then discounting the after-tax cash flows to a present value, using a risk-adjusted discount rate. Assumptions used in the DCF approach require the exercise of significant judgment, including judgment about appropriate discount rates and terminal values, growth rates and the amount and timing of expected future cash flows. The forecasted cash flows are based on our most recent budget and for years beyond the budget, our estimates are based on assumed growth rates. We believe our assumptions are consistent with the plans and estimates used to manage the underlying businesses. The discount rates, which are intended to reflect the risks inherent in future cash flow projections, used in the DCF approach are based on estimates of the weighted-average cost of capital, or WACC, of market participants relative to each respective reporting unit. The market approaches consider comparable and transactional market data based on multiples of revenue or earnings before interest, taxes, depreciation and amortization, or EBITDA based on trading multiples of selected guidelines companies and deal multiples of selected target companies.

If the carrying value of a reporting unit exceeds its estimated fair value, we are required to perform the second step, or Step 2, of the annual goodwill impairment test to measure the amount of impairment loss, if any. Step 2 of the goodwill impairment test compares the implied fair value of a reporting unit's goodwill to its carrying value. The implied fair value of goodwill is calculated as the difference between the fair value of the reporting unit and the estimated fair value of its assets and liabilities. To the extent this amount is below the carrying value of goodwill, an impairment charge is recorded to write down the carrying value to its implied value.

Impairment charges related to goodwill have no impact on our cash balances or on compliance with financial covenants under our Amended and Restated Credit Agreement.

---

**Table of Contents**

**ALERE INC. AND SUBSIDIARIES**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

**(4) Summary of Significant Accounting Policies (Continued)**

*2014 Annual Goodwill Impairment Test*

We conducted our 2014 annual goodwill impairment test for our reporting units during the fourth quarter of 2014. For our patient self-testing reporting unit, we utilized the purchase price for the sale of our health management business as the estimated fair value of the health management business and combined that with the estimated fair value of the remaining patient self-testing reporting unit which was determined using a combination of the income approach, the market comparable approach and the market transaction approach to arrive at the total estimated fair value of the patient self-testing business. Key assumptions (which vary by reporting unit) used in determining fair value under the DCF approach included discount rates ranging from 10.5% to 15.5%, projected compound average revenue growth rates of 3.0% to 11.0% and terminal value growth rates of 3.0% to 4.0%. In determining the appropriate discount rate, we considered the WACC for each reporting unit, which among other factors considers the cost of common equity capital and the marginal cost of debt of market participants. Key assumptions (which again vary by reporting unit) used in determining fair value under the market approaches were based on observed market multiples of enterprise value to revenue and EBITDA for both comparable publicly-traded companies and recent merger and acquisition transactions involving similar companies to estimate appropriate controlling basis multiples to apply to each of the reporting units. Based on the multiples implied by this market data, we selected multiples of revenue of 1.2 to 2.9 times and multiples of EBITDA of 7.1 to 11.8 times. In assessing the reasonableness of our estimated fair values of the reporting units, management compared the results of the valuation analyses against our then-current market capitalization to imply a control premium. Based on this analysis, the implied control premium was within the range of comparable industry transactions.

The Step 1 impairment test indicated the estimated fair value of the professional diagnostics, patient self-testing and consumer diagnostics reporting units exceeded the carrying value of their reporting unit's net assets as follows: by \$2.2 billion, \$515.6 million and \$86.8 million, respectively, or 42.4%, 162.1% and 38.0%, respectively.

As discussed in Note 3, our health management business met the criteria for assets held for sale as of December 31, 2014 and the sale was subsequently completed on January 9, 2015. Accordingly, we performed a Step 1 impairment test on the goodwill remaining in the patient self-testing reporting unit at December 31, 2014. The Step 1 impairment test indicated that the estimated fair value of the remaining patient self-testing reporting unit exceeded the carrying value of the reporting unit's net assets by 67%.

The estimate of fair value requires significant judgment. We based our fair value estimates on assumptions that we believe to be reasonable but that are unpredictable and inherently uncertain, including estimates of future growth rates and operating margins and assumptions about the overall economic climate and the competitive environment for our business units. There can be no assurance that our estimates and assumptions made for purposes of our goodwill and identifiable intangible asset testing as of the time of testing will prove to be accurate predictions of the future. If our assumptions regarding business plans, competitive environment or anticipated growth rates are not correct, we may be required to record goodwill and/or intangible asset impairment charges in future periods, whether in connection with our next annual impairment testing or earlier, if an indicator of an impairment is present before our next annual evaluation.

---

**Table of Contents**

**ALERE INC. AND SUBSIDIARIES**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

**(4) Summary of Significant Accounting Policies (Continued)**

*2013 Annual Goodwill Impairment Test*

We conducted our 2013 annual goodwill impairment test for our reporting units during the fourth quarter of 2013. Key assumptions (which vary by reporting unit) used in determining fair value under the DCF approach included discount rates ranging from 11.0% to 14.0%, projected compound average revenue growth rates of 4.0% to 11.4% and terminal value growth rates of 3.0% to 4.0%. The factors considered in determining the appropriate discount rate and the key assumptions were the same as those in the 2014 annual goodwill impairment test described above. Based on the multiples implied by this market data, we selected multiples of revenue of 0.8 to 2.9 times and multiples of EBITDA of 6.4 to 10.6 times. In assessing the reasonableness of our estimated fair values of the reporting units, management compared the results of the valuation analyses against our then-current market capitalization to imply a control premium. Based on this analysis, the implied control premium was within the range of comparable industry transactions.

The Step 1 impairment test indicated the estimated fair value of the professional diagnostics, patient self-testing and consumer diagnostics reporting units exceeded the carrying value of their reporting unit's net assets as follows: by \$1.6 billion, \$34.7 million and \$92.7 million, respectively, or 30.3%, 8.5% and 45.5%, respectively.

*2012 Annual Goodwill Impairment Test*

We conducted our 2012 annual goodwill impairment test for our reporting units during the fourth quarter of 2012. Key assumptions (which vary by reporting unit) used in determining fair value under the DCF approach included discount rates ranging from 11.0% to 15.0%, projected compound average revenue growth rates of 3.0% to 8.1% and terminal value growth rates of 3.0% to 4.0%. The factors considered in determining the appropriate discount rate and the key assumptions were the same as those in the 2014 annual goodwill impairment test described above. Based on the multiples implied by this market data, we selected multiples of revenue of 0.9 to 2.4 times and multiples of EBITDA of 6.1 to 8.9 times. In assessing the reasonableness of our estimated fair values of the reporting units, management compared the results of the valuation analyses against our then-current market capitalization to imply a control premium. Based on this analysis, the implied control premium was within the range of comparable industry transactions.

The Step 1 impairment test indicated the estimated fair value of the professional diagnostics, patient self-testing and consumer diagnostics reporting units exceeded the carrying value of their reporting unit's net assets as follows: by \$399.2 million, \$45.2 million and \$53.9 million, respectively, or 7.9%, 10.2% and 27.2%, respectively.

*(i) Impairment of Other Long-lived Tangible and Intangible Assets*

Our intangible assets consist primarily of core technology, in-process research and development, patents, trademarks, trade names, customer relationships, distribution rights and non-competition agreements. The majority of our intangible assets were recorded in connection with our various business combinations. Our intangible assets are recorded at fair value at the time of their acquisition. We amortize intangible assets over their estimated useful lives.

The estimated useful lives of the individual categories of intangible assets were 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

---

**Table of Contents**

**ALERE INC. AND SUBSIDIARIES**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

**(4) Summary of Significant Accounting Policies (Continued)**

respective lives of the agreement or the period of time the intangible 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.

We evaluate long-lived tangible and intangible assets whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. If indicators of impairment are present with respect to long-lived tangible and intangible assets used in operations and undiscounted future cash flows are not expected to be sufficient to recover the assets' carrying amount, additional analysis is performed as appropriate and the carrying value of the long-lived assets is reduced to the estimated fair value, if this is lower, and an impairment loss is charged to expense in the period the impairment is identified.

*(j) Acquired In-process Research and Development (IPR&D)*

Acquired IPR&D represents the fair value assigned to research and development assets that we acquire as part of business combinations, and which have not been completed at the date of acquisition. The acquired IPR&D is capitalized as an intangible asset and tested for impairment at least annually until commercialization, after which time the IPR&D is amortized over its estimated useful life. We utilize a discounted probable future cash flow model on a project-by-project basis to value acquired IPR&D. Significant assumptions used in the model include the period in which material net cash inflows from significant projects are expected to commence, anticipated material changes from historical pricing, margins and expense levels and an appropriate risk adjusted discount rate applied to the projects' cash flows.

*(k) Business Acquisitions*

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

Significant judgment is required in estimating the fair value of intangible assets and in assigning their respective useful lives. The fair value estimates are based on available historical information and on future expectations and assumptions deemed reasonable by management, but are inherently uncertain.

We generally employ the income method to estimate the fair value of intangible assets, which is based on forecasts of the expected future cash flows attributable to the respective assets. Significant estimates and assumptions inherent in the valuations reflect a consideration of other marketplace participants, and include the amount and timing of future cash flows (including expected growth rates and profitability), the underlying product life cycles, economic barriers to entry, a brand's relative market position and the discount rate applied to the cash flows. Unanticipated market or macroeconomic events and circumstances may occur, which could affect the accuracy or validity of the estimates and assumptions.

Net assets acquired are recorded at their fair value and are subject to adjustment upon finalization of the fair value analysis. We are not aware of any information that indicates the final fair value analysis will differ materially from the preliminary estimates.

---

**Table of Contents**

**ALERE INC. AND SUBSIDIARIES**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

**(4) Summary of Significant Accounting Policies (Continued)**

During 2014, 2013 and 2012, we expensed acquisition-related costs of \$0.9 million, \$3.1 million and \$9.7 million, respectively, in general and administrative expense.

*(l) Income Taxes*

Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the year in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date. Valuation allowances are established when necessary to reduce deferred tax assets to the amounts that are more likely than not to be realized in the future (Note 17).

We account for uncertain tax positions using a more-likely-than-not threshold for recognizing and resolving uncertain tax positions. We evaluate uncertain tax positions on a quarterly basis and consider various factors, including, but not limited to, changes in tax law, the measurement of tax positions taken or expected to be taken in tax returns, the effective settlement of matters subject to audit, new audit activity and changes in facts or circumstances related to a tax position.

*(m) Revenue Recognition*

We primarily recognize revenue when the following four basic criteria have been met: (1) persuasive evidence of an arrangement exists, (2) delivery has occurred or services rendered, (3) the fee is fixed or determinable and (4) collection is reasonably assured.

The majority of our revenue is derived from product sales. We recognize revenue upon transfer of the title of the products to third-party customers, less a reserve for estimated product returns and allowances. Determination of the reserve for estimated product returns and allowances is based on our management's analyses and judgments regarding certain conditions. Should future changes in conditions prove management's conclusions and judgments on previous analyses to be incorrect, revenue recognized for any reporting period could be adversely affected.

For products that include installation, and if the installation meets the criteria to be considered a separate element, product revenue is recognized upon delivery, and installation revenue is recognized when the installation is complete. For sales that include customer-specified acceptance criteria, revenue is recognized after the acceptance criteria have been met. Certain of our products require specialized installation. Revenue for these products is deferred until installation is completed. Revenue from services is deferred and recognized over the contractual period, or as services are rendered and accepted by the customer. When arrangements include multiple elements, we use objective evidence of fair value to allocate revenue to the elements, and recognize revenue when the criteria for revenue recognition have been met for each element, in accordance with authoritative guidance on multiple-element arrangements.

Additionally, with respect to our health management business which is included in discontinued operations, we generate services revenue in connection with contracts with health plans (both commercial and governmental) and self-insured employers, whereby we provide clinical expertise through fee-based arrangements. Revenue for fee-based arrangements is recognized over the period in which the services are provided. Some contracts provide that a portion of our fees are at risk if our



---

**Table of Contents**

**ALERE INC. AND SUBSIDIARIES**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

**(4) Summary of Significant Accounting Policies (Continued)**

customers do not achieve certain financial cost savings or we do not achieve certain other clinical and operational metrics, over a period of time, typically one year. Revenue subject to refund is not recognized if (i) sufficient information is not available to calculate performance measurements or (ii) interim performance measurements indicate that we are not meeting performance targets. If either of these two conditions exists, we record the amounts as other current liabilities in the consolidated balance sheet, deferring recognition of the revenue until we establish that we have met the performance criteria. However, revenue recognized for fees subject to refund before the end of the contract period is realizable under the termination provisions or other provisions of the contract. If we do not meet the performance targets at the end of the contractual period, we are obligated under the contract to refund some or all of the at-risk fees.

We also receive license and royalty revenue from agreements with third-party licensees. Revenue from license and royalty agreements is recognized on a straight-line basis over the obligation period of the related license agreements, or at the time when we have no further obligations. License and royalty fees that the licensees calculate based on their sales, which we have the right to audit under most of our agreements, are generally recognized upon receipt of the license or royalty payments unless we are able to reasonably estimate the fees as they are earned. License and royalty fees that are determinable prior to the receipt thereof are recognized in the period they are earned.

*(n) Employee Stock-Based Compensation Arrangements*

We account for share-based payments in accordance with Accounting Standards Codification, or ASC 718, *Compensation - Stock Compensation*. Compensation expense associated with stock options includes amortization based on the grant-date fair value estimated in accordance with the provisions of ASC 718. In addition, we record expense over the offering period in connection with shares issued under our employee stock purchase plan. Compensation expense for stock-based compensation awards includes an estimate for forfeitures and is recognized over the vesting period of the options using the straight-line method. It is our policy to recognize, through additional paid in capital, the excess or windfall tax benefits on stock option deductions, as those deductions are recognized on tax returns.

Our stock option plans provide for grants of options to employees to purchase common stock at or above the fair market value of such shares on the grant date of the award. The options generally vest over a four-year period, beginning on the date of grant, with a graded vesting schedule of 25% at the end of each of the four years. The fair value of each option grant is estimated on the date of grant primarily using a Black-Scholes option-pricing method. We use historical data to estimate the expected price volatility and the expected forfeiture rate. The contractual term of our stock option awards is ten years. The risk-free rate is based on the U.S. Treasury yield curve in effect at the time of grant with a remaining term equal to the expected term of the option. We have not made any dividend payments to common shareholders nor do we have plans to pay dividends in the foreseeable future.

*(o) Net Loss per Common Share*

Net loss per common share is based upon the weighted-average number of outstanding common shares and the dilutive effect of common share equivalents, such as options and warrants to purchase common stock, convertible preferred stock and convertible notes, if applicable, that are outstanding each year (Note 13).

---

**Table of Contents**

**ALERE INC. AND SUBSIDIARIES**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

**(4) Summary of Significant Accounting Policies (Continued)**

*(p) Other Operating Expenses*

We expense advertising costs as incurred. In 2014, 2013 and 2012, advertising costs amounted to \$8.0 million, \$10.6 million and \$22.0 million, respectively, and are included in sales and marketing expenses in the accompanying consolidated statements of operations.

Shipping and handling costs are included in cost of net revenue in the accompanying consolidated statements of operations. When we charge our customers for shipping and handling costs, these costs are recorded along with product revenues.

*(q) Concentration of Credit Risk, Off-Balance Sheet Risks and Other Risks and Uncertainties*

Financial instruments that potentially subject us to concentration of credit risk primarily consist of cash and cash equivalents and accounts receivable. We invest our excess cash primarily in high quality securities and limit the amount of our credit exposure to any one financial institution. We do not require collateral or other securities to support customer receivables; however, we perform on-going credit evaluations of our customers and maintain allowances for potential credit losses.

At December 31, 2014 and 2013, no individual customer's accounts receivable balance was more than 10% of our aggregate accounts receivable. During 2014, 2013 and 2012, no one customer represented more than 10% of our net revenue.

We rely on a number of third parties to manufacture certain of our products. If any of our third-party manufacturers cannot, or will not, manufacture our products in the required volumes, on a cost-effective basis, in a timely manner, or at all, we will have to secure additional manufacturing capacity. Any interruption or delay in manufacturing could have a material adverse effect on our business and operating results.

*(r) Financial Instruments and Fair Value of Financial Instruments*

Our primary financial instruments at December 31, 2014 and 2013 consisted of cash equivalents, restricted cash, marketable securities, accounts receivable, accounts payable and debt. We apply fair value measurement accounting to value our financial assets and liabilities. 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.

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.

*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.

*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.

---

**Table of Contents**

**ALERE INC. AND SUBSIDIARIES**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

**(4) Summary of Significant Accounting Policies (Continued)**

*(s) Software for Internal Use and for Resale*

We may capitalize certain costs associated with the development of internal-use software, including direct materials and services. Capitalized software is amortized on a straight-line basis over its estimated useful life and is included in computer software and equipment within property, plant and equipment.

We also develop software for resale or lease to external parties and expense the costs of developing software for resale or lease incurred before establishment of technological feasibility of the underlying software. The costs incurred from establishment of technological feasibility until general release of the software are capitalized, and the capitalized software is amortized over its estimated useful life. Capitalized software for resale or lease is included in computer software and equipment within property, plant and equipment.

*(t) Research and Development*

Our research and development programs focus on the development of cardiometabolic, infectious disease and toxicology products. Research and development costs are expensed as incurred. Payments received from external parties to fund our research and development activities reduce the recorded research and development expenses.

*(u) Leases*

We lease certain facilities and equipment from external parties under operating leases. Rent expense related to operating leases is recorded in the income statement as incurred. We also lease machinery, laboratory equipment, tooling and other equipment under capital leases. In determining whether a lease is a capital or an operating lease, we estimate the expected term of the lease, which includes certain renewable options as required by lease accounting guidance. Rent deferrals, landlord incentives and rent escalations are included in calculation of minimum lease payments when performing the capital lease tests and when calculating the rent expense for operating leases.

Leased property, plant and equipment that meet the capital lease criteria are capitalized at the lower of the present value of the minimum lease payments or the fair value of the underlying asset at the inception date of the lease. Assets under capital leases are depreciated on a straight-line basis over the lease term.

Leasehold improvements are capitalized and amortized over the shorter of their estimated useful lives or the remainder of the expected term of the lease.

*(v) Recent Accounting Pronouncements*

*Recently Issued Standards*

In August 2014, the FASB issued Accounting Standards Update, or ASU, No. 2014-15, *Presentation of Financial Statements – Going Concern (Subtopic 205-40): Disclosure of Uncertainties about an Entity’s Ability to Continue as a Going Concern*, or ASU 2014-15. ASU 2014-15 is intended to define management’s responsibility to evaluate whether there is substantial doubt about an organization’s ability to continue as a going concern and to provide related footnote disclosures. ASU 2014-15 is effective for fiscal years ending after December 15, 2016, and for interim periods within fiscal years beginning after December 15, 2016. Early adoption is permitted. We are currently evaluating the potential impacts of the new standard on our consolidated financial statements.

**Table of Contents****ALERE INC. AND SUBSIDIARIES****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)****(4) Summary of Significant Accounting Policies (Continued)**

In June 2014, the FASB issued ASU No. 2014-12, *Compensation – Stock Compensation (Topic 718) – Accounting for Share-Based Payments When the Terms of an Award Provide That a Performance Target Could Be Achieved after the Requisite Service Period*, or ASU 2014-12. ASU 2014-12 requires that a performance target which affects vesting and which could be achieved after the requisite service period be treated as a performance condition. ASU 2014-12 is effective for fiscal years beginning after December 15, 2015, and for interim periods within those fiscal years. Early adoption is permitted. We are currently evaluating the impact of the adoption of ASU 2014-12 on our consolidated financial statements.

In May 2014, the FASB issued ASU No. 2014-09, *Revenue from Contracts with Customers (Topic 606)*, or ASU 2014-09. ASU 2014-09 requires that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. ASU 2014-09 is effective for fiscal years beginning after December 15, 2016, and for interim periods within those fiscal years. Early adoption is not permitted. We are currently evaluating the impact of the new guidance and the method of adoption in the consolidated financial statements.

We believe that there were no other accounting standards recently issued that had or are expected to have a material impact on our consolidated financial statements.

*Recently Adopted Standards*

In April 2014, the FASB issued ASU No. 2014-08, *Presentation of Financial Statements (Topic 205) and Property, Plant, and Equipment (Topic 360) – Reporting Discontinued Operations and Disclosures of Disposals of Components of an Entity*, or ASU 2014-08. ASU 2014-08 requires that only disposals representing a strategic shift in operations which has a major effect on the organization's operations and financial results, such as a disposal of a major geographic area, a major line of business, or a major equity method investment, should be presented as discontinued operations. In addition, the new guidance requires expanded disclosures about discontinued operations that will provide financial statement users with more information about the assets, liabilities, income, and expenses of discontinued operations. ASU 2014-08 is effective in the first quarter of 2015 with early adoption permitted. Effective October 1, 2014, we adopted ASU 2014-08. As a result of our early adoption of this standard, we reported our divestiture of BioNote, Inc., or BioNote, as a gain on disposition within operating income from continuing operations. See Note 3 and Note 24.

In November 2014, the FASB issued ASU No. 2014-17, *Business Combinations (Topic 805): Pushdown Accounting*, or ASU 2014-17. ASU 2014-17 provides an acquired entity with an option to apply pushdown accounting in its separate financial statements upon occurrence of an event in which an acquirer obtains control of the acquired entity. ASU 2014-17 is effective on November 18, 2014. Effective November 18, 2014, we adopted ASU 2014-17. The adoption of this standard had no material impact on our consolidated financial statements.

Effective January 1, 2014, we adopted ASU No. 2013-11, *Presentation of an Unrecognized Tax Benefit when a Net Operating Loss Carryforward, a Similar Tax Loss, or a Tax Credit Carryforward Exists*. ASU 2013-11 clarifies guidance and eliminates diversity in practice on the presentation of unrecognized tax benefits when a net operating loss carryforward, similar tax loss or a tax credit carryforward exists, with limited exceptions. The adoption of this standard had no material impact on our consolidated financial statements.

**Table of Contents****ALERE INC. AND SUBSIDIARIES****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)****(5) Other Balance Sheet Information**

Components of selected captions in the consolidated balance sheets consist of (in thousands):

	December 31,	
	2014 (Restated)	2013
<b>Inventories, net:</b>		
Raw materials	\$ 122,886	\$ 121,671
Work-in-process	82,724	79,559
Finished goods	159,555	164,037
	\$ 365,165	\$ 365,267
<b>Property, plant and equipment, net:</b>		
Machinery, laboratory equipment and tooling	\$ 431,255	\$ 418,416
Land and buildings	172,773	182,547
Leasehold improvements	55,788	53,488
Computer software and equipment	154,566	127,011
Furniture and fixtures	35,656	31,539
	850,038	813,001
Less: Accumulated depreciation	(396,468)	(346,504)
	\$ 453,570	\$ 466,497
<b>Accrued expenses and other current liabilities:</b>		
Compensation and compensation-related	\$ 88,546	\$ 87,437
Royalty obligations	23,072	25,321
Deferred revenue	22,479	20,686
Income taxes payable and deferred tax liabilities	32,922	25,088
Other taxes payable	31,491	18,185
Acquisition-related obligations	69,779	95,759
Other	107,205	109,418
	\$ 375,494	\$ 381,894

**(6) 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 2014, 2013 and 2012, we recorded acquisition-related costs of \$0.9 million, \$3.1 million and \$9.7 million, respectively, in general and administrative expense.

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

## Edgar Filing: ALERE INC. - Form 10-K/A

Net assets acquired are recorded at their fair value and are subject to adjustment upon finalization of the fair value analysis. The estimated useful lives of the individual categories of intangible assets were based on the nature of the applicable intangible asset and the expected future cash flows to be

F-32

---

**Table of Contents**

**ALERE INC. AND SUBSIDIARIES**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

**(6) Business Combinations (Continued)**

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 intangible 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 2013*

*(i) Epocal*

On February 1, 2013, we acquired Epocal, Inc., or Epocal, located in Ottawa, Canada, a provider of technologies that support blood gas and electrolyte testing at the point of care. The aggregate purchase price was approximately \$248.5 million, which consisted of \$151.4 million in cash, a \$22.1 million settlement of a pre-existing arrangement and a contingent consideration obligation with an aggregate acquisition date fair value of \$75.0 million. The operating results of Epocal are included in our professional diagnostics reporting unit and business segment. The amount allocated to goodwill from this acquisition is not deductible for tax purposes.

*(ii) Other acquisitions in 2013*

During the year ended December 31, 2013, we acquired the following businesses for an aggregate purchase price of \$57.6 million, which included cash payments totaling \$28.2 million, a \$17.5 million settlement of a pre-existing arrangement, contingent consideration obligations with an aggregate acquisition date fair value of \$1.3 million, deferred purchase price consideration with an acquisition date fair value of \$0.8 million and an \$8.0 million bargain purchase gain.

certain assets of PT Mega Medika Mandiri, or Mega Medika, located in South Jakarta, Indonesia, a distributor of infectious disease products to the Indonesian marketplace as well as materials for vaccines to a pharmaceutical customer (Acquired January 2013)

Discount Diabetic, LLC, or Discount Diabetic, located in Phoenix, Arizona, a provider of blood glucose monitoring products, including diabetes testing systems and test strips and other products (Acquired April 2013)

the Medicare fee-for-service assets of Liberty Medical, or the Liberty business, located in Port St. Lucie, Florida, a leading mail order provider of diabetes testing supplies serving the needs of both Type 1 and Type 2 diabetic patients (Acquired April 2013)

51% share in Cardio Selfcare B.V., subsequently renamed Alere Health Services B.V., or Alere Health Services, located in Ede, the Netherlands, a developer of innovative software for the healthcare industry that develops and licenses software and sells medical devices to enable patients to perform medical self-care, including thrombosis self-care (Acquired May 2013)

74.9% interest in Pantech Proprietary Limited, or Pantech, located in Durban, South Africa, a supplier of rapid diagnostic test kits, including HIV, malaria, syphilis, drugs of abuse, 10 parameter urine sticks, glucometers and glucose sticks (Acquired July 2013)

## Edgar Filing: ALERE INC. - Form 10-K/A

Certain assets of Simplex Healthcare, Inc. and its subsidiaries, or Simplex, located in Tennessee, a provider of home delivery of diabetes-related medical supplies and products (Acquired November 2013)  
The operating results of Mega Medika, Discount Diabetic, the Liberty business, Alere Health Services, Pantech, and Simplex are included in our professional diagnostics reporting unit and business segment.

F-33



**Table of Contents****ALERE INC. AND SUBSIDIARIES****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)****(6) Business Combinations (Continued)**

Our consolidated statement of operations for the year ended December 31, 2013 included revenue totaling approximately \$83.0 million related to these businesses. Goodwill has been recognized in the Mega Medika, Alere Health Services, Pantech, and Simplex acquisitions and amounted to approximately \$2.4 million. The goodwill related to the Mega Medika and Simplex acquisitions is deductible for tax purposes, but the goodwill related to the Pantech and Alere Health Services acquisitions is not.

With respect to our acquisition of the Liberty business, the purchase price of the acquisition has been allocated to the net tangible and intangible assets acquired, with the excess of the fair value of assets acquired over the purchase price recorded as a bargain purchase gain. The \$8.0 million bargain purchase gain has been recorded in other income (expense), net in our consolidated statement of operations and is not recognized for tax purposes. The bargain purchase gain resulted from our operating cost structure which we believe will allow us to operate this business more cost effectively than the sellers.

A summary of the fair values of the net assets acquired for the acquisitions consummated in 2013 is as follows (in thousands):

	Epocal	Other	Total
Current assets(1)	\$ 12,535	\$ 13,623	\$ 26,158
Property, plant and equipment	1,267	1,731	2,998
Goodwill	100,419	2,447	102,866
Intangible assets	164,400	51,180	215,580
Other non-current assets	18,158	29	18,187
 Total assets acquired	 296,779	 69,010	 365,789
Current liabilities	2,701	5,398	8,099
Non-current liabilities	45,542	6,062	51,604
 Total liabilities assumed	 48,243	 11,460	 59,703
 Net assets acquired	 248,536	 57,550	 306,086
Less:			
Contingent consideration	75,000	1,264	76,264
Settlement of pre-existing arrangements	22,088	17,500	39,588
Non-controlling interest		1,774	1,774
Bargain purchase gain		8,023	8,023
Deferred purchase price consideration		768	768
 Cash paid	 \$ 151,448	 \$ 28,221	 \$ 179,669

(1) Includes approximately \$3.3 million of acquired cash.

**Table of Contents****ALERE INC. AND SUBSIDIARIES****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)****(6) Business Combinations (Continued)**

The following are the intangible assets acquired in 2013 and their respective fair values and weighted-average useful lives (dollars in thousands):

	Epocal	Other	Total	Weighted-average Useful Life
Core technology and patents	\$ 119,700	\$	\$ 119,700	20.0 years
Software		2,154	2,154	5.7 years
Trademarks and trade names	20,500	80	20,580	19.1 years
License agreements		620	620	1.5 years
Customer relationships		42,510	42,510	11.5 years
Other		5,816	5,816	3.0 years
In-process research and development	24,200		24,200	N/A
Total intangible assets	\$ 164,400	\$ 51,180	\$ 215,580	

*(b) Acquisitions in 2012**(i) eScreen*

On April 2, 2012, we acquired eScreen, Inc., or eScreen, headquartered in Overland Park, Kansas, a technology-enabled provider of employment drug screening solutions for hiring and maintaining healthier and more efficient workforces. The aggregate purchase price was approximately \$295.0 million, which consisted of \$271.4 million in cash and a contingent consideration obligation with an aggregate acquisition date fair value of \$23.6 million. Included in our consolidated statements of operations for the year ended December 31, 2012 is revenue totaling approximately \$116.7 million related to eScreen. The operating results of eScreen are included in our professional diagnostics reporting unit and business segment. The amount allocated to goodwill from this acquisition is not deductible for tax purposes.

*(ii) Other acquisitions in 2012*

During 2012, we acquired the following businesses for an aggregate purchase price of \$199.5 million, which included cash payments totaling \$147.5 million and contingent consideration obligations with aggregate acquisition date fair values of \$52.0 million.

Reatrol Comercializacao De Produtos De Saude, LDA, subsequently renamed Alere Lda, located in Vila Nova de Gaia, Portugal, a distributor of products for drugs of abuse testing (Acquired January 2012)

Kullgren Holding AB, or Kullgren, located in Gensta, Sweden, a company that manufactures and distributes high-quality intimacy and pharmaceutical products (Acquired February 2012)

Wellogic ME FZ-LLC, or Wellogic UAE, located in Dubai, United Arab Emirates, a company that provides development services to Alere Wellogic, LLC, which acquired the assets of Method Factory, Inc. (d/b/a Wellogic), or Wellogic, in December 2011 (Acquired February 2012)

## Edgar Filing: ALERE INC. - Form 10-K/A

certain assets, primarily including customer and patient lists, of AmMed Direct LLC, or AmMed, located near Nashville, Tennessee, a privately-owned mail-order provider of home-diabetes testing products and supplies (Acquired March 2012)

MedApps Holding Company, Inc., or MedApps, headquartered in Scottsdale, Arizona, a developer of innovative remote health monitoring solutions that deliver efficient cost-effective connectivity between patient, care provider and electronic medical records (Acquired July 2012)

F-35

---

**Table of Contents**

**ALERE INC. AND SUBSIDIARIES**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

**(6) Business Combinations (Continued)**

Amedica Biotech, Inc., or Amedica, located in Hayward, California, a company focused on the development and manufacture of in vitro diagnostic tests (Acquired July 2012)

DiagnosisOne, Inc., or DiagnosisOne, located in Lowell, Massachusetts, a software company that provides clinical analytics technology and data-driven content to hospitals, physician groups, insurers and governments (Acquired July 2012)

Seelen Care Laege-og & Hospitalsartikler ApS, or Seelen, located in Holstebro, Denmark, a distributor of consumables, instruments and equipment to doctors, specialists and physiotherapists (Acquired August 2012)

certain assets of Diagnostik Nord, or Diagnostik, located in Schwerin, Germany, a company focused on the sale of drug screening and in vitro diagnostic medical devices and a provider of diagnostic solutions (Acquired September 2012)

Healthcare Connections Limited, or HCC, located in Buckinghamshire, United Kingdom, an occupational health provider specializing in employment medical programs, preventative health schemes and drug and alcohol sample collection services (Acquired November 2012)

the diagnostic division of Medial spol. s.r.o., subsequently renamed Alere s.r.o., located in Prague, Czech Republic, a distributor of laboratory diagnostic devices, devices operating in the point-of-care testing regime, diagnostic kits and tests for biochemistry, hematology, and microbiology (Acquired November 2012)

certain assets of Quantum Diagnostics, or Quantum Australia, located in Australia, an on-line medical supply company that provides a range of affordable drug and alcohol tests for personal, business and professional medical use. (Acquired November 2012)

certain assets of NationsHealth, Inc., or NationsHealth, headquartered in Sunrise, Florida, a privately-owned mail-order provider of diabetes home-testing products and supplies, and a share acquisition of NationsHealth's subsidiary in the Philippines, or NationsHealth Philippines (Acquired December 2012)

Branan Medical Corporation, or Branan, headquartered in Irvine, California, a manufacturer of drugs of abuse testing products (Acquired December 2012)

The operating results of Alere Lda, AmMed, MedApps, Amedica, Seelen, Diagnostik, HCC, Alere s.r.o., Quantum Australia, NationsHealth and Branan are included in our professional diagnostics reporting unit and business segment. The operating results DiagnosisOne are included in our patient self-testing reporting unit and business segment. The operating results of Kullgren are included in our consumer diagnostics reporting unit and business segment. The operating results of Wellogic UAE are reflected in discontinued operations.

Our consolidated statements of operations for the year ended December 31, 2012 included revenue totaling approximately \$44.6 million related to these businesses. Goodwill has been recognized in all of these acquisitions and amounted to approximately \$94.2 million. Goodwill related to the acquisitions of AmMed, Diagnostik and the US-based assets of NationsHealth, which totaled \$8.8 million, is deductible for tax purposes. The goodwill related to the remaining 2012 acquisitions is not deductible for tax purposes.



**Table of Contents****ALERE INC. AND SUBSIDIARIES****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)****(6) Business Combinations (Continued)**

A summary of the fair values of the net assets acquired for the acquisitions consummated in 2012 is as follows (in thousands):

	eScreen	Other	Total
Current assets(1)	\$ 33,690	\$ 13,615	\$ 47,305
Property, plant and equipment	5,806	3,223	9,029
Goodwill	144,522	94,219	238,741
Intangible assets	204,000	121,223	325,223
Other non-current assets	9,783	9,363	19,146
Total assets acquired	397,801	241,643	639,444
Current liabilities	22,865	5,452	28,317
Non-current liabilities	79,945	36,659	116,604
Total liabilities assumed	102,810	42,111	144,921
Net assets acquired	294,991	199,532	494,523
Less:			
Contingent consideration	23,600	52,020	75,620
Cash paid	\$ 271,391	\$ 147,512	\$ 418,903

(1) Includes approximately \$3.8 million of acquired cash.

The following are the intangible assets acquired and their respective fair values and weighted-average useful lives (dollars in thousands):

	eScreen	Other	Total	Weighted-average Useful Life
Core technology and patents	\$ 93,200	\$ 54,903	\$ 148,103	18.7 years
Trademarks and trade names	17,300	2,090	19,390	18.3 years
Customer relationships	79,600	56,885	136,485	18.1 years
Non-competition agreements		1,118	1,118	5.1 years
Other	13,900	1,327	15,227	9.2 years
In-process research and development		4,900	4,900	N/A
Total intangible assets	\$ 204,000	\$ 121,223	\$ 325,223	

**Table of Contents****ALERE INC. AND SUBSIDIARIES****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)****(7) Goodwill and Other Intangible Assets**

The following is a summary of goodwill and other intangible assets as of December 31, 2014 (dollars in thousands):

	Gross Carrying Amount	Accumulated Amortization and Impairment Losses	Net Carrying Value	Weighted- average Useful Life
<b>Amortized intangible assets:</b>				
Core technology and patents	\$ 969,993	\$ 417,119	\$ 552,874	15.2 years
Other intangible assets:				
Supplier relationships	17,975	16,188	1,787	9.2 years
Trademarks and trade names	256,014	161,945	94,069	11.0 years
License agreements	11,670	11,511	159	6.8 years
Customer relationships	1,504,078	930,533	573,545	16.6 years
Manufacturing know-how	21,540	11,595	9,945	8.9 years
Other	108,792	64,727	44,065	8.7 years
Total other intangible assets	1,920,069	1,196,499	723,570	
Total intangible assets with finite lives	\$ 2,890,062	\$ 1,613,618	\$ 1,276,444	
<b>Intangible assets with indefinite lives:</b>				
Goodwill	\$ 2,926,666			
Other intangible assets(1)	43,651			
Total intangible assets with indefinite lives	\$ 2,970,317			

(1) Primarily includes in-process research and development assets recorded in connection with certain acquisitions.

**Table of Contents****ALERE INC. AND SUBSIDIARIES****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)****(7) Goodwill and Other Intangible Assets (Continued)**

The following is a summary of goodwill and other intangible assets as of December 31, 2013 (dollars in thousands):

	Gross Carrying Amount	Accumulated Amortization and Impairment Losses	Net Carrying Value	Weighted- average Useful Life
<b>Amortized intangible assets:</b>				
Core technology and patents	\$ 990,911	\$ 348,394	\$ 642,517	15.4 years
<b>Other intangible assets:</b>				
Supplier relationships	18,388	16,087	2,301	9.3 years
Trademarks and trade names	260,900	137,918	122,982	11.0 years
License agreements	11,584	11,323	261	6.8 years
Customer relationships	1,546,281	824,447	721,834	16.6 years
Manufacturing know-how	17,349	10,684	6,665	10.8 years
Other	121,393	60,527	60,866	8.8 years
Total other intangible assets	1,975,895	1,060,986	914,909	
Total intangible assets with finite lives	\$ 2,966,806	\$ 1,409,380	\$ 1,557,426	
<b>Intangible assets with indefinite lives:</b>				
Goodwill	\$ 3,006,997			
Other intangible assets(1)	56,702			
Total intangible assets with indefinite lives	\$ 3,063,699			

(1) Primarily includes in-process research and development assets recorded in connection with certain acquisitions. The estimated useful lives of the individual categories of intangible assets were based on the nature of the applicable intangible assets and the expected future cash flows to be derived from those intangible assets. Amortization of intangible assets with finite lives is recognized over the shorter of the respective lives of the underlying license agreements, if applicable, or the period of time the assets are expected to contribute to future cash flows. We amortize our finite-lived intangible assets on patterns in which the economic benefits are expected to be realized. Amortization expense of intangible assets, which in the aggregate amounted to \$237.2 million, \$280.0 million and \$299.4 million in 2014, 2013 and 2012, respectively, is included in cost of net revenue, research and development, sales and marketing and general and administrative expenses in the accompanying consolidated statements of operations. The allocation of amortization expense to the expense categories is based on the intended usage and the expected benefits of the intangible assets in relation to the expense categories.

The following is a summary of estimated aggregate amortization expense of intangible assets for each of the five succeeding fiscal years as of December 31, 2014 (in thousands):

2015

\$ 192,721



Edgar Filing: ALERE INC. - Form 10-K/A

2016	\$ 177,636
2017	\$ 158,323
2018	\$ 148,412
2019	\$ 112,713

F-39

**Table of Contents****ALERE INC. AND SUBSIDIARIES****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)****(7) Goodwill and Other Intangible Assets (Continued)**

During the fourth quarter, we perform our annual impairment tests of the carrying value of our goodwill by reporting unit. For further discussion see Note 4(h).

Goodwill amounts for our professional diagnostics, patient self-testing and consumer diagnostics reporting units are summarized as follows (in thousands):

	<b>Professional Diagnostics</b>	<b>Patient Self- testing</b>	<b>Consumer Diagnostics</b>	<b>Total</b>
Goodwill at December 31, 2012(1)	\$ 2,867,422	\$ 34,363	\$ 57,125	\$ 2,958,910
Acquisitions(2)	88,613	(3,551)		85,062
Dispositions(3)	(14,786)			(14,786)
Other(4)	(25,832)	2,733	910	(22,189)
<b>Goodwill at December 31, 2013</b>	<b>\$ 2,915,417</b>	<b>\$ 33,545</b>	<b>\$ 58,035</b>	<b>\$ 3,006,997</b>
Acquisitions(2)	(546)	(25)		(571)
Dispositions(3)	(16,517)			(16,517)
Other(4)	(59,549)	(650)	(3,044)	(63,243)
<b>Goodwill at December 31, 2014 (Restated)</b>	<b>\$ 2,838,805</b>	<b>\$ 32,870</b>	<b>\$ 54,991</b>	<b>\$ 2,926,666</b>

(1) The December 31, 2012 balance for the patient self-testing reporting unit reflects an allocation of goodwill related to our condition management, case management, wellbeing, wellness, and women's and children's health businesses, or collective, our health management business, which was held for sale at this date.

(2) Includes initial purchase price allocation, purchase accounting adjustments recorded to the acquired entities' opening balance sheet and additional payments made for earn-outs and milestones achieved.

(3) Reflects write-off related to the dispositions of Spinreact in 2013 and BioNote in 2014.

(4) These amounts relate primarily to adjustments resulting from fluctuations in foreign currency exchange rates.

We generally expense costs incurred for the internal development of intangible assets, except for costs that are incurred to establish patents and trademarks, such as legal fees for initiating, filing and obtaining the patents and trademarks. As of December 31, 2014 and 2013, we had approximately \$9.5 million and \$9.6 million, respectively, of costs capitalized, net of amortization, in connection with establishing patents and trademarks which are included in other intangible assets, net, in the accompanying consolidated balance sheets. Upon the initial filing of the patents and trademarks, we commence amortization of such intangible assets over their estimated useful lives. Costs incurred to maintain the patents and trademarks are expensed as incurred.



**Table of Contents****ALERE INC. AND SUBSIDIARIES****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)****(8) Long-term Debt**

We had the following long-term debt balances outstanding (in thousands) as of December 31, 2014 and December 31, 2013, respectively:

	December 31, 2014 (Restated)	December 31, 2013
A term loans(1)(2)	\$ 785,938	\$ 832,188
B term loans(1)(3)	1,330,810	1,344,238
Revolving line of credit(1)	127,000	170,000
7.25% Senior notes	450,000	450,000
6.5% Senior subordinated notes	425,000	425,000
8.625% Senior subordinated notes	400,000	400,000
3% Convertible senior subordinated notes	150,000	150,000
Other lines of credit	684	355
Other	40,828	50,119
	3,710,260	3,821,900
Less: Short-term debt and current portion	(88,875)	(64,112)
	\$ 3,621,385	\$ 3,757,788

(1) Incurred under our secured credit facility.

(2) Includes A term loans and Delayed Draw term loans under our secured credit facility.

(3) Includes term loans previously referred to as Incremental B-1 term loans and Incremental B-2 term loans under our secured credit facility, which term loans have been converted into and consolidated with the B term loans under our secured credit facility.

In connection with our significant long-term debt issuances, we recorded interest expense, including amortization and write-offs of deferred financing costs and original issue discounts, in our accompanying consolidated statements of operations for 2014, 2013 and 2012, respectively, as follows (in thousands):

	2014 (Restated)	2013	2012
Secured credit facility(1)	\$ 99,399	\$ 104,159	\$ 104,916
7.25% Senior notes	34,098	33,906	1,994
7.875% Senior notes		137(2)	44,994(3)
6.5% Senior subordinated notes	29,057	17,384	
8.625% Senior subordinated notes	37,092	37,093	37,096

Edgar Filing: ALERE INC. - Form 10-K/A

9% Senior subordinated notes		54,043(4)	41,474
3% Convertible senior subordinated notes	4,984	4,984	4,984
	\$ 204,630	\$ 251,706	\$ 235,458

- (1) Includes A term loans, including the Delayed-Draw term loans; B term loans, including the term loans previously referred to as Incremental B-1 term loans and Incremental B-2 term loans, which term loans have been converted into and consolidated with the B term loans; and revolving line of credit loans. For 2014, 2013 and 2012, the amounts include \$1.5 million, \$2.6 million and \$5.0 million, respectively, related to the amortization of fees paid for certain debt modifications.
- (2) Amount includes an approximate \$0.2 million loss recorded in connection with the repurchase of our 7.875% senior notes.

F-41

**Table of Contents**

**ALERE INC. AND SUBSIDIARIES**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

**(8) Long-term Debt (Continued)**

(3) Amount includes an approximate \$23.2 million loss recorded in connection with the repurchase of substantially all of our 7.875% senior notes. Included in the \$23.2 million is a \$12.3 million make-whole payment which has been classified within cash flow from financing activities in our consolidated statement of cash flows.

(4) Amount includes an approximate \$35.6 million loss recorded in connection with the repurchase of our 9% senior subordinated notes. Included in the \$35.6 million is \$19.0 million related to tender offer consideration and call premium which has been classified within cash flow from financing activities in our consolidated statement of cash flows.

The following describes each of the debt instruments listed above:

*(a) Secured Credit Facility*

On June 30, 2011, we entered into a Credit Agreement, or secured credit facility, with certain lenders, General Electric Capital Corporation as administrative agent and collateral agent, and certain other agents and arrangers, and, along with certain of our subsidiaries, a related guaranty and security agreement. On December 7, 2011, we entered into an amendment to our secured credit facility to provide an additional term loan facility for Incremental B-1 term loans (all of which we borrowed on that date). On March 28, 2012, we entered into a further amendment to provide an additional term loan facility for Incremental B-2 term loans (all of which we borrowed on that date). On May 30, 2014, we entered into a further amendment pursuant to which (among other changes) the Incremental B-1 term loans and the Incremental B-2 term loans were converted into and consolidated with the B term loans thereunder. The secured credit facility, as so amended (and before the repayments of loans pursuant to the amendment described in the immediately following paragraph), comprises credit facilities totaling \$2.55 billion in aggregate original principal amount, consisting of term loans in the aggregate original principal amount of \$2.3 billion (consisting of A term loans (including Delayed Draw term loans) in the aggregate original principal amount of \$925.0 million and B term loans in the aggregate original principal amount of \$1.375 billion (including the respective \$250.0 million and \$200.0 million aggregate original principal amounts of the Incremental B-1 term loans and Incremental B-2 term loans, which were converted into B term loans as described above), all of which we have fully drawn, and, subject to our continued compliance with the secured credit facility, a \$250.0 million revolving line of credit (which includes a \$50.0 million sublimit for the issuance of letters of credit).

In December 2014, we used the net cash proceeds of our sale of the BioNote business to repay revolving credit loans in the aggregate amount of \$43.0 million. We may reborrow the amounts repaid under the \$250.0 million revolving credit facility, subject to compliance with the terms of the secured credit facility.

We must repay the A term loans (excluding the Delayed Draw term loans) in eighteen consecutive quarterly installments, which began on December 31, 2011 and continue through March 31, 2016, in the amount of \$7,812,500 each and a final installment on June 30, 2016, in the amount of \$484,375,000. We must repay the Delayed-Draw term loans included within the A term loans in fifteen consecutive quarterly installments, which began on September 30, 2012, and continue through March 31, 2016, in the amount of \$3,750,000 each and a final installment on June 30, 2016, in the amount of \$243,750,000. We must repay the B term loans (including the amounts thereof converted from the previously outstanding Incremental B-1 term loans and Incremental B-2 term loans as described above) in twenty-two consecutive quarterly installments, which began on

---

**Table of Contents****ALERE INC. AND SUBSIDIARIES****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)****(8) Long-term Debt (Continued)**

December 31, 2011 and continue through March 31, 2017, each remaining payment in the amount of \$3,437,500 with a final installment due on June 30, 2017 in the amount of \$1,301,000,000. We have paid in full all installments of all term loans due on or before December 31, 2014. We may repay any borrowings under the revolving line of credit at any time without premium or penalty, but we must repay all such borrowings in no event later than June 30, 2016. Notwithstanding the foregoing, and subject to certain exceptions provided for in the Credit Agreement, in the event that any of our existing 3% convertible senior subordinated notes remain outstanding on November 15, 2015, then all of the term loans and revolving credit loans under the secured credit facility shall instead mature in full on such prior date.

The A term loans (including the Delayed Draw term loans) and our borrowings under the revolving credit facility bear interest at a rate per annum of, at our option, either (i) the Base Rate, as defined in the Credit Agreement, plus an applicable margin, which varies within a range from 1.75% to 2.50% depending on our consolidated secured leverage ratio, or (ii) the Eurodollar Rate, as defined in the Credit Agreement, plus an applicable margin, which varies within a range from 2.75% to 3.50% depending on our consolidated secured leverage ratio. On March 22, 2013, we entered into an amendment to the secured credit facility that provided for (among other changes) 50 basis point reductions in the interest rate margins applicable to the B term loans (which reductions also applied to the Incremental B-1 term loans and the Incremental B-2 term loans then outstanding). Under the secured credit facility as amended, the B term loans (including the amounts thereof converted from the previously outstanding Incremental B-1 term loans and Incremental B-2 term loans as described above) bear interest at a rate per annum of, at our option, either (i) the Base Rate, as defined in the Credit Agreement, plus an applicable margin, which varies within a range from 2.00% to 2.75% depending on our consolidated secured leverage ratio, or (ii) the Eurodollar Rate, as defined in the Credit Agreement, plus an applicable margin, which varies within a range from 3.00% to 3.75% depending on our consolidated secured leverage ratio. Interest on B term loans (including the amounts thereof converted from the previously outstanding Incremental B-1 term loans and Incremental B-2 term loans as described above) based on the Eurodollar Rate is subject to a 1.00% floor with respect to the base Eurodollar Rate. We are required to pay a fee on the unused portion of the revolving credit facility at a rate per annum of 0.50%. As of December 31, 2014, the A term loans (including the Delayed-Draw term loans), the B term loans (including the amounts thereof converted from the previously outstanding Incremental B-1 term loans and Incremental B-2 term loans as described above) and the revolving line of credit loans bore interest at the rates of 3.17%, 4.25% and 3.17%, respectively, per annum.

We must comply with various customary financial and non-financial covenants under the Credit Agreement. The primary financial covenants consist of a maximum consolidated secured leverage ratio, a minimum consolidated interest coverage ratio and a limit on capital expenditures; we were in compliance with all such financial covenants as of December 31, 2014. The primary non-financial covenants limit our ability to pay dividends or other distributions on our capital stock, to repurchase our capital stock, to conduct mergers or acquisitions, to make investments and loans, to incur future indebtedness, to place liens on assets, to prepay certain other indebtedness, to alter our capital structure and to sell assets. The covenants are subject to certain important exceptions and qualifications, which are set forth in the Credit Agreement.

The lenders under the Credit Agreement are entitled to terminate the revolving line of credit and accelerate repayment of all loans outstanding under the Credit Agreement upon the occurrence of any of various customary events of default.

---

**Table of Contents**

**ALERE INC. AND SUBSIDIARIES**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

**(8) Long-term Debt (Continued)**

As of December 31, 2014, accrued interest related to the secured credit facility amounted to \$0.2 million.

*(b) 7.25% Senior Notes*

On December 11, 2012, we sold a total of \$450.0 million aggregate principal amount of 7.25% senior notes due 2018, or the 7.25% senior notes, in a private placement to initial purchasers, who agreed to resell the notes only to qualified institutional buyers and to persons outside the United States; we sold the 7.25% senior notes at an initial offering price of 100%. Net proceeds from this offering amounted to \$443.2 million, which was net of the underwriters' commissions and offering expenses totaling \$6.8 million. These notes were subsequently exchanged for new notes having substantially the same terms in an exchange offer registered under the Securities Act. We used \$267.4 million of the net proceeds to purchase \$248.2 million outstanding principal amount of the 7.875% senior notes as described below and \$170.0 million to pay down a portion of the outstanding balance under our revolving line of credit.

The 7.25% senior notes were issued under a supplemental indenture dated as of August 11, 2009, as amended or supplemented, or the 7.25% Indenture. The 7.25% senior notes accrue interest at the rate of 7.25% per annum. Interest on the 7.25% senior notes is payable semi-annually on June 15 and December 15, beginning on June 15, 2013. The 7.25% senior notes mature on July 1, 2018, unless earlier redeemed.

We may redeem the 7.25% senior notes, in whole or part, at any time on or after December 15, 2015, by paying the principal amount of the notes being redeemed plus a declining premium, plus accrued and unpaid interest to, but excluding, the redemption date. The premium declines from 3.625% during the twelve months on and after December 15, 2015 to 1.813% during the six months on and after December 15, 2016 to zero on and after June 15, 2017. At any time prior to December 15, 2015, we may redeem up to 35% of the aggregate principal amount of the 7.25% senior notes with money that we raise in certain equity offerings, so long as (i) we pay 107.25% of the principal amount of the notes being redeemed, plus accrued and unpaid interest to, but excluding, the redemption date; (ii) we redeem the notes within 90 days of completing such equity offering; and (iii) at least 65% of the aggregate principal amount of the 7.25% senior notes remains outstanding afterwards. In addition, at any time prior to December 15, 2015, we may redeem some or all of the 7.25% senior notes by paying the principal amount of the notes being redeemed plus a make-whole premium, plus accrued and unpaid interest to, but excluding, the redemption date.

If a change of control occurs, subject to specified conditions, we must give holders of the 7.25% senior notes an opportunity to sell their notes to us at a purchase price of 101% of the principal amount of the notes, plus accrued and unpaid interest to, but excluding, the date of the purchase.

If we, or our subsidiaries, engage in asset sales, we, or they, generally must either invest the net cash proceeds from such sales in our or their businesses within a specified period of time, prepay certain indebtedness or make an offer to purchase a principal amount of the 7.25% senior notes equal to the excess net cash proceeds, subject to certain exceptions. The purchase price of the notes would be 100% of their principal amount, plus accrued and unpaid interest.

The 7.25% Indenture provides that we and our subsidiaries must comply with various customary covenants. These covenants limit our ability, and the ability of our subsidiaries, to, among other things, incur additional debt; pay dividends on capital stock or redeem, repurchase or retire capital stock or



---

**Table of Contents**

**ALERE INC. AND SUBSIDIARIES**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

**(8) Long-term Debt (Continued)**

subordinated debt; make certain investments; create liens on assets; transfer or sell assets; engage in transactions with affiliates; create restrictions on the ability of subsidiaries to pay dividends or make loans, asset transfers or other payments to us and our subsidiaries; issue capital stock of subsidiaries; engage in any business, other than our or their existing businesses and related businesses; enter into sale and leaseback transactions; incur layered indebtedness; and consolidate or merge with any person (other than certain affiliates) or transfer all or substantially all of our assets or the aggregate assets of us and our subsidiaries. These covenants are subject to certain important exceptions and qualifications, which are set forth in the 7.25% Indenture. At any time the 7.25% senior notes are rated investment grade, certain covenants will be suspended with respect to them.

The 7.25% Indenture contains customary events of default entitling the trustee or the holders of the 7.25% senior notes to declare all amounts owed pursuant to the 7.25% senior notes immediately payable if any such event of default occurs.

The 7.25% senior notes are our senior unsecured obligations and are equal in right of payment to all of our existing and future senior debt, including our borrowings under our secured credit facility. Our obligations under the 7.25% senior notes and the 7.25% Indenture are fully and unconditionally guaranteed, jointly and severally, on an unsecured senior basis by certain of our domestic subsidiaries, and the obligations of such domestic subsidiaries under their guarantees are equal in right of payment to all of their existing and future senior debt. See Note 26 for guarantor financial information.

As of December 31, 2014, accrued interest related to the 7.25% senior notes amounted to \$1.4 million.

*(c) 7.875% Senior Notes*

During the third quarter of 2009, we sold a total of \$250.0 million aggregate principal amount of 7.875% senior notes due 2016, or the 7.875% senior notes, in two separate transactions on August 11, 2009 and September 28, 2009. The 7.875% senior notes were issued under a supplemental indenture dated as of August 11, 2009, as amended or supplemented, or the 7.875% Indenture. The 7.875% senior notes accrued interest from the dates of their respective issuances at the rate of 7.875% per annum. Interest on the notes was payable semi-annually on February 1 and August 1, commencing on February 1, 2010. The terms of the notes provided that they matured on February 1, 2016, unless earlier redeemed.

In December 2012, we used \$267.4 million of the net proceeds of our sale of the 7.25% senior notes to purchase \$248.2 million outstanding principal amount of the 7.875% senior notes. The purchased 7.875% senior notes represented 99.3% of the total then-outstanding principal amount of the 7.875% senior notes. In February 2013, we redeemed the remaining \$1.8 million outstanding principal amount of the 7.875% senior notes pursuant to our optional redemption right under the 7.875% Indenture, and we subsequently terminated the 7.875% Indenture.

*(d) 6.5% Senior Subordinated Notes*

In May 2013, we sold a total of \$425.0 million aggregate principal amount of 6.5% senior subordinated notes due 2020, or the 6.5% senior subordinated notes, in a private placement to initial purchasers, who agreed to resell the notes only to qualified institutional buyers and to persons outside the United States. We sold the 6.5% senior subordinated notes at an initial offering price of 100%. Net

---

**Table of Contents****ALERE INC. AND SUBSIDIARIES****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)****(8) Long-term Debt (Continued)**

proceeds from this offering amounted to \$417.7 million, which were net of the underwriters' commissions and offering expenses totaling approximately \$7.3 million. These notes were subsequently exchanged for new notes having substantially the same terms in an exchange offer registered under the Securities Act. In May 2013, we used \$200.6 million of the net proceeds of our sale of the 6.5% senior subordinated notes to purchase \$190.6 million outstanding principal amount of our 9% senior subordinated notes pursuant to our tender offer for these notes. In June 2013, we redeemed the remaining \$209.4 million outstanding principal amount of the 9% senior subordinated notes pursuant to our optional redemption right under the indenture for those notes, and we subsequently terminated that indenture.

The 6.5% senior subordinated notes were issued under a supplemental indenture dated as of May 24, 2013, or the 6.5% Indenture. The 6.5% senior subordinated notes accrue interest at the rate of 6.5% per annum. Interest on the 6.5% senior subordinated notes is payable semi-annually on June 15 and December 15, beginning on December 15, 2013. The 6.5% senior subordinated notes mature on June 15, 2020, unless earlier redeemed.

We may, at our option, redeem the 6.5% senior subordinated notes, in whole or part, at any time (which may be more than once) on or after June 15, 2016, by paying the principal amount of the notes being redeemed plus a declining premium, plus accrued and unpaid interest to (but excluding) the redemption date. The premium declines from 3.250% during the twelve months on and after June 15, 2016 to 1.625% during the twelve months on and after June 15, 2017 to zero on and after June 15, 2018. In addition, we may, at our option, at any time (which may be more than once) before May 24, 2015, redeem up to 10% of the aggregate principal amount of the 6.5% senior subordinated notes in each of the two twelve-month periods preceding May 24, 2015 at a redemption price of 103% of the principal amount thereof plus accrued and unpaid interest to (but excluding) the redemption date. In addition, at any time (which may be more than once) prior to June 15, 2016, we may, at our option, redeem up to 35% of the aggregate principal amount of the 6.5% senior subordinated notes with money that we raise in certain equity offerings, so long as (i) we pay 106.5% of the principal amount of the notes being redeemed, plus accrued and unpaid interest to (but excluding) the redemption date; (ii) we redeem the 6.5% senior subordinated notes within 90 days of completing such equity offering; and (iii) at least 65% of the aggregate principal amount of the 6.5% senior subordinated notes remains outstanding afterwards. In addition, at any time (which may be more than once) prior to June 15, 2016, we may, at our option, redeem some or all of the 6.5% senior subordinated notes by paying the principal amount of the 6.5% senior subordinated notes being redeemed plus a make-whole premium, plus accrued and unpaid interest to (but excluding) the redemption date.

If a change of control occurs, subject to specified conditions, we must give holders of the 6.5% senior subordinated notes an opportunity to sell their notes to us at a purchase price of 101% of the principal amount of the notes, plus accrued and unpaid interest to (but excluding) the date of the purchase.

If we or our subsidiaries engage in asset sales, we or they generally must either invest the net cash proceeds from such sales in our or their businesses within a specified period of time, repay senior indebtedness or make an offer to purchase a principal amount of the 6.5% senior subordinated notes (on a pro rata basis with respect to the 6.5% senior subordinated notes and our 8.625% senior subordinated notes) equal to the excess net cash proceeds, subject to certain exceptions. The purchase price of the 6.5% senior subordinated notes would be 100% of their principal amount, plus accrued and unpaid interest.

---

**Table of Contents**

**ALERE INC. AND SUBSIDIARIES**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

**(8) Long-term Debt (Continued)**

The 6.5% Indenture provides that we and our subsidiaries must comply with various customary covenants. These covenants limit our ability, and the ability of our subsidiaries, to, among other things, incur additional debt; pay dividends on capital stock or redeem, repurchase or retire capital stock or subordinated debt; make certain investments; create liens on assets; transfer or sell assets; engage in transactions with affiliates; create restrictions on the ability of subsidiaries to pay dividends or make loans, asset transfers or other payments to us and our subsidiaries; issue capital stock of subsidiaries; engage in any business, other than our or their existing businesses and related businesses; enter into sale and leaseback transactions; incur layered indebtedness; and consolidate or merge with any person (other than certain affiliates) or transfer all or substantially all of our assets or the aggregate assets of us and our subsidiaries. These covenants are subject to certain important exceptions and qualifications, which are set forth in the 6.5% Indenture. At any time the 6.5% senior subordinated notes are rated investment grade, certain covenants will be suspended with respect to them.

The 6.5% Indenture contains customary events of default entitling the trustee or the holders of the 6.5% senior subordinated notes to declare all amounts owed pursuant to the 6.5% senior subordinated notes immediately payable if any such event of default occurs.

The 6.5% senior subordinated notes are our senior subordinated unsecured obligations, are subordinated in right of payment to all of our existing and future senior debt, including our borrowings under our secured credit facility and our 7.25% senior notes, and are equal in right of payment with our 8.625% senior subordinated notes and our 3% convertible senior subordinated notes. Our obligations under the 6.5% senior subordinated notes and the 6.5% Indenture are fully and unconditionally guaranteed, jointly and severally, on a senior subordinated unsecured basis by certain of our domestic subsidiaries, and the obligations of such domestic subsidiaries under their guarantees are subordinated in right of payment to all of their existing and future senior debt. See Note 26 for guarantor financial information.

As of December 31, 2014, accrued interest related to the 6.5% senior subordinated notes amounted to \$1.3 million.

*(e) 8.625% Senior Subordinated Notes*

In September 2010, we sold \$400.0 million aggregate principal amount of 8.625% senior subordinated notes due 2018, or the 8.625% senior subordinated notes. These notes were subsequently exchanged for new notes having substantially the same terms in an exchange offer registered under the Securities Act.

The 8.625% senior subordinated notes were issued under a supplemental indenture dated as of September 21, 2010, as amended or supplemented, or the 8.625% Indenture. The 8.625% senior subordinated notes accrue interest at the rate of 8.625% per annum. Interest on the 8.625% notes is payable semi-annually on April 1 and October 1, beginning on April 1, 2011. The 8.625% subordinated notes mature on October 1, 2018, unless earlier redeemed.

We may redeem the 8.625% senior subordinated notes, in whole or part, at any time (which may be more than once) on or after October 1, 2014, by paying the principal amount of the notes being redeemed plus a declining premium, plus accrued and unpaid interest to, but excluding, the redemption date. The premium declines from 4.313% during the twelve months on and after October 1, 2014 to 2.156% during the twelve months on and after October 1, 2015 to zero on and after October 1, 2016.

---

**Table of Contents**

**ALERE INC. AND SUBSIDIARIES**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

**(8) Long-term Debt (Continued)**

If a change of control occurs, subject to specified conditions, we must give holders of the 8.625% senior subordinated notes an opportunity to sell their notes to us at a purchase price of 101% of the principal amount of the notes, plus accrued and unpaid interest to, but excluding, the date of the purchase.

If we, or our subsidiaries, engage in asset sales, we, or they, generally must either invest the net cash proceeds from such sales in our or their businesses within a specified period of time, prepay senior debt or make an offer to purchase a principal amount of the 8.625% senior subordinated notes (on a pro rata basis with respect to the 8.625% senior subordinated notes and the 6.5% senior subordinated notes) equal to the excess net cash proceeds, subject to certain exceptions. The purchase price of the senior subordinated notes would be 100% of their principal amount, plus accrued and unpaid interest.

The 8.625% Indenture provides that we and our subsidiaries must comply with various customary covenants. These covenants limit our ability, and the ability of our subsidiaries, to, among other things, incur additional debt; pay dividends on capital stock or redeem, repurchase or retire capital stock or subordinated debt; make certain investments; create liens on assets; transfer or sell assets; engage in transactions with affiliates; create restrictions on the ability of subsidiaries to pay dividends or make loans, asset transfers or other payments to us or our subsidiaries; issue capital stock of subsidiaries; engage in any business, other than our or their existing businesses and related businesses; enter into sale and leaseback transactions; incur layered indebtedness; and consolidate or merge or transfer all or substantially all of our assets or the aggregate assets of us and our subsidiaries. These covenants are subject to certain important exceptions and qualifications, which are set forth in the 8.625% Indenture. At any time the 8.625% senior subordinated notes are rated investment grade, certain covenants will be suspended with respect to them.

The 8.625% Indenture contains customary events of default entitling the trustee or the holders of the 8.625% senior subordinated notes to declare all amounts owed pursuant the 8.625% senior subordinated notes immediately payable if any such event of default occurs.

The 8.625% senior subordinated notes are our senior subordinated unsecured obligations, are subordinated in right of payment to all of our existing and future senior debt, including our borrowings under our secured credit facility and our 7.25% senior notes, and equal in right of payment with our 6.5% senior subordinated notes and our 3% convertible senior subordinated notes. Our obligations under the 8.625% senior subordinated notes and the 8.625% Indenture are fully and unconditionally guaranteed, jointly and severally, on a senior subordinated unsecured basis by certain of our domestic subsidiaries, and the obligations of such domestic subsidiaries under their guarantees are subordinated in right of payment to all of their existing and future senior debt. See Note 26 for guarantor financial information.

As of December 31, 2014, accrued interest related to the 8.625% senior subordinated notes amounted to \$8.6 million.

*(f) 9% Senior Subordinated Notes*

On May 12, 2009, we sold \$400.0 million aggregate principal amount of 9% senior subordinated notes due 2016, or the 9% senior subordinated notes. The 9% senior subordinated notes were issued under a supplemental indenture dated as of May 12, 2009, as amended or supplemented, or the 9% Indenture. The 9% senior subordinated notes accrued interest from the date of their issuance at the

---

**Table of Contents**

**ALERE INC. AND SUBSIDIARIES**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

**(8) Long-term Debt (Continued)**

rate of 9% per annum. Interest on the 9% senior subordinated notes was payable semi-annually on May 15 and November 15, commencing on November 15, 2009. The terms of the 9% senior subordinated notes provided that they matured on May 15, 2016, unless earlier redeemed.

On May 24, 2013, we used \$200.6 million of the net proceeds of our sale of the 6.5% senior subordinated notes to purchase \$190.6 million outstanding principal amount of our 9% senior subordinated notes pursuant to our tender offer for these notes. The purchased 9% senior subordinated notes represented approximately 47.7% of the total then-outstanding principal amount of the 9% senior subordinated notes. On June 24, 2013, we redeemed the remaining \$209.4 million outstanding principal amount of the 9% senior subordinated notes pursuant to our optional redemption right under the 9% Indenture, and we subsequently terminated the 9% Indenture.

*(g) 3% Convertible Senior Subordinated Notes*

On May 14, 2007, we sold \$150.0 million principal amount of 3% convertible senior subordinated notes due 2016, or the 3% convertible senior subordinated notes. The 3% convertible senior subordinated notes are convertible into approximately 3.4 million shares of our common stock at a conversion price of \$43.98. Interest accrues at 3% per annum, compounded daily, on the outstanding principal amount of the 3% convertible senior subordinated notes and is payable in arrears on May 15th and November 15th of each year, beginning on November 15, 2007.

We may not redeem the 3% convertible senior subordinated notes prior to their stated maturity. In the event of certain fundamental changes (as defined in the indenture governing the 3% convertible senior subordinated notes) or a termination of trading of our common stock (as described in such indenture), we may be required to repurchase the 3% convertible senior subordinated notes for cash at a price equal to 100% of the unconverted principal amount thereof plus any accrued but unpaid interest. The 3% convertible senior subordinated notes are unsecured and are subordinated in right of payment to all of our existing and future senior debt, including borrowings under our secured credit facility and our senior notes, and equal in right of payment to our senior subordinated notes. The indenture governing the 3% convertible senior subordinated notes contains customary events of default entitling the trustee or the holders thereof to declare all amounts owed pursuant to the 3% convertible senior subordinated notes immediately payable if any such event of default occurs.

As of December 31, 2014, accrued interest related to the 3% convertible senior subordinated notes amounted to \$0.6 million.

*(h) Lines of Credit*

Some of our subsidiaries maintain local lines of credit for short-term advances. Total available credit under the local lines of credit as of December 31, 2014 is approximately \$267.8 million, of which \$127.7 million was borrowed and outstanding as of that date.

*(i) Other Debt*

Included in other debt as of December 31, 2014 are borrowings by certain of our subsidiaries from various financial institutions. The borrowed funds are primarily used to fund capital expenditures and working capital requirements. Interest expense on these borrowings was \$3.3 million for 2014.

**Table of Contents****ALERE INC. AND SUBSIDIARIES****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)****(8) Long-term Debt (Continued)***(j) Maturities of Long-Term Debt*

The following is a summary of the maturities of long-term debt, including the current portions thereof, outstanding on December 31, 2014 (in thousands):

2015	\$ 88,875
2016	1,038,257
2017	1,305,272
2018	850,822
2019	790
Thereafter	427,371
	3,711,387
Less: Original issue discounts	(1,127)
	\$ 3,710,260

**(9) 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.

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.

*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.

*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.

**Table of Contents****ALERE INC. AND SUBSIDIARIES****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)****(9) Fair Value Measurements (Continued)**

The following tables present information about our assets and liabilities that are measured at fair value on a recurring basis as of December 31, 2014 and 2013, and indicates the fair value hierarchy of the valuation techniques we utilized to determine such fair value (in thousands):

Description	December 31, 2014	Quoted Prices in Active Markets (Level 1)	Significant Other Observable Inputs (Level 2)	Unobservable Inputs (Level 3)
<b>Assets:</b>				
Marketable securities	\$ 259	\$ 259	\$	\$
<b>Total assets</b>	<b>\$ 259</b>	<b>\$ 259</b>	<b>\$</b>	<b>\$</b>
<b>Liabilities:</b>				
Contingent consideration obligations(1)	\$ 139,671	\$	\$	\$ 139,671
<b>Total liabilities</b>	<b>\$ 139,671</b>	<b>\$</b>	<b>\$</b>	<b>\$ 139,671</b>

Description	December 31, 2013	Quoted Prices in Active Markets (Level 1)	Significant Other Observable Inputs (Level 2)	Unobservable Inputs (Level 3)
<b>Assets:</b>				
Marketable securities	\$ 858	\$ 858	\$	\$
<b>Total assets</b>	<b>\$ 858</b>	<b>\$ 858</b>	<b>\$</b>	<b>\$</b>
<b>Liabilities:</b>				
Contingent consideration obligations(1)	\$ 218,569	\$	\$	\$ 218,569
<b>Total liabilities</b>	<b>\$ 218,569</b>	<b>\$</b>	<b>\$</b>	<b>\$ 218,569</b>

- (1) 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. Significant increases or decreases in any of these inputs could result in a significantly higher or lower fair value measurement. Changes in the fair value of these contingent consideration obligations are recorded as income or expense within operating income in our consolidated statements of operations. See Note 12 for additional information on the valuation of our contingent consideration obligations.

Changes in the fair value of our Level 3 contingent consideration obligations during the year ended December 31, 2014 were as follows (in thousands):

## Edgar Filing: ALERE INC. - Form 10-K/A

Fair value of contingent consideration obligations, December 31, 2013	\$ 218,569
Payments	(60,019)
Present value accretion and adjustments (Restated)	7,677
Reversal of Method Factory Inc., now known as ACS obligation(1)	(26,321)
Foreign currency adjustments	(235)
Fair value of contingent consideration obligations, December 31, 2014 (Restated)	\$ 139,671

- (1) ACS was divested in October 2014 and, in connection with this transaction, the contingent consideration obligation was terminated. See Note 12.

F-51



**Table of Contents****ALERE INC. AND SUBSIDIARIES****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)****(9) Fair Value Measurements (Continued)**

At December 31, 2014 and 2013, 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 estimated fair value of our long-term debt were both \$3.7 billion at December 31, 2014. The carrying amount and estimated fair value of our long-term debt were \$3.8 billion and \$3.9 billion, respectively, at December 31, 2013. The estimated fair value of our long-term debt was determined using information derived from available market sources (Level 2 in the fair value hierarchy) and may not be representative of actual values that could have been or will be realized in the future.

**(10) Capital Leases**

The following is a schedule of the future minimum lease payments under capital leases, together with the present value of such payments as of December 31, 2014 (in thousands):

2015	\$ 4,241
2016	4,150
2017	2,891
2018	1,546
2019	922
Thereafter	1,051
<b>Total future minimum lease payments</b>	<b>14,801</b>
Less: Imputed interest	
<b>Present value of future minimum lease payments</b>	<b>14,801</b>
Less: Current portion	(4,241)
	<b>\$ 10,560</b>

At December 31, 2014, the capitalized amounts of the building, machinery and equipment and computer equipment under capital leases were as follows (in thousands):

Machinery, laboratory equipment and tooling	\$ 31,105
Computer equipment	4,065
Furniture and fixtures	738
Vehicles	144
Leasehold improvements	
	36,052
Less: Accumulated amortization	(11,823)
	<b>\$ 24,229</b>

Edgar Filing: ALERE INC. - Form 10-K/A

The amortization expense of assets recorded under capital leases is included in depreciation and amortization expense of property, plant and equipment.

F-52

**Table of Contents****ALERE INC. AND SUBSIDIARIES****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)****(11) Postretirement Benefit Plans***(a) Employee Savings Plans*

Our company and several of our U.S.-based subsidiaries sponsor various 401(k) savings plans, to which eligible domestic employees may voluntarily contribute a portion of their income, subject to statutory limitations. In addition to the participants' own contributions to these 401(k) savings plans, we match such contributions up to a designated level. Total matching contributions related to employee savings plans were \$9.2 million, \$9.4 million and \$8.8 million in 2014, 2013 and 2012, respectively.

*(b) U.K. Pension Plans*

Our subsidiary in England, Unipath Ltd., or Unipath, has a defined benefit pension plan established for certain of its employees.

Changes in benefit obligations, plan assets, funded status and amounts recognized on the accompanying balance sheet as of and for the years ended December 31, 2014 and 2013, for our Defined Benefit Plan were as follows (in thousands):

	2014	2013
<b>Change in projected benefit obligation</b>		
Benefit obligation at beginning of year	\$ 21,572	\$ 18,340
Interest cost	938	754
Actuarial loss	1,830	2,202
Benefits paid	(300)	(232)
Foreign exchange impact	(1,480)	508
Benefit obligation at end of year	\$ 22,560	\$ 21,572
<b>Change in plan assets</b>		
Fair value of plan assets at beginning of year	\$ 17,226	\$ 14,043
Actual return on plan assets	1,429	2,084
Employer contribution	953	904
Benefits paid	(300)	(232)
Foreign exchange impact	(1,188)	427
Fair value of plan assets at end of year	\$ 18,120	\$ 17,226
<b>Funded status</b>	\$ (4,440)	\$ (4,346)
<b>Accumulated benefit obligation</b>	\$ 22,560	\$ 21,572

The net amounts recognized in the accompanying consolidated balance sheets are shown in long-term liabilities and were \$4.4 million and \$4.3 million, respectively, for years ended December 31, 2014 and 2013.

The following represents the amounts recognized in other comprehensive income (loss) for the year ended December 31, 2014 (in thousands):

Amortization of net loss	(267)
--------------------------	-------

Edgar Filing: ALERE INC. - Form 10-K/A

Amortization of prior service cost	(438)
New actuarial loss	(1,423)
Foreign exchange impact	2,230
<b>Total</b>	<b>\$ 102</b>

F-53

**Table of Contents****ALERE INC. AND SUBSIDIARIES****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)****(11) Postretirement Benefit Plans (Continued)**

The amortization of prior service cost is expected to be approximately \$0.4 million in 2015.

Amounts recognized in accumulated other comprehensive loss for the years ending December 31, 2014 and 2013 are as follows:

	2014	2013
Net actuarial loss	\$ 5,635	\$ 4,846
Prior service cost	3,718	4,404
<b>Net amount recognized</b>	<b>\$ 9,353</b>	<b>\$ 9,250</b>

The measurement dates used to determine plan assets and benefit obligations for the Defined Benefit Plan were December 31, 2014 and 2013.

The following table provides the weighted-average actuarial assumptions:

	2014	2013
<b>Assumptions used to determine benefit obligations(1):</b>		
Discount rate	3.55%	4.40%
Rate of compensation increase	3.85%	4.15%
<b>Assumptions used to determine net periodic benefit cost(2):</b>		
Discount rate	4.40%	4.30%
Expected long-term return on plan assets	5.95%	5.15%
Rate of compensation increase	4.15%	3.65%

(1) The actuarial assumptions used to compute the unfunded status for the plan are based upon information available as of December 31, 2014 and 2013.

(2) The actuarial assumptions used to compute the net periodic pension benefit cost are based upon the information available as of the beginning of the presented year.

The actuarial assumptions are reviewed on an annual basis. The overall expected long-term rate of return on plan assets assumption was determined based on historical investment return rates on portfolios with a high proportion of equity securities, and was calculated using a weighted-average of the expected returns for each asset class held by the Plan. The long-term expected return on assets is net of investment expenses.

The annual net periodic benefit costs of the Defined Benefit Plan are as follows (in thousands):

	2014	2013	2012
Service cost	\$	\$	\$

Edgar Filing: ALERE INC. - Form 10-K/A

Interest cost	938	754	742
Expected return on plan assets	(1,022)	(713)	(636)
Amortization of net loss	267	199	114
Amortization of prior service cost	438	416	422
Curtailement loss (gain)			
Net periodic benefit cost	\$ 621	\$ 656	\$ 642

F-54

**Table of Contents****ALERE INC. AND SUBSIDIARIES****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)****(11) Postretirement Benefit Plans (Continued)**

The plan assets of the Defined Benefit Plan comprise a mix of stocks and fixed income securities and other investments. At December 31, 2014, these stocks and fixed income securities represented 72% and 28%, respectively, of the market value of the pension assets. We expect to contribute approximately £0.6 million (or \$0.9 million at December 31, 2014) to the Defined Benefit Plan in 2015. We expect that the benefits to be paid to plan participants will range between approximately \$0.3 million and \$0.5 million per year for each of the next five years and that benefits totaling \$0.5 million will be paid annually for the five years thereafter.

Our overall investment strategy is to ensure the investments are spread across a range of investments varying by both investment class and geographical location which is achieved by investing largely in equity and fixed income funds. Spreading the investments in this manner reduces the risk of a decline in a particular market having a substantial impact on the whole fund. The target allocation for the plan assets is a 70% holding in equities (both in the U.K. and overseas), with the remaining assets invested in investment grade corporate bonds.

The fair values of our pension plan assets at December 31, 2014 and 2013 by asset category are presented in the following table (Level 2 in the fair value hierarchy).

Asset Category	Plan Assets at December 31,	
	2014	2013
Equity securities:		
U.K. equities	\$ 6,136	\$ 6,000
Overseas equities	3,105	2,995
U.S. equities	3,631	3,003
Debt securities corporate bonds	5,048	4,402
Other cash	200	826
<b>Total plan assets</b>	<b>\$ 18,120</b>	<b>\$ 17,226</b>

The table above presents the fair value of our plan's assets in accordance with the fair value hierarchy. The pension plan assets are measured using net asset value per share (or its equivalent) and are reported as a Level 2 investment above due to our ability to redeem the investment either at the balance sheet date or within limited time restrictions.

Unipath contributed \$0.4 million in 2014, \$0.3 million in 2013 and \$0.4 million in 2012 to the Defined Contribution Plan, which was recognized as an expense in the accompanying consolidated statement of operations.

**Table of Contents****ALERE INC. AND SUBSIDIARIES****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)****(12) Commitments and Contingencies***(a) Operating Leases*

We have operating lease commitments for certain of our facilities and equipment that expire on various dates through 2019. The following schedule outlines future minimum annual rental payments under these leases at December 31, 2014 (in thousands):

2015	\$ 37,565
2016	31,397
2017	25,389
2018	19,387
2019	15,125
Thereafter	27,135
	<b>\$ 155,998</b>

Rent expense relating to operating leases was approximately \$48.4 million, \$46.0 million and \$41.7 million during 2014, 2013 and 2012, respectively. The year-over-year increases in rent expense were the result of new leases entered into during the years.

*(b) Acquisition-related Contingent Consideration Obligations*

We have contractual contingent purchase price consideration obligations related to certain of our acquisitions. We determine the acquisition date fair value of the contingent consideration obligations based on a probability-weighted approach derived from the overall likelihood of achieving certain performance targets, including product development milestones or financial metrics. The fair value measurement is based on significant inputs not observable in the market and thus represents a Level 3 measurement, as defined in fair value measurement accounting. The resultant probability-weighted earn-out payments are discounted using a discount rate based upon the weighted-average cost of capital. At each reporting date, we revalue the contingent consideration obligations to the reporting date fair values and record increases and decreases in the fair values as income or expense in our consolidated statements of operations.

Increases or decreases in the fair values of the contingent consideration obligations may result from changes in discount periods and rates, changes in the timing and amount of earn-out criteria and changes in probability assumptions with respect to the likelihood of achieving the various earn-out criteria.



**Table of Contents****ALERE INC. AND SUBSIDIARIES****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)****(12) Commitments and Contingencies (Continued)**

The following table summarizes our contractual contingent purchase price consideration obligations related to certain of our acquisitions, as follows (in thousands):

Acquisition	Acquisition Date	Acquisition Date Fair Value	Maximum Remaining Earn-out Potential as of December 31, 2014	Remaining Earn-out Period as of December 31, 2014	Estimated Fair Value as of December 31, 2014	Estimated Fair Value as of December 31, 2013	Payments Made During 2014
TwistDx, Inc.(1)	March 11, 2010	\$ 35,600	\$ 108,624	2015-2025 <sup>(10)</sup>	\$ 41,100	\$ 45,502	\$ 15,403
Ionian Technologies, Inc.(2)	July 12, 2010	\$ 24,500	\$ 50,000	2015	24,500	29,000	7,500
Laboratory Data Systems, Inc.(3)	August 29, 2011	\$ 13,000	\$			7,400	7,500
Forensics Limited (ROAR)(4)	September 22, 2011	\$ 5,463	\$			2,484	3,398
ACS(5)	December 9, 2011	\$ 18,900	\$ (11)			26,900	579
MedApps(6)	July 2, 2012	\$ 13,100	\$			12,800	11,600
Amedica Biotech, Inc.(7)	July 3, 2012	\$ 8,900	\$			7,500	8,055
DiagnosisOne, Inc.(8)	July 31, 2012	\$ 22,300	\$ 30,000	2015-2017	21,000	26,600	3,000
Epocal(9)	February 1, 2013	\$ 75,000	\$ 65,500	2015-2018	47,200	47,200	
Other	Various	\$ 43,854	\$ 1,600	2015-2016	5,871	13,183	2,984
					\$ 139,671	\$ 218,569	\$ 60,019

- (1) The terms of the acquisition agreement require us to pay an earn-out upon successfully meeting certain revenue and product development targets through 2025.
- (2) 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.
- (3) The terms of the acquisition agreement required us to pay an earn-out upon successfully meeting certain revenue and operating income targets during each of the twelve-month periods ending June 30, 2012 and 2013.
- (4) The terms of the acquisition agreement required us to pay an earn-out upon successfully meeting certain EBITDA targets during 2012 through 2014.
- (5) The terms of the acquisition agreement required us to pay an earn-out upon successfully meeting certain operational and profit targets during 2012 through 2019. See also (11).
- (6) The terms of the acquisition agreement required us to make earn-out payments upon achievement of certain technological and product development milestones through December 31, 2014.
- (7) The terms of the acquisition agreement required us to make earn-out payments upon successfully meeting certain financial targets during each of the calendar years 2012 and 2013.
- (8) The terms of the acquisition agreement require us to pay earn-outs upon successfully meeting certain financial targets within five years of the acquisition date.
- (9) The terms of the acquisition agreement require us to pay earn-outs and management incentive payments upon successfully meeting certain product development and United States Food and Drug Administration regulatory approval milestones from the date of acquisition through December 31, 2018.
- (10) The maximum earn-out period ends on the fifteenth anniversary of the acquisition date.
- (11) The earn-out was comprised of three components, of which two components had an aggregate maximum remaining earn-out potential of \$49.4 million. There was no dollar cap on the third earn-out component, however, the earn-out potential was limited to the remaining earn-out period. ACS was divested in October 2014 and these earn-outs were terminated in connection with the divestiture transaction. See

Note 3.

F-57

---

**Table of Contents**

**ALERE INC. AND SUBSIDIARIES**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

**(12) Commitments and Contingencies (Continued)**

*(c) Legal Proceedings*

*Matters Relating to our San Diego Facility*

On October 9, 2012, we received a warning letter from the FDA referencing inspectional observations set forth in an FDA Form 483 received in June, 2012. The observations were the result of an inspection of our San Diego facility conducted earlier during 2012 relating to our Alere Triage products, which resulted in two recalls of certain Alere Triage products and revised release specifications for our Alere Triage meter-based products. We have submitted evidence of our completion of most of the actions we committed to in response to the FDA Form 483 and warning letter. In September 2014, as follow up to a further inspection of our San Diego facility, the FDA notified us that this most recent inspection was classified voluntary action indicated, meaning that the objectionable conditions or practices found in the inspection do not meet the threshold of significance requiring regulatory action, but that formal close-out of the October 2012 warning letter could not occur until after a future inspection.

In May 2012, we also received a subpoena from the Office of Inspector General of the Department of Health and Human Services, or the OIG, seeking documents relating primarily to the quality control testing and performance characteristics of Alere Triage products. We are cooperating with the OIG and have provided documents in response to the OIG under the subpoena.

We are unable to predict when these matters will be resolved or what further action, if any, the government will take in connection with them.

*Matters Related to Theft of Laptop*

In September 2012, a password-protected laptop containing personally identifiable information of approximately 116,000 patients was stolen from an employee of Alere Home Monitoring, or AHM. On January 24, 2013, a class action complaint was filed in the U.S. District Court for the Northern District of California against AHM, asserting claims for damages and other relief under California state law, including under California's Confidentiality of Medical Information Act, or CMIA, arising out of this theft. On October 7, 2014, the class action was dismissed with leave to amend the complaint. On October 28, 2014, an amended complaint was filed, and on November 17, 2014 AHM responded by filing another motion to dismiss. On February 23, 2015, AHM's motion to dismiss was granted in part, but denied as to the plaintiffs' amended CMIA claims.

*Claims in the Ordinary Course and Other Matters*

We are not a party to any other pending legal proceedings that we currently believe could have a material adverse impact on our business. However, on December 10, 2014, we and our subsidiary, Avey Laboratories Inc., or Avey, received subpoenas from the United States Attorney for the District of New Jersey seeking marketing materials and other documents relating primarily to billing and marketing practices related to toxicology testing. We are cooperating with the investigation and have begun to provide documents responsive to the subpoenas. Our subsidiary, Arriva Medical, LLC, or Arriva, is also in the process of responding to a Civil Investigative Demand, or CID, from the United States Attorney for the Middle District of Tennessee in connection with an investigation of possible improper claims submitted to Medicare and Medicaid. The CID requests patient and billing records. Both investigations are in preliminary stages, and we cannot predict what effect, if any, the investigations, or any resulting claims, could have on Alere or its subsidiaries.

**Table of Contents****ALERE INC. AND SUBSIDIARIES****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)****(12) Commitments and Contingencies (Continued)**

Our diabetes, toxicology and patient self-testing business areas are subject to audit and claims for reimbursement brought in the ordinary course by Zone Program Integrity Contractors, or ZPICs, and Medicare Administrative Contractors, or MACs, to monitor compliance with coverage and reimbursement rules and guidelines under Medicare and Medicaid. These types of audits often lead to determinations that certain claims should not have been paid by Medicare or Medicaid and the programs will seek to recoup or offset amounts they assert have been paid in error.

Our businesses may also be subject at any time to other commercial disputes, consumer product claims, negligence claims or various other lawsuits arising in the ordinary course of business, including infringement, employment or investor matters, and we expect that this will continue to be the case in the future. Such lawsuits or claims generally seek damages or reimbursement, sometimes in substantial amounts.

**(13) Net Loss Per Common Share**

The following tables set forth the computation of basic and diluted net loss per common share (in thousands, except per share amounts):

	2014 (Restated)	2013	2012
<b>Basic and diluted net loss per common share:</b>			
<b>Numerator:</b>			
Loss from continuing operations	\$ (176,028)	\$ (55,607)	\$ (45,091)
Preferred stock dividends	(21,293)	(21,293)	(21,293)
Loss from continuing operations attributable to common shares	(197,321)	(76,900)	(66,384)
Less: Net income attributable to non-controlling interest	30	976	275
Loss from continuing operations attributable to Alere Inc. and Subsidiaries	(197,351)	(77,876)	(66,659)
Income (loss) from discontinued operations	138,318	(16,126)	(33,126)
Net loss available to common stockholders	\$ (59,033)	\$ (94,002)	\$ (99,785)
<b>Denominator:</b>			
Weighted-average common shares outstanding basic and diluted	82,938	81,542	80,587
Basic and diluted net loss per common share:			
Loss from continuing operations attributable to Alere Inc. and Subsidiaries	\$ (2.38)	\$ (0.95)	\$ (0.83)
Income (loss) from discontinued operations	1.67	(0.20)	(0.41)
Basic and diluted net loss per common share attributable to Alere Inc. and Subsidiaries	\$ (0.71)	\$ (1.15)	\$ (1.24)

**Table of Contents****ALERE INC. AND SUBSIDIARIES****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)****(13) Net Loss Per Common Share (Continued)**

The following potential dilutive securities were not included in the calculation of diluted net loss per common share for our continuing operations because the inclusion thereof would be antidilutive (in thousands):

	2014	2013	2012
<b>Denominator:</b>			
Options to purchase shares of common stock	7,140	10,879	10,234
Warrants	4	4	4
Conversion shares related to 3% convertible senior subordinated notes	3,411	3,411	3,411
Conversion shares related to subordinated convertible promissory notes	27	27	27
Conversion shares related to Series B convertible preferred stock	10,239	10,239	10,239
Common stock equivalents related to the settlement of a contingent consideration obligation		451	
Total number of antidilutive potentially issuable shares of common stock excluded from diluted common shares outstanding	20,821	25,011	23,915

**(14) Stockholders' Equity***(a) Common Stock*

As of December 31, 2014, we had 200.0 million shares of common stock, \$0.001 par value, authorized, of which 7.7 million shares were held in treasury and 83.9 million shares were outstanding, 10.2 million shares were reserved for issuance upon grant and exercise of equity awards under current equity compensation plans, 2.1 million shares were reserved for issuance under our employee stock purchase plan and 4,000 shares were reserved for issuance upon exercise of outstanding warrants. We also had shares of common stock reserved for issuance upon conversion of the following securities outstanding on December 31, 2014: \$150.0 million in the aggregate principal amount of 3% convertible senior subordinated notes, convertible at \$43.98 per share into 3.4 million shares of our common stock; \$1.7 million of subordinated convertible promissory notes, convertible at \$61.49 per share into 27,647 shares of our common stock; and 1.8 million shares of our Series B convertible preferred stock, with an aggregate liquidation preference of approximately \$709.8 million, convertible under certain circumstances at \$69.32 per share into 10.2 million shares of our common stock.

*(b) Preferred Stock*

As of December 31, 2014, we had 5.0 million shares of preferred stock, \$0.001 par value, authorized, of which 2.3 million shares were designated as Series B Convertible Perpetual Preferred Stock, or Series B preferred stock. In connection with our acquisition of Matria, we issued shares of the Series B preferred stock and through June 30, 2011 paid all dividends on outstanding shares of Series B preferred stock in additional shares of Series B preferred stock. Subsequent to June 30, 2011 all dividends on outstanding shares of Series B preferred stock were paid in cash. At December 31, 2014, there were 1.8 million shares of Series B preferred stock outstanding with a fair value of approximately \$558.9 million.

Each share of Series B preferred stock, which has a liquidation preference of \$400.00 per share, is convertible, at the option of the holder and only upon certain circumstances, into 5.7703 shares of

---

**Table of Contents**

**ALERE INC. AND SUBSIDIARIES**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

**(14) Stockholders Equity (Continued)**

our common stock, plus cash in lieu of fractional shares. The initial conversion price is \$69.32 per share, subject to adjustment upon the occurrence of certain events, but will not be adjusted for accumulated and unpaid dividends. Upon a conversion of shares of the Series B preferred stock, we may, at our option, satisfy the entire conversion obligation in cash or through a combination of cash and common stock. Series B preferred stock outstanding at December 31, 2014 would convert into 10.2 million shares of our common stock, which are reserved. There were no conversions as of December 31, 2014.

Generally, the shares of Series B preferred stock are convertible, at the option of the holder, if during any calendar quarter beginning with the second calendar quarter after the issuance date of the Series B preferred stock, if the closing sale price of our common stock for each of 20 or more trading days within any period of 30 consecutive trading days ending on the last trading day of the immediately preceding calendar quarter exceeds 130% of the conversion price per share of common stock in effect on the last trading day of the immediately preceding calendar quarter. In addition, the shares of Series B preferred stock are convertible, at the option of the holder, in certain other circumstances, including those relating to the trading price of the Series B preferred stock and upon the occurrence of certain fundamental changes or major corporate transactions. We also have the right, under certain circumstances relating to the trading price of our common stock, to force conversion of the Series B preferred stock. Depending on the timing of any such forced conversion, we may have to make certain payments relating to foregone dividends, which payments we can make, at our option, in the form of cash, shares of our common stock, or a combination of cash and shares of our common stock.

Each share of Series B preferred stock accrues dividends at \$12.00, or 3%, per annum, payable quarterly on January 15, April 15, July 15 and October 15 of each year, commencing following the first full calendar quarter after the issuance date. Dividends on the Series B preferred stock are cumulative from the date of issuance. For the years ended December 31, 2014, 2013 and 2012, Series B preferred stock dividends amounted to \$21.3 million, \$21.3 million and \$21.3 million respectively, which reduced earnings available to common stockholders for purposes of calculating net loss per common share in each of 2014, 2013 and 2012 (Note 14). Accrued dividends are payable only if declared by our board of directors and, upon conversion by the Series B preferred stockholder, holders will not receive any cash payment representing accumulated dividends. If our board of directors declares a dividend payable, we have the right to pay the dividends in cash, shares of common stock, additional shares of Series B preferred stock or a similar convertible preferred stock or any combination thereof. The Series B preferred stock dividends for each of the years ended December 31, 2014 and 2013 were paid in cash.

The holders of Series B preferred stock have liquidation preferences over the holders of our common stock and other classes of stock, if any, outstanding at the time of liquidation. Upon liquidation, the holders of outstanding Series B preferred stock would receive an amount equal to \$400.00 per share of Series B preferred stock, plus any accumulated and unpaid dividends. As of December 31, 2014, the liquidation preference of the outstanding Series B preferred stock was \$709.8 million. The holders of the Series B preferred stock have no voting rights, except with respect to matters affecting the Series B preferred stock (including the creation of a senior preferred stock).

We evaluated the terms and provisions of our Series B preferred stock to determine if it qualified for derivative accounting treatment. Based on our evaluation, these securities do not qualify for derivative accounting.

**Table of Contents****ALERE INC. AND SUBSIDIARIES****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)****(14) Stockholders Equity (Continued)***(c) Share Repurchases*

During the first quarter of 2011, we repurchased in the open market and privately-negotiated transactions 183,000 shares of our Series B preferred stock, which were convertible into approximately 1.1 million shares of our common stock, at a cost of approximately \$49.4 million, which we paid in cash. The repurchase of the preferred stock at an average cost of \$269.84 per preferred share, an amount less than the weighted-average fair value of the preferred shares at issuance, resulted in the allocation of \$13.7 million of income attributable to common stockholders. Also during the first quarter of 2011, and pursuant to the same repurchase program, we repurchased 16,700 shares of our common stock at a cost of approximately \$0.6 million, which we paid in cash.

During the second quarter of 2011, we repurchased in the open market and privately-negotiated transactions, 174,788 shares of our Series B preferred stock, which were convertible into approximately 1.0 million shares of our common stock, at a cost of approximately \$49.7 million, which we paid in cash. The repurchase of the preferred stock at an average cost of \$284.28 per preferred share, an amount less than the weighted-average fair value of the preferred shares at issuance, resulted in the allocation of \$10.2 million of income attributable to common stockholders. Also during the second quarter of 2011, and pursuant to the same repurchase program, we repurchased 8,300 shares of our common stock at a cost of approximately \$0.3 million, which we paid in cash.

During the third quarter of 2011, we repurchased approximately 7.6 million shares of our common stock at a cost of approximately \$183.9 million, which we paid in cash.

*(d) Stock Options and Awards*

In 2010, we adopted the Alere Inc. 2010 Stock Option and Incentive Plan, or the 2010 Plan, which replaced our 2001 Stock Option and Incentive Plan, or the 2001 Plan. The 2010 Plan currently allows for the issuance of up to 9.2 million shares of common stock and other awards. The 2010 Plan is administered by the Compensation Committee of the Board of Directors, which selects the individuals eligible to receive awards, determines or modifies the terms and conditions of the awards granted, accelerates the vesting schedule of any award and generally administers and interprets the 2010 Plan. The 2010 Plan permits the granting of incentive and nonqualified stock options with terms of up to ten years and the granting of stock appreciation rights, restricted stock awards, restricted stock units, unrestricted stock awards, performance share awards and dividend equivalent rights. The 2010 Plan also generally provides for automatic vesting acceleration of all options, and automatic removal of conditions and restrictions on all restricted stock awards, restricted stock units and performance share awards upon a change in control, as defined by the 2010 Plan. As of December 31, 2014 and 2013, there were 2.8 million and 1.1 million shares, respectively, available for future grant under the 2010 Plan.

The following summarizes all stock option activity during the year ended December 31, 2014 (in thousands, except exercise price):

	Options	Weighted- average Exercise Price
Outstanding at January 1, 2014	11,441	\$ 37.66
Granted	1,287	\$ 36.84
Exercised	(1,512)	\$ 28.29
Canceled/expired/forfeited.	(3,852)	\$ 46.68
Outstanding at December 31, 2014	7,364	\$ 34.68
Exercisable at December 31, 2014	4,548	\$ 36.72





**Table of Contents****ALERE INC. AND SUBSIDIARIES****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)****(14) Stockholders' Equity (Continued)**

The aggregate intrinsic value of the options outstanding at December 31, 2014 was \$42.8 million. The aggregate intrinsic value of the options exercisable at December 31, 2014 was \$23.9 million. The aggregate intrinsic value of stock options exercised during 2014, 2013 and 2012 was \$14.9 million, \$4.5 million and \$1.3 million, respectively.

On December 30, 2012, we granted a restricted stock unit, or RSU, award to one of our executive employees in the amount of 110,000 units. The RSU award vests over a three-year period, however, if the executive's employment is involuntarily terminated, without cause, within three years, the RSU award will accelerate and fully vest. The RSU award will also accelerate and fully vest if the executive terminates his employment voluntarily after one year, other than in the presence of facts or circumstances which would constitute cause for termination by us. The fair value of the RSU award is \$18.37 per unit, calculated based on the closing market price of our common stock on the date of grant. The aggregate fair value of the RSU award is expensed on a straight-line basis over the recipient's service requirement completion period of one year. 10,000 of the units underlying the RSU award have vested as of December 31, 2014.

In addition, on August 31, 2014, October 31, 2014 and December 31, 2014, we granted 385,000, 50,000 and 4,000 RSUs, respectively, to various employees. The fair value of the RSU awards was \$35.45 on August 31, 2014, \$39.97 on October 31, 2014 and \$38.00 on December 31, 2014. Vesting is one-third per year for three years. All of these RSU awards were outstanding on December 31, 2014.

Based on equity awards outstanding as of December 31, 2014, there was \$47.4 million of unrecognized compensation costs related to unvested share-based compensation arrangements that are expected to vest. Such costs are expected to be recognized over a weighted-average period of 1.42 years.

*(e) Warrants*

The following is a summary of all warrant activity during the three years ended December 31, 2014:

	Number of Shares (in thousands)	Exercise Price	Weighted- average Exercise Price
Warrants outstanding and exercisable, December 31, 2011	162	\$ 13.54 - \$50.00	\$ 14.44
Exercised	(158)	\$ 13.54	\$ 13.54
Warrants outstanding and exercisable, December 31, 2012	4	\$ 50.00	\$ 50.00
Exercised			
Warrants outstanding and exercisable, December 31, 2013	4	\$ 50.00	\$ 50.00
Exercised			
Warrants outstanding and exercisable, December 31, 2014	4	\$ 50.00	\$ 50.00

**Table of Contents****ALERE INC. AND SUBSIDIARIES****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)****(14) Stockholders Equity (Continued)**

The following table presents additional information related to warrants outstanding and exercisable at December 31, 2014:

Exercise Price	Number of Shares (in thousands)	Outstanding and Exercisable Weighted- average Remaining Contract Life	Weighted- average Exercise Price
\$50.00	4	1.50	\$ 50.00

The warrants included in the table above were issued in connection with the acquisition of GeneCare. There were no warrants to purchase shares of our common stock outstanding that were issued to officers and directors of our company or entities controlled by these officers and directors at December 31, 2014. All outstanding warrants have been classified in equity.

*(f) Employee Stock Purchase Plan*

In 2001, we adopted the 2001 Employee Stock Purchase Plan, under which eligible employees are allowed to purchase shares of our common stock at a discount through periodic payroll deductions. Purchases may occur at the end of every six-month offering period at a purchase price equal to 85% of the market value of our common stock at either the beginning or end of the offering period, whichever is lower. We may issue up to 5.0 million shares of common stock under this plan. At December 31, 2014, 2.9 million shares had been issued under this plan.

**(15) Stock-based Compensation**

We recorded stock-based compensation expense in our consolidated statements of operations for the years ended December 31, 2014, 2013 and 2012, respectively, as follows (in thousands):

	2014	2013	2012
Cost of net revenue	\$ 1,180	\$ 1,126	\$ 1,063
Research and development	(41)	4,053	3,150
Sales and marketing	3,940	3,698	3,464
General and administrative	7,373	12,333	7,988
	12,452	21,210	15,665
Benefit for income taxes	(2,891)	(4,190)	(2,660)
Stock-based compensation, net of tax	\$ 9,561	\$ 17,020	\$ 13,005

In connection with the departure of three of our senior executives, we recorded a reversal of stock-based compensation expense in the amount of \$5.6 million during the second quarter of 2014 relating to the termination of their stock option awards following their resignations. Of the \$5.6 million reversal, \$2.2 million was recorded through research and development and \$3.4 million through general and administrative.

For the years ended December 31, 2014, 2013 and 2012, the presentation of our cash flows reports the excess tax benefits from the exercise of stock options as financing cash flows. For the years ended December 31, 2014, 2013 and 2012, excess tax benefits generated from option exercises amounted to \$1.0 million, \$0.5 million and \$0.5 million, respectively.



**Table of Contents****ALERE INC. AND SUBSIDIARIES****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)****(15) Stock-based Compensation (Continued)**

The following assumptions were used to estimate the fair value of options granted during the years ended December 31, 2014, 2013 and 2012, using a Black-Scholes option-pricing model:

	2014	2013	2012
Risk-free interest rate	1.77%	1.47%	0.83%
Expected dividend yield			
Expected life	5.78 years	5.74 years	5.60 years
Expected volatility	36%	42%	42%

The weighted-average fair value under a Black-Scholes option pricing model of options granted to employees during 2014, 2013 and 2012 was \$19.55, \$15.22 and \$7.37 per share, respectively. All options granted during these periods were granted at or above the fair market value on the date of grant.

For the year ended December 31, 2014, we recorded compensation expense of \$2.6 million related to our Employee Stock Purchase Plan. The fair value of the option component of the Employee Stock Purchase Plan shares was estimated at the date of grant using a Black-Scholes option pricing model and assumed an expected volatility of 35% and 32%, a risk-free interest rate of 0.09% and 0.06% and an expected life of 181 days and 184 days, for each of the two respective offering periods. The 2014 charge is included in the employee's respective cost classification in the table above.

For the year ended December 31, 2013, we recorded compensation expense of \$2.6 million related to our Employee Stock Purchase Plan. The fair value of the option component of the Employee Stock Purchase Plan shares was estimated at the date of grant using a Black-Scholes option pricing model and assumed an expected volatility of 41% and 40%, a risk-free interest rate of 0.12% and 0.09% and an expected life of 181 days and 184 days, for each of the two respective offering periods. The 2013 charge is included in the employee's respective cost classification in the table above.

For the year ended December 31, 2012, we recorded compensation expense of \$2.7 million related to our Employee Stock Purchase Plan. The fair value of the option component of the Employee Stock Purchase Plan shares was estimated at the date of grant using a Black-Scholes option pricing model and assumed an expected volatility of 44% and 47%, a risk-free interest rate of 0.06% and 0.15% and an expected life of 182 days and 184 days, for each of the two respective offering periods. In the first half of 2012 we had a second offering period to accommodate employees of a recent acquisition. The fair value of the option component of the Employee Stock Purchase Plans shares for this offering was estimated at the grant date of March 1, 2012 using a Black-Scholes option pricing model and assumed an expected volatility of 40%, a risk-free rate of 0.10%, and an expected life of 122 days. The 2012 charge is included in the employee's respective cost classification in the table above.

**Table of Contents****ALERE INC. AND SUBSIDIARIES****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)****(16) Accumulated Other Comprehensive Income (Loss)**

Accumulated other comprehensive income (loss) consisted of the following (in thousands):

	<b>Cumulative Translation Adjustment (Note 4(b))</b>	<b>Pension Liability Adjustment (Note 11(b))</b>	<b>Other(1)</b>	<b>Accumulated Other Comprehensive Income (Loss)</b>
Balance at December 31, 2011	\$ (23,125)	\$ (5,952)	\$ (318)	\$ (29,395)
Period change	54,642	(756)	258	54,144
Balance at December 31, 2012	31,517	(6,708)	(60)	24,749
Period change	(50,166)	(309)	39	(50,436)
Balance at December 31, 2013	(18,649)	(7,017)	(21)	(25,687)
Period change	(166,448)	4	21	(166,423)
Balance at December 31, 2014 (Restated)	\$ (185,097)	\$ (7,013)	\$	\$ (192,110)

(1) Other represents unrealized gains (losses) on available-for-sale securities and hedging instruments.

**(17) Income Taxes**

Income (loss) before provision (benefit) for income taxes consists of the following (in thousands):

Continuing Operations:

	<b>2014 (Restated)</b>	<b>2013</b>	<b>2012</b>
United States	\$ (185,560)	\$ (193,349)	\$ (106,242)
Foreign	74,216	78,285	37,164
	\$ (111,344)	\$ (115,064)	\$ (69,078)

**Table of Contents****ALERE INC. AND SUBSIDIARIES****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)****(17) Income Taxes (Continued)**

Our primary temporary differences that give rise to deferred tax assets and liabilities are net operating loss, or NOL and capital loss carryforwards, tax credit carryforwards, nondeductible reserves and accruals, outside basis differences, differences in basis of the tangible and intangible assets. The income tax effects of these temporary differences, are as follows (in thousands):

	2014 (Restated)	2013
Deferred tax assets:		
NOL and capital loss carryforwards	\$ 123,847	\$ 133,205
Outside basis differences	211,880	-
Tax credit carryforwards	123,891	66,357
Nondeductible reserves	43,393	31,429
Nondeductible accruals	34,284	39,355
Difference between book and tax bases of tangible assets	881	2,698
Difference between book and tax bases of intangible assets	31,010	27,288
Deferred revenue	6,483	12,307
All other	18,698	17,563
Gross deferred tax assets	594,367	330,202
Less: Valuation allowance	(269,219)	(84,315)
Total deferred tax assets	325,148	245,887
Deferred tax liabilities:		
Difference between book and tax bases of tangible assets	26,260	29,927
Difference between book and tax bases of intangible assets	361,357	413,417
Debt	12,895	16,712
Other	18,150	15,234
Total deferred tax liabilities	418,662	475,290
Net deferred tax liabilities	\$ 93,514	\$ 229,403
Reported as:		
Deferred tax assets, current portion	\$ 112,573	\$ 48,858
Deferred tax assets, long-term	8,569	7,389
Deferred tax liabilities, current portion	(17)	(616)
Deferred tax liabilities, long-term	(214,639)	(285,034)
Net deferred tax liabilities	\$ (93,514)	\$ (229,403)

As of December 31, 2014, we recorded a deferred tax asset for tax over book outside basis differences related to our health management business due to the anticipated realization of this deferred tax asset in the foreseeable future. A portion of this deferred tax asset is expected to be capital in nature and, therefore, a valuation allowance was recorded against this portion of the deferred tax asset as it is not more likely than not that these deferred tax assets will be realized. The recognition of this deferred tax asset resulted in recording tax benefit of \$144.8 million that has been reflected in income from discontinued operations, net of tax.

## Edgar Filing: ALERE INC. - Form 10-K/A

As of December 31, 2014, we had \$46.9 million of U.S. federal NOL carryforwards, \$740.2 million of state NOL carryforwards and \$244.8 million of foreign NOL and foreign capital loss carryforwards, which either expire on various dates through 2034 or can be carried forward indefinitely. As of December 31, 2014, we had \$14.6 million of U.S. federal and state research and development credit, \$108.0 million of U.S. foreign tax credit and \$1.3 million of other foreign tax credit carryforwards which

F-67

---

**Table of Contents**

**ALERE INC. AND SUBSIDIARIES**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

**(17) Income Taxes (Continued)**

either expire on various dates through 2034 or can be carried forward indefinitely. These loss and tax credit carryforwards may be available to reduce future U.S. federal, state and foreign taxable income and taxes, if any, and are subject to review and possible adjustment by the appropriate tax authorities. Internal Revenue Code 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 certain ownership changes multiplied by the long-term tax exempt rate. Our U.S. federal NOLs are subject to various Section 382 limitations, however, we forecast we will fully utilize the NOLs before their expiration. Section 383 imposes an annual limitation on the use of credits to an amount equal to the value of the Company at the time of certain ownership changes multiplied by the long-term tax exempt rate. Our U.S. federal credits are subject to various Section 383 limitations. Additionally, certain state and foreign losses and credits may be subject to similar limitations based on local provisions.

During the year ended December 31, 2014, the provision for income taxes of \$82.2 million primarily related to the establishment of a valuation allowance of \$79.4 million against deferred tax assets associated with our U.S. foreign tax credit carryforwards. This valuation allowance was established as it is more likely than not that these deferred tax assets will not be realized. This decision was based on the weight of all available positive and negative evidence that existed at December 31, 2014.

We recorded a valuation allowance of \$269.2 million as of December 31, 2014 due to uncertainties related to the future benefits and realization of our deferred tax assets related primarily to U.S. foreign tax credits, outside basis differences and certain state and foreign attribute carryforwards. This is an increase of \$184.9 million from the valuation allowance of \$84.3 million as of December 31, 2013. The increase is primarily related to our assessment of realizability related to U.S. foreign tax credits and outside basis differences. The valuation allowance is based on the weight of available positive and negative evidence, including our estimates of future income by the jurisdictions in which we operate and the period over which our deferred tax assets will be recoverable. In the event that actual results differ from these estimates, or we adjust these estimates in future periods, we may need to establish an additional valuation allowance or reduce our current valuation allowance, which could materially impact our tax provision.

In December 2014, our Swiss subsidiary declared and paid a dividend of \$43.5 million out of current year earnings to its U.S. parent for which we recorded estimated tax liabilities. The U.S. taxation of the dividend depends on the amount of earnings and profits as well as tax pools at the Swiss subsidiary, which involves numerous complex computations and intercompany transactions, and estimates, and final results could differ.



**Table of Contents****ALERE INC. AND SUBSIDIARIES****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)****(17) Income Taxes (Continued)**

The estimated amount of undistributed earnings of our foreign subsidiaries is \$294.8 million at December 31, 2014. No amount for U.S. income tax has been provided on undistributed earnings of our foreign subsidiaries because we consider such earnings to be indefinitely reinvested. In the event of distribution of those earnings we would be subject to both U.S. income and foreign withholding taxes, subject to possible offset by U.S. foreign tax credits. Determination of the amount of U.S. income tax liability that would be incurred is not practicable because of the complexities associated with this hypothetical calculation.

The following table presents the components of our provision (benefit) for income taxes (in thousands) for continuing operations:

	<b>2014</b> <b>(Restated)</b>	<b>2013</b>	<b>2012</b>
<b>Current:</b>			
Federal	\$ 33,673	\$ 7,371	\$ 9,704
State	487	(12)	9,216
Foreign	53,923	58,772	30,922
	88,083	66,131	49,842
<b>Deferred:</b>			
Federal	11,470	(71,904)	(42,340)
State	(4,142)	(6,513)	(4,010)
Foreign	(13,218)	(29,728)	(14,234)
	(5,890)	(108,145)	(60,584)
<b>Total provision (benefit) for income taxes</b>	<b>\$ 82,193</b>	<b>\$ (42,014)</b>	<b>\$ (10,742)</b>

**Table of Contents****ALERE INC. AND SUBSIDIARIES****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)****(17) Income Taxes (Continued)**

The following table presents a reconciliation from the U.S. statutory tax rate to our effective tax rate:

	<b>2014</b> <b>(Restated)</b>	<b>2013</b>	<b>2012</b>
Statutory rate	35%	35%	35%
Stock-based compensation	(1)	(3)	(4)
Rate differential on foreign earnings	3	4	(4)
Impact of foreign inclusion	(2)	(3)	2
U.S. federal research and development credit	1	3	1
State income taxes, net of federal benefit	3	(2)	2
Acquisition costs			(3)
Contingent consideration	(3)	(3)	11
Rate changes	(2)	8	(3)
Return to provision	20	(3)	6
Other permanent items	3	1	(2)
Section 199 deduction	1	2	
Bargain purchase		3	
Change in valuation allowance	(104)	(1)	(20)
Foreign dividends, net	(2)	(3)	
Uncertain tax positions	(21)	(1)	(5)
Withholding Taxes	(5)		
Effective tax rate	(74)%	37%	16%

The impact on the rate in 2012 through 2014 relating to contingent consideration is due to fair value accounting used for contingent consideration on stock acquisitions with no corresponding basis for tax purposes.

Change in valuation allowances primarily relates to an increase in the valuation allowance attributable to U.S. foreign tax credits, as well as state and foreign losses where it is not more likely than not that these will be realized.

During the year ended December 31, 2014, we increased the gross liability for income taxes associated with uncertain tax positions by \$20.8 million to a total of \$51.2 million at December 31, 2014. The primary reason for the increase relates to changes in tax return positions on prior year returns.

**Table of Contents****ALERE INC. AND SUBSIDIARIES****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)****(17) Income Taxes (Continued)**

We classify \$47.9 million of income tax liabilities in other long-term liabilities on our consolidated balance sheet at December 31, 2014.

A reconciliation of the beginning and ending amount of gross unrecognized tax benefits for uncertain tax positions excluding interest and penalties is as follows (in thousands):

	<b>Amount</b>
Balance as of January 1, 2012	\$ 18,549
Additions for tax positions related to prior years	1,852
Additions for tax positions related to current year	4,775
Reductions for tax positions related to prior years	(208)
Expiration of statutes of limitations or closure of tax audits	(1,328)
Balance as of December 31, 2012	23,640
Additions for tax positions related to prior years	
Additions for tax positions related to current year	7,654
Reductions for tax positions related to prior years	(900)
Balance as of December 31, 2013	30,394
Additions for tax positions related to prior years	20,797
Additions for tax positions related to current year	3,217
Reductions for tax positions related to prior years	(3,196)
Balance as of December 31, 2014 (Restated)	\$ 51,212

Included in the balance of unrecognized tax benefits as of December 31, 2014 is \$48.9 million of tax benefits that, if recognized, would affect the effective tax rate. Also included in the balance of unrecognized tax benefits as of December 31, 2014 is \$2.3 million of tax benefits that, if recognized, would result in adjustments to other tax accounts, primarily deferred taxes. We do not anticipate material increases or decreases to our unrecognized tax benefits during 2015.

We do not anticipate material increases or decreases to our unrecognized tax benefits during 2015.

Interest and penalties related to income tax liabilities are included in income tax expense. The gross interest and penalties recorded in 2014, 2013 and 2012 amounted to \$1.1 million, \$1.3 million and \$0.5 million, respectively. The net balance of accrued interest and penalties recorded on the consolidated balance sheet at December 31, 2014, 2013 and 2012 was \$2.3 million, \$1.9 million and \$0.4 million, respectively.

We are subject to U.S. federal, state and foreign income tax audits by tax authorities for our open years which include 2007 through present. We are currently under income tax examination by a number of state and foreign tax authorities. We cannot currently estimate the impact of these audits due to the uncertainties associated with tax examinations. Management does not expect material changes in tax position as a result of these ongoing audits.

In December 2014, the Tax Increase Prevention Act of 2014 retroactively extended the U.S. federal research and development credit from January 1, 2014 through December 31, 2014. As a result, we recognized the retroactive benefit of the 2014 U.S. federal research and development credit of approximately \$1.4 million as a discrete item in the fourth quarter of 2014, the period in which the legislation was enacted.



**Table of Contents****ALERE INC. AND SUBSIDIARIES****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)****(18) 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, patient self-testing, consumer diagnostics and corporate and other. Our operating results include license and royalty revenue which are allocated to professional diagnostics and consumer diagnostics on the basis of the original license or royalty agreement.

The accounting policies of the segments are the same as those described in the summary of significant accounting policies. We evaluate performance of our operating segments based on revenue and operating income. Revenues are attributed to geographic areas based on where the customer is located. Segment information for 2014, 2013 and 2012 is as follows (in thousands):

	Professional Diagnostics	Patient Self-testing	Consumer Diagnostics	Corporate and Other	Total
<b>2014 (Restated)</b>					
Net revenue	\$ 2,341,654	\$ 137,096	\$ 109,954	\$	\$ 2,588,704
Operating income (loss)	\$ 170,631	\$ (517)	\$ 21,389	\$ (92,925)	\$ 98,578
Depreciation and amortization	\$ 312,077	\$ 19,189	\$ 1,112	\$ 3,455	\$ 335,833
Restructuring charge	\$ 44,273	\$ 188	\$	\$ 14,235	\$ 58,696
Stock-based compensation	\$	\$	\$	\$ 12,452	\$ 12,452
Assets	\$ 5,851,852	\$ 472,092	\$ 216,451	\$ 138,561	\$ 6,678,956
Expenditures for property, plant and equipment	\$ 77,887	\$ 1,247	\$ 3,360	\$ 18,068	\$ 100,562

	Professional Diagnostics	Patient Self-testing	Consumer Diagnostics	Corporate and Other	Total
<b>2013</b>					
Net revenue	\$ 2,387,638	\$ 123,647	\$ 105,079	\$	\$ 2,616,364
Operating income (loss)	\$ 247,989	\$ (17,224)	\$ 12,122	\$ (91,345)	\$ 151,542
Depreciation and amortization	\$ 348,635	\$ 20,374	\$ 4,330	\$ 1,134	\$ 374,473
Restructuring charge	\$ 12,606	\$ 1,584	\$	\$	\$ 14,190
Stock-based compensation	\$	\$	\$	\$ 21,210	\$ 21,210
Assets	\$ 5,746,021	\$ 501,673	\$ 197,458	\$ 616,933	\$ 7,062,085
Expenditures for property, plant and equipment	\$ 86,415	\$ 1,942	\$ 1,645	\$ 9,906	\$ 99,908

	Professional Diagnostics	Patient Self-testing	Consumer Diagnostics	Corporate and Other	Total
<b>2012</b>					
Net revenue	\$ 2,191,375	\$ 109,485	\$ 93,511	\$	\$ 2,394,371
Operating income (loss)	\$ 244,563	\$ (23,865)	\$ 12,707	\$ (73,223)	\$ 160,182
Depreciation and amortization	\$ 355,957	\$ 23,480	\$ 3,455	\$ 1,008	\$ 383,900
Restructuring charge	\$ 11,124	\$ (80)	\$	\$ (2)	\$ 11,042
Stock-based compensation	\$	\$	\$	\$ 15,665	\$ 15,665
Assets	\$ 6,215,595	\$ 589,211	\$ 192,748	\$ 67,161	\$ 7,064,715
Expenditures for property, plant and equipment	\$ 90,568	\$ 13,664	\$ 2,823	\$ 2,042	\$ 109,097



**Table of Contents****ALERE INC. AND SUBSIDIARIES****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)****(18) Financial Information by Segment (Continued)**

The following tables summarize our net revenue from the professional diagnostics and patient self-testing reporting segments by groups of similar products and services for 2014, 2013 and 2012 (in thousands):

**Professional Diagnostics Segment**

	<b>2014 (Restated)</b>	<b>2013</b>	<b>2012</b>
Infectious disease	\$ 711,369	\$ 721,754	\$ 615,950
Toxicology	627,755	631,244	588,744
Cardiometabolic	442,742	462,725	503,534
Diabetes	197,476	225,488	144,441
Other	342,574	321,495	314,030
Professional diagnostics net product sales			
and services revenue	2,321,916	2,362,706	2,166,699
License and royalty revenue	19,738	24,932	24,676
Professional diagnostics net revenue	\$ 2,341,654	\$ 2,387,638	\$ 2,191,375

**Patient Self-testing Segment**

	<b>2014 (Restated)</b>	<b>2013</b>	<b>2012</b>
Patient self-testing services	\$ 116,779	\$ 102,919	\$ 90,088
Other	20,317	20,728	19,397
Patient self-testing services net revenue	\$ 137,096	\$ 123,647	\$ 109,485

As a result of the sales of our health management business in January 2015 and ACS in October 2014, our former health information solutions segment, now referred to as our patient self-testing segment, consists primarily of our Alere Home Monitoring patient self-testing services.

The following tables summarize our net revenue by geographic area for 2014, 2013 and 2012, respectively, and our long-lived tangible assets by geographic area as of December 31, 2014 and 2013, respectively (in thousands):

	<b>2014 (Restated)</b>	<b>2013</b>	<b>2012</b>
<b>Revenue by Geographic Area:</b>			
United States	\$ 1,363,886	\$ 1,447,762	\$ 1,300,311

Edgar Filing: ALERE INC. - Form 10-K/A

Europe	532,944	508,484	483,857
Elsewhere(1)	691,874	660,118	610,203
	\$ 2,588,704	\$ 2,616,364	\$ 2,394,371

(1) Includes, among many others, the following countries: China, India, Japan, South Korea, Brazil, Canada, and Australia.

F-73



**Table of Contents****ALERE INC. AND SUBSIDIARIES****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)****(18) Financial Information by Segment (Continued)**

	December 31,	
	2014	2013
	(Restated)	
<b>Long-lived Tangible Assets by Geographic Area:</b>		
United States	\$ 251,731	\$ 227,656
United Kingdom	28,092	39,599
China	29,505	30,285
Elsewhere(1)	144,242	168,957
	\$ 453,570	\$ 466,497

(1) Includes, among many others, the following countries: Germany, Norway, South Korea, Canada, and Brazil.

**(19) Other Arrangements**

In September 2014, we entered into a contract with the U.S. Department of Health and Human Services Biomedical Advanced Research and Development Authority (BARDA) to develop diagnostic countermeasures for pandemic influenza. Under the terms of the 3.5 year contract, BARDA will provide up to \$12.9 million to us to support the development of a rapid, molecular, low-cost influenza diagnostic device with PCR-like performance at the point-of-care. The project is designed to help support future preparedness and medical response to an influenza pandemic. Funding from BARDA is subject to successful completion of various interim feasibility and development milestones as defined in the agreement. As of December 31, 2014, we had incurred \$0.4 million of qualified expenditures under the contract, for which we had received cash reimbursement from BARDA in the amount of \$0.1 million, and \$0.3 million was recorded as a receivable as of this date. Reimbursements of qualified expenditures under this contract are recorded as a reduction of our related qualified research and development expenditures.

In February 2013, we entered into an agreement with the Bill and Melinda Gates Foundation, or the Gates Foundation, whereby we were awarded a grant by the Gates Foundation in the amount of \$21.6 million to support the development and commercialization of a validated, low-cost, nucleic-acid assay for clinical Tuberculosis, or TB, detection and drug-resistance test cartridges and adaptation of an analyzer platform capable of operation in rudimentary laboratories in low-resource settings. In connection with this agreement, we also entered into a loan agreement with the Gates Foundation, or the Gates Loan Agreement, which provides for the making of subordinated term loans by the Gates Foundation to us from time to time, subject to the achievement of certain milestones, in an aggregate principal amount of up to \$20.6 million. Funding under the Gates Loan Agreement will be used in connection with the purchase of equipment for an automated high-throughput manufacturing line and other uses as necessary for the manufacture of the TB and HIV-related products. All loans under the Gates Loan Agreement are evidenced by promissory notes that we have executed and delivered to the Gates Foundation, bear interest at the rate of 3% per annum and, except to the extent earlier repaid by us, mature and are required to be repaid in full on December 31, 2019. As of December 31, 2014, we had borrowed no amounts under the Gates Loan Agreement. As of December 31, 2014, we had received approximately \$17.4 million in grant-related funding from the Gates Foundation, which was recorded as restricted cash and deferred grant funding. The deferred grant funding is classified within accrued expenses and other current liabilities on our accompanying consolidated balance sheet. As qualified expenditures are incurred under the terms of the grant, we use the deferred funding to recognize a reduction of our related qualified research and development expenditures. For the year

---

**Table of Contents****ALERE INC. AND SUBSIDIARIES****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)****(19) Other Arrangements (Continued)**

ended December 31, 2014, we incurred approximately \$9.5 million of qualified expenditures, for which we reduced our deferred grant funding balance and recorded an offset to our research and development expenses. For the year ended December 31, 2013, we incurred approximately \$6.6 million of qualified expenditures, for which we reduced our deferred grant funding balance and recorded an offset to our research and development expenses.

**(20) Related Party Transactions***(a) Divestiture of ACS Companies*

On October 10, 2014, we completed the sale of our ACS subsidiary to ACS Acquisition, LLC (the Purchaser), pursuant to the terms of a Membership Interest Purchase Agreement with the Purchaser and Sumit Nagpal. In connection with the sale of ACS, we also agreed to sell our subsidiary Wellogic ME FZ LLC ( Wellogic, together with ACS, the ACS Companies ) to the Purchaser, subject to the satisfaction of routine requirements of Dubai law relating to the transfer of equity. See Note 3.

Mr. Nagpal is a director of Wellogic and served as the chief executive officer and a director of ACS until his resignation on September 2, 2014. Mr. Nagpal was also the owner of Method Factory, Inc., the company that sold the business and assets of ACS to Alere in 2011 and that sold Wellogic to Alere in 2012.

*(b) SPD Joint Venture*

In May 2007, we completed the formation of SPD Swiss Precision Diagnostics GmbH, or SPD, our 50/50 joint venture with Procter & Gamble, or P&G, for the development, manufacturing, marketing and sale of existing and to-be-developed consumer diagnostic products, outside the cardiometabolic, 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 payable to SPD of \$4.0 million as of December 31, 2014 and a net receivable from SPD of \$2.1 million as of December 31, 2013. Included in the \$4.0 million payable balance as of December 31, 2014 is a receivable of approximately \$1.6 million for costs incurred in connection with our 2008 SPD-related restructuring plans. Included in the \$2.1 million receivable balance as of December 31, 2013 is approximately \$1.8 million of costs incurred in connection with our 2008 SPD-related restructuring plans. We have also recorded a long-term receivable totaling approximately \$10.9 million and \$13.2 million as of December 31, 2014 and 2013, respectively, related to the 2008 SPD-related restructuring plans. Additionally, customer receivables associated with revenue earned after the formation of the joint venture was completed have been classified as other receivables within prepaid and other current assets on our consolidated balance sheets in the amount of \$9.6 million and \$12.4 million as of December 31, 2014 and 2013, 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 \$83.2 million, \$78.0 million and \$63.6 million during the years ended December 31, 2014, 2013 and 2012, respectively. Additionally, services revenue generated pursuant to the long-term services agreement with the joint venture totaled \$1.3 million, \$1.3 million and \$1.1 million during the years ended December 31, 2014, 2013 and 2012, respectively. 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.

**Table of Contents****ALERE INC. AND SUBSIDIARIES****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)****(20) Related Party Transactions (Continued)**

Under the terms of our product supply agreement, SPD purchases products from our manufacturing facilities in China. SPD in turn sells a portion of those tests back to us for final assembly and packaging. Once packaged, a portion of 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 \$10.5 million and \$9.4 million of trade receivables which are included in accounts receivable on our consolidated balance sheets as of December 31, 2014 and 2013, respectively, and \$30.8 million and \$18.8 million of trade accounts payable which are included in accounts payable on our consolidated balance sheets as of December 31, 2014 and 2013, respectively. During 2013, we received \$28.0 million in cash from SPD as a return of capital.

The following table summarizes our related party balances with SPD within our consolidated balance sheets (in thousands):

Balance Sheet Caption	As of December 31,	
	2014	2013
Accounts receivable, net of allowances	\$ 10,465	\$ 11,510
Prepaid expenses and other current assets	\$ 9,635	\$ 12,417
Deferred financing costs, net, and other non-current assets	\$ 10,875	\$ 13,249
Accounts payable	\$ 34,816	\$ 18,811

(c) *Entrustment Loan Arrangement with SPD Shanghai*

Alere (Shanghai) Diagnostics Co., Ltd., or Alere Shanghai, and SPD Trading (Shanghai) Co., Ltd., or SPD Shanghai, entered into an entrustment loan arrangement for a maximum of CNY 23 million (approximately \$3.8 million at December 31, 2014), in order to finance the latter's short-term working capital needs, with the Royal Bank of Scotland (China) Co., Ltd. Shanghai Branch, or RBS. The agreement governs the setting up of an Entrustment Loan Account with RBS, into which Alere Shanghai deposits certain monies. This restricted cash account provides a guarantee to RBS of amounts borrowed from RBS by SPD Shanghai. The Alere Shanghai RBS account is recorded as restricted cash on Alere Shanghai's balance sheet and amounted to \$1.7 million at December 31, 2014.

**(21) Valuation and Qualifying Accounts**

We have established reserves against accounts receivable for doubtful accounts, product returns, discounts and other allowances. The activity in the table below includes all accounts receivable reserves. Provisions for doubtful accounts are recorded as a component of general and administrative expenses. Provisions for returns, discounts and other allowances are charged against net product sales. The following table sets forth activities in our accounts receivable reserve accounts (in thousands):

	Balance at Beginning of Period	Provision	Amounts Charged Against Reserves	Balance at End of Period
Year ended December 31, 2012	\$ 15,485	\$ 39,206	\$ (24,618)	\$ 30,073
Year ended December 31, 2013	\$ 30,073	\$ 65,643	\$ (26,570)	\$ 69,146
Year ended December 31, 2014	\$ 69,146	\$ 42,477	\$ (35,460)	\$ 76,163

**Table of Contents****ALERE INC. AND SUBSIDIARIES****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)****(21) Valuation and Qualifying Accounts (Continued)**

We have established reserves against obsolete and slow-moving inventories. The activity in the table below includes all inventory reserves. Provisions for obsolete and slow-moving inventories are recorded as a component of cost of net product sales. The following table sets forth activities in our inventory reserve accounts (in thousands):

	<b>Balance at Beginning of Period</b>	<b>Provision</b>	<b>Amounts Charged Against Reserves</b>	<b>Balance at End of Period</b>
Year ended December 31, 2012	\$ 13,609	\$ 13,587	\$ (5,374)	\$ 21,822
Year ended December 31, 2013	\$ 21,822	\$ 3,286	\$ (3,671)	\$ 21,437
Year ended December 31, 2014	\$ 21,437	\$ 12,818	\$ (6,907)	\$ 27,348

We have established a valuation allowance against our deferred tax assets based on the weight of available positive and negative evidence, including our estimates of future income by the jurisdictions in which we operate and the period over which our deferred tax assets will be recoverable. The following table sets forth activities in our deferred tax accounts (in thousands):

	<b>Balance at Beginning of Period</b>	<b>Additions (Reversals)</b>	<b>Amounts Charged Against Other Accounts</b>	<b>Balance at End of Period</b>
Year ended December 31, 2012	\$ 51,579	\$ 27,418	\$ (3,542)	\$ 75,455
Year ended December 31, 2013	\$ 75,455	\$ 5,598	\$ 3,262	\$ 84,315
Year ended December 31, 2014 (Restated)	\$ 84,315	\$ 184,040	\$ 864	\$ 269,219

**(22) Restructuring Activities**

The following table sets forth aggregate restructuring charges recorded in our consolidated statements of operations for the years ended December 31, 2014, 2013 and 2012 (in thousands):

<b>Statement of Operations Caption</b>	<b>2014</b>	<b>2013</b>	<b>2012</b>
Cost of net revenue	\$ 11,760	\$ 6,145	\$ 2,330
Research and development	9,800	1,795	1,278
Sales and marketing	11,350	1,550	2,075
General and administrative	25,786	4,953	5,489
Total operating expenses	58,696	14,443	11,172
Interest expense, including amortization of original issue discounts and deferred financing costs	42	58	132
Total charges	\$ 58,738	\$ 14,501	\$ 11,304



**Table of Contents****ALERE INC. AND SUBSIDIARIES****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)****(22) Restructuring Activities (Continued)***(a) 2014 Restructuring Plans*

In 2014, management developed world-wide cost reduction plans to reduce costs and improve operational efficiencies within our professional diagnostics, patient self-testing and corporate and other business segments, primarily impacting our global sales and marketing, information technology, and research and development groups, as well as closing certain business locations in Europe and Asia. The following table summarizes the restructuring activities related to our 2014 restructuring plans for the year ended December 31, 2014 (in thousands):

	<b>Professional Diagnostics</b>	<b>Patient Self-testing</b>	<b>Corporate and Other</b>	<b>Total</b>
Severance-related costs	\$ 27,618	\$ 188	\$ 2,901	\$ 30,707
Facility and transition costs	3,460		11,335	14,795
Cash charges	31,078	188	14,236	45,502
Fixed asset and inventory impairments	10,952			10,952
<b>Total charges</b>	<b>\$ 42,030</b>	<b>\$ 188</b>	<b>\$ 14,236</b>	<b>\$ 56,454</b>

We anticipate incurring approximately \$14.0 million in additional costs under our 2014 restructuring plans related to our professional diagnostics business segment, including in connection with the closure of our facility in Israel and several locations in Europe. We do not anticipate incurring significant additional costs under our existing 2014 restructuring plans relating to our corporate and other and patient self-testing business segments. As of December 31, 2014, \$13.8 million in severance and transition costs arising under our 2014 restructuring plans remain unpaid.

*(b) 2013 Restructuring Plans*

In 2013, management developed cost reduction plans within our professional diagnostics business and patient self-testing business segments, impacting businesses in our U.S., Europe and Asia Pacific regions. The following tables summarize the restructuring activities in our professional diagnostics and patient self-testing business segments related to our 2013 restructuring plans for the years ended December 31, 2014 and 2013 and since inception (in thousands):

<b>Professional Diagnostics</b>	<b>2014</b>	<b>2013</b>	<b>Since Inception</b>
Severance-related costs	\$ 1,167	\$ 7,126	\$ 8,293
Facility and transition costs	614	2,581	3,195
Cash charges	1,781	9,707	11,488
Fixed asset and inventory impairments	39	743	782
<b>Total charges</b>	<b>\$ 1,820</b>	<b>\$ 10,450</b>	<b>\$ 12,270</b>

Edgar Filing: ALERE INC. - Form 10-K/A

<b>Patient Self-testing</b>	<b>2014</b>	<b>2013</b>	<b>Since Inception</b>
Severance-related costs	\$	\$ 88	\$ 88
Facility and transition costs		241	241
Cash charges		329	329
Fixed asset and inventory impairments		800	800
<b>Total charges</b>	<b>\$</b>	<b>\$ 1,129</b>	<b>\$ 1,129</b>

F-78

**Table of Contents****ALERE INC. AND SUBSIDIARIES****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)****(22) Restructuring Activities (Continued)**

We do not anticipate incurring significant additional costs under our 2013 restructuring plans related to our professional diagnostics and patient self-testing business segments. As of December 31, 2014, \$0.3 million in severance and facility costs arising under our 2013 restructuring plans remain unpaid.

*(c) Restructuring Plans Prior to 2013*

In 2012, management developed cost reduction plans within our professional diagnostics business segment, including the integration of our businesses in Brazil, Europe and the United States. Additionally, management developed new plans to continue our efforts to reduce costs within our patient self-testing business segment.

In 2011, management also developed plans within our professional diagnostics business segment to consolidate operating activities among certain of our U.S., European and Asia Pacific subsidiaries, including transferring the manufacturing of our Panbio products from Australia to our Standard Diagnostics facility in South Korea and eliminating redundant costs among our newly-acquired Axis-Shield subsidiaries. Additionally, within our patient self-testing business segment, management executed plans to transfer the majority of our Quality Assured Services, Inc. operation in Orlando, Florida to our facility in Livermore, California.

In 2008, management developed and initiated plans to transition the business of Cholestech to our San Diego, California facility, which impacted our professional diagnostics business segment.

The following table summarizes the restructuring activities related to our active 2012, 2011 and 2008 restructuring plans for the years ended December 31, 2014, 2013, 2012 and since inception (in thousands):

	2014	2013	2012	Since Inception
<b>Professional Diagnostics</b>				
Severance-related costs (recoveries)	\$ 98	\$ (253)	\$ 7,874	\$ 24,290
Facility and transition costs	324	1,416	2,240	9,086
Other exit costs	42	58	132	798
Cash charges	464	1,221	10,246	34,174
Fixed asset and inventory impairments		308	1,008	6,922
Intangible asset impairments		686		686
Other non-cash charges				64
Total charges	\$ 464	\$ 2,215	\$ 11,254	\$ 41,846
<b>Patient Self-testing</b>				
Severance-related costs	\$	\$ 707	\$ 715	\$ 2,120
Facility and transition costs (recoveries)			(750)	1,837
Cash charges (recoveries)		707	(35)	3,957
Fixed asset and inventory impairments			85	145
Other non-cash recoveries				(51)



Edgar Filing: ALERE INC. - Form 10-K/A

Total charges	\$	\$ 707	\$	50	\$	4,051
---------------	----	--------	----	----	----	-------

We do not anticipate incurring significant additional costs under these plans related to our professional diagnostics and patient self-testing business segments. As of December 31, 2014, \$0.7 million in cash charges remain unpaid, primarily related to facility lease obligations, which are anticipated to continue through 2017.

F-79

**Table of Contents****ALERE INC. AND SUBSIDIARIES****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)****(22) Restructuring Activities (Continued)***(d) Restructuring Reserves*

The following table summarizes our restructuring reserves related to the plans described above, of which \$14.2 million is included in accrued expenses and other current liabilities and \$0.5 million is included in other long-term liabilities on our consolidated balance sheets (in thousands):

	Severance- related Costs	Facility and Transition Costs	Other Exit Costs	Total
Balance, December 31, 2011	\$ 3,171	\$ 1,863	\$ 366	\$ 5,400
Cash charges	8,589	1,490	132	10,211
Payments	(9,735)	(3,113)	(83)	(12,931)
Currency adjustments	(14)	16		2
Balance, December 31, 2012	2,011	256	415	2,682
Cash charges	7,668	4,238	58	11,964
Payments	(8,573)	(2,725)	(106)	(11,404)
Currency adjustments	(114)	12		(102)
Balance, December 31, 2013	992	1,781	367	3,140
Cash charges	31,972	15,733	42	47,747
Payments	(27,394)	(7,345)	(119)	(34,858)
Currency adjustments	(980)	(301)		(1,281)
Balance, December 31, 2014	\$ 4,590	\$ 9,868	\$ 290	\$ 14,748

**(23) Equity Investments**

We account for the results from our equity investments under the equity method of accounting in accordance with Accounting Standards Codification, or 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:

**(a) SPD**

We recorded earnings of \$16.2 million, \$15.0 million and \$10.7 million for the years ended December 31, 2014, 2013 and 2012, respectively, in equity earnings of unconsolidated entities, net of tax, in our consolidated statements of operations, which represented our 50% share of SPD's net income for the respective periods.

**(b) TechLab**

We own 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. We recorded earnings of \$1.6 million, \$2.0 million and \$2.3 million for the years ended December 31, 2014, 2013 and 2012, respectively, in equity earnings of unconsolidated entities, net of tax, in our consolidated statements of operations, which represented our minority share of TechLab's net income for the respective periods.



**Table of Contents****ALERE INC. AND SUBSIDIARIES****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)****(23) Equity Investments (Continued)**

Summarized financial information for SPD and TechLab on a combined basis is as follows (in thousands):

*Combined Condensed Results of Operations:*

	<b>For The Years Ended December 31,</b>		
	<b>2014</b>	<b>2013</b>	<b>2012</b>
Net revenue	\$ 211,370	\$ 203,115	\$ 212,955
Gross profit	\$ 160,192	\$ 152,698	\$ 139,694
Net income after taxes	\$ 35,646	\$ 34,079	\$ 26,056

*Combined Condensed Balance Sheets:*

	<b>As of December 31,</b>	
	<b>2014</b>	<b>2013</b>
Current assets	\$ 90,546	\$ 63,985
Non-current assets	33,697	38,541
Total assets	\$ 124,243	\$ 102,526
Current liabilities	\$ 35,954	\$ 38,053
Non-current liabilities	5,884	6,175
Total liabilities	\$ 41,838	\$ 44,228

**(24) Impairment and Gain (Loss) on Dispositions, Net**

In December 2014, our management decided to close our Alere Connect, LLC subsidiary located in Scottsdale, Arizona. In connection with this decision, we recorded an impairment charge of \$10.8 million, including write-offs of intangible assets of \$7.3 million, inventories of \$1.6 million and other assets of \$0.5 million, and an accrual for divestiture-related commitments of \$1.4 million.

In November 2014, we sold BioNote to the former owner of that company who was also its Chief Executive Officer while it was owned by Alere. We received cash consideration of KRW 48 billion (approximately \$43.2 million at the date of disposition), resulting in a gain on disposition of \$6.5 million.

In October 2014, we sold our subsidiary Mologic Ltd., located in the United Kingdom, to former owners of the company who were also members of management while it was owned by Alere. The consideration received was nominal, resulting in a loss on disposition of \$2.8 million.

In April 2014, we sold the Glucostabilizer business of Alere Informatics, Inc., which was part of our professional diagnostics reporting unit and business segment, to Medical Decision Network, LLC, or MDN, for \$1.1 million in cash proceeds and a \$1.5 million note receivable, which we

Edgar Filing: ALERE INC. - Form 10-K/A

fully reserved for based on our assessment of collectability. As a result of this transaction, we recorded a loss on disposition of \$0.6 million during the year ended December 31, 2014.

The financial results for the above businesses are immaterial to our consolidated financial results.

F-81

**Table of Contents****ALERE INC. AND SUBSIDIARIES****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)****(24) Impairment and Gain (Loss) on Dispositions, Net (Continued)**

In July 2013, we sold our Spinreact operations located in Spain, which was part of our professional diagnostics reporting unit and business segment, for approximately \$33.4 million in proceeds and, as a result of this transaction, we recorded a loss on disposition of \$5.1 million during 2013. The financial results for our Spinreact operations are immaterial to our consolidated financial results.

**(25) Supplemental Cash Flow Information***Cash Paid for Interest and Income Taxes:*

During 2014, 2013 and 2012, we made cash payments for interest totaling \$192.1 million, \$206.3 million and \$205.0 million, respectively.

During 2014, 2013 and 2012, total net cash paid for income taxes was \$58.8 million, \$49.1 million and \$31.9 million, respectively.

During 2012, we issued shares of our common stock in connection with the settlement of an acquisition-related contingent consideration obligation (dollars in thousands):

Contingent Consideration Obligation	Common Stock Issued	
	Number of Shares	Fair Value of Shares
Mologic	66,666	\$ 1,243

**(26) Guarantor Financial Information**

Our 7.25% senior notes due 2018, our 8.625% senior subordinated notes due 2018 and our 6.5% senior subordinated notes due 2020 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, audited balance sheets as of December 31, 2014 and 2013, the related statements of operations, statements of comprehensive loss and cash flows for each of the three years in the period ended December 31, 2014, respectively, for Alere Inc., the Guarantor Subsidiaries and our other subsidiaries, or the Non-Guarantor Subsidiaries. The supplemental financial information reflects the investments of Alere Inc. 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.

For comparative purposes, certain amounts for prior periods have been reclassified to conform to the current period classification.

Table of Contents

## ALERE INC. AND SUBSIDIARIES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

## (26) Guarantor Financial Information (Continued)

## CONSOLIDATING STATEMENT OF OPERATIONS

For the Year Ended December 31, 2014 (Restated)

(in thousands)

	Issuer	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Consolidated
Net product sales	\$	\$ 853,056	\$ 1,419,676	\$ (237,066)	\$ 2,035,666
Services revenue		464,283	67,705		531,988
Net product sales and services revenue		1,317,339	1,487,381	(237,066)	2,567,654
License and royalty revenue		13,477	19,846	(12,273)	21,050
<b>Net revenue</b>		<b>1,330,816</b>	<b>1,507,227</b>	<b>(249,339)</b>	<b>2,588,704</b>
Cost of net product sales	5,328	472,567	804,208	(212,681)	1,069,422
Cost of services revenue	261	288,288	33,388	(27,184)	294,753
Cost of net product sales and services revenue	5,589	760,855	837,596	(239,865)	1,364,175
Cost of license and royalty revenue	40	199	17,625	(12,272)	5,592
<b>Cost of net revenue</b>	<b>5,629</b>	<b>761,054</b>	<b>855,221</b>	<b>(252,137)</b>	<b>1,369,767</b>
<b>Gross profit (loss)</b>	<b>(5,629)</b>	<b>569,762</b>	<b>652,006</b>	<b>2,798</b>	<b>1,218,937</b>
Operating expenses:					
Research and development	23,190	61,862	59,776		144,828
Sales and marketing	7,598	232,406	273,797		513,801
General and administrative	93,952	155,794	204,242		453,988
Impairment and (gain) loss on dispositions, net	4,236	11,393	(7,887)		7,742
<b>Operating income (loss)</b>	<b>(134,605)</b>	<b>108,307</b>	<b>122,078</b>	<b>2,798</b>	<b>98,578</b>
Interest expense, including amortization of original issue discounts and deferred financing costs	(205,919)	(18,995)	(18,629)	34,352	(209,191)
Other income (expense), net	13,625	21,633	(1,573)	(34,416)	(731)
<b>Income (loss) from continuing operations before provision (benefit) for income taxes</b>	<b>(326,899)</b>	<b>110,945</b>	<b>101,876</b>	<b>2,734</b>	<b>(111,344)</b>
Provision (benefit) for income taxes	(12,330)	44,155	49,347	1,021	82,193
<b>Income (loss) from continuing operations before equity in earnings of subsidiaries and unconsolidated entities, net of</b>	<b>(314,569)</b>	<b>66,790</b>	<b>52,529</b>	<b>1,713</b>	<b>(193,537)</b>

Edgar Filing: ALERE INC. - Form 10-K/A

<b>tax</b>					
Equity in earnings of subsidiaries, net of tax	129,391			(129,391)	
Equity earnings of unconsolidated entities, net of tax	1,717		15,928	(136)	17,509
Income (loss) from continuing operations	(183,461)	66,790	68,457	(127,814)	(176,028)
Income (loss) from discontinued operations, net of tax	145,751	(27,839)	20,400	6	138,318
<b>Net income (loss)</b>	<b>(37,710)</b>	<b>38,951</b>	<b>88,857</b>	<b>(127,808)</b>	<b>(37,710)</b>
Less: Net income attributable to non-controlling interests			30		30
<b>Net income (loss) attributable to Alere Inc. and Subsidiaries</b>	<b>(37,710)</b>	<b>38,951</b>	<b>88,827</b>	<b>(127,808)</b>	<b>(37,740)</b>
Preferred stock dividends	(21,293)				(21,293)
<b>Net income (loss) available to common stockholders</b>	<b>\$ (59,003)</b>	<b>\$ 38,951</b>	<b>\$ 88,827</b>	<b>\$ (127,808)</b>	<b>\$ (59,033)</b>

F-83



**Table of Contents****ALERE INC. AND SUBSIDIARIES****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)****(26) Guarantor Financial Information (Continued)****CONSOLIDATING STATEMENT OF OPERATIONS****For the Year Ended December 31, 2013****(in thousands)**

	<b>Issuer</b>	<b>Guarantor Subsidiaries</b>	<b>Non-Guarantor Subsidiaries</b>	<b>Eliminations</b>	<b>Consolidated</b>
Net product sales	\$	\$ 880,713	\$ 1,362,853	\$ (187,047)	\$ 2,056,519
Services revenue		454,989	77,627		532,616
Net product sales and services revenue		1,335,702	1,440,480	(187,047)	2,589,135
License and royalty revenue		20,611	19,657	(13,039)	27,229
<b>Net revenue</b>		<b>1,356,313</b>	<b>1,460,137</b>	<b>(200,086)</b>	<b>2,616,364</b>
Cost of net product sales	4,458	475,441	703,766	(166,164)	1,017,501
Cost of services revenue	47	257,588	35,413	(19,003)	274,045
Cost of net product sales and services revenue	4,505	733,029	739,179	(185,167)	1,291,546
Cost of license and royalty revenue		69	20,732	(13,038)	7,763
<b>Cost of net revenue</b>	<b>4,505</b>	<b>733,098</b>	<b>759,911</b>	<b>(198,205)</b>	<b>1,299,309</b>
<b>Gross profit (loss)</b>	<b>(4,505)</b>	<b>623,215</b>	<b>700,226</b>	<b>(1,881)</b>	<b>1,317,055</b>
Operating expenses:					
Research and development	21,971	65,752	71,330		159,053
Sales and marketing	6,340	255,949	303,848		566,137
General and administrative	76,076	141,877	217,246		435,199
Loss on disposition			5,124		5,124
<b>Operating income (loss)</b>	<b>(108,892)</b>	<b>159,637</b>	<b>102,678</b>	<b>(1,881)</b>	<b>151,542</b>
Interest expense, including amortization of original issue discounts and deferred financing costs	(252,791)	(25,582)	(11,192)	34,219	(255,346)
Other income (expense), net	(10,759)	24,071	9,647	(34,219)	(11,260)
<b>Income (loss) from continuing operations before provision (benefit) for income taxes</b>	<b>(372,442)</b>	<b>158,126</b>	<b>101,133</b>	<b>(1,881)</b>	<b>(115,064)</b>
Provision (benefit) for income taxes	(164,618)	81,187	42,038	(621)	(42,014)
<b>Income (loss) from continuing operations before equity in earnings (losses) of subsidiaries and unconsolidated entities, net</b>	<b>(207,824)</b>	<b>76,939</b>	<b>59,095</b>	<b>(1,260)</b>	<b>(73,050)</b>

Edgar Filing: ALERE INC. - Form 10-K/A

<b>of tax</b>					
Equity in earnings (losses) of subsidiaries, net of tax	134,003	(2,948)		(131,055)	
Equity earnings of unconsolidated entities, net of tax	1,890		15,470	83	17,443
Income (loss) from continuing operations	(71,931)	73,991	74,565	(132,232)	(55,607)
Income (loss) from discontinued operations, net of tax	198	(14,370)	(1,954)		(16,126)
<b>Net income (loss)</b>	<b>(71,733)</b>	<b>59,621</b>	<b>72,611</b>	<b>(132,232)</b>	<b>(71,733)</b>
Less: Net income attributable to non-controlling interests			976		976
<b>Net income (loss) attributable to Alere Inc. and Subsidiaries</b>	<b>(71,733)</b>	<b>59,621</b>	<b>71,635</b>	<b>(132,232)</b>	<b>(72,709)</b>
Preferred stock dividends	(21,293)				(21,293)
<b>Net income (loss) available to common stockholders</b>	<b>\$ (93,026)</b>	<b>\$ 59,621</b>	<b>\$ 71,635</b>	<b>\$ (132,232)</b>	<b>\$ (94,002)</b>

F-84

Table of Contents

## ALERE INC. AND SUBSIDIARIES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

## (26) Guarantor Financial Information (Continued)

## CONSOLIDATING STATEMENT OF OPERATIONS

For the Year Ended December 31, 2012

(in thousands)

	Issuer	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Consolidated
Net product sales	\$	\$ 856,094	\$ 1,187,054	\$ (143,235)	\$ 1,899,913
Services revenue		400,989	64,893		465,882
Net product sales and services revenue		1,257,083	1,251,947	(143,235)	2,365,795
License and royalty revenue		18,848	17,958	(8,230)	28,576
<b>Net revenue</b>		<b>1,275,931</b>	<b>1,269,905</b>	<b>(151,465)</b>	<b>2,394,371</b>
Cost of net product sales	6,040	409,889	639,183	(134,495)	920,617
Cost of services revenue		195,564	30,363	(5,417)	220,510
Cost of net product sales and services revenue	6,040	605,453	669,546	(139,912)	1,141,127
Cost of license and royalty revenue		36	15,548	(8,230)	7,354
<b>Cost of net revenue</b>	<b>6,040</b>	<b>605,489</b>	<b>685,094</b>	<b>(148,142)</b>	<b>1,148,481</b>
<b>Gross profit (loss)</b>	<b>(6,040)</b>	<b>670,442</b>	<b>584,811</b>	<b>(3,323)</b>	<b>1,245,890</b>
Operating expenses:					
Research and development	24,593	70,245	86,897		181,735
Sales and marketing	4,415	259,790	292,389		556,594
General and administrative	52,079	113,604	181,696		347,379
<b>Operating income (loss)</b>	<b>(87,127)</b>	<b>226,803</b>	<b>23,829</b>	<b>(3,323)</b>	<b>160,182</b>
Interest expense, including amortization of original issue discounts and deferred financing costs	(236,320)	(39,411)	(13,080)	48,414	(240,397)
Other income (expense), net	(16,655)	41,658	34,548	(48,414)	11,137
<b>Income (loss) from continuing operations before provision (benefit) for income taxes</b>	<b>(340,102)</b>	<b>229,050</b>	<b>45,297</b>	<b>(3,323)</b>	<b>(69,078)</b>
Provision (benefit) for income taxes	(107,331)	74,824	22,720	(955)	(10,742)
<b>Income (loss) from continuing operations before equity in earnings (losses) of subsidiaries and unconsolidated entities, net of tax</b>	<b>(232,771)</b>	<b>154,226</b>	<b>22,577</b>	<b>(2,368)</b>	<b>(58,336)</b>
	153,740	(1,574)		(152,166)	

Edgar Filing: ALERE INC. - Form 10-K/A

Equity in earnings (losses) of subsidiaries, net of tax					
Equity earnings of unconsolidated entities, net of tax	2,205		10,952	88	13,245
Income (loss) from continuing operations	(76,826)	152,652	33,529	(154,446)	(45,091)
Loss from discontinued operations, net of tax	(1,391)	(29,011)	(2,724)		(33,126)
<b>Net income (loss)</b>	<b>(78,217)</b>	<b>123,641</b>	<b>30,805</b>	<b>(154,446)</b>	<b>(78,217)</b>
Less: Net income attributable to non-controlling interests			275		275
<b>Net income (loss) attributable to Alere Inc. and Subsidiaries</b>	<b>(78,217)</b>	<b>123,641</b>	<b>30,530</b>	<b>(154,446)</b>	<b>(78,492)</b>
Preferred stock dividends	(21,293)				(21,293)
<b>Net income (loss) available to common stockholders</b>	<b>\$ (99,510)</b>	<b>\$ 123,641</b>	<b>\$ 30,530</b>	<b>\$ (154,446)</b>	<b>\$ (99,785)</b>

F-85

**Table of Contents****ALERE INC. AND SUBSIDIARIES****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)****(26) Guarantor Financial Information (Continued)****CONSOLIDATING STATEMENT OF COMPREHENSIVE INCOME (LOSS)****For the Year Ended December 31, 2014 (Restated)****(in thousands)**

	<b>Issuer</b>	<b>Guarantor Subsidiaries</b>	<b>Non-Guarantor Subsidiaries</b>	<b>Eliminations</b>	<b>Consolidated</b>
Net income (loss)	\$ (37,710)	\$ 38,951	\$ 88,857	\$ (127,808)	\$ (37,710)
Other comprehensive loss, before tax:					
Changes in cumulative translation adjustment	(489)	(516)	(165,443)		(166,448)
Unrealized losses on available for sale securities		(17)			(17)
Unrealized gains on hedging instruments			38		38
Minimum pension liability adjustment			(169)		(169)
Other comprehensive loss, before tax	(489)	(533)	(165,574)		(166,596)
Income tax benefit related to items of other comprehensive loss			(173)		(173)
Other comprehensive loss, net of tax	(489)	(533)	(165,401)		(166,423)
Comprehensive income (loss)	(38,199)	\$ 38,418	\$ (76,544)	(127,808)	(204,133)
Less: Comprehensive income attributable to non-controlling interests			30		30
Comprehensive income (loss) attributable to Alere Inc. and Subsidiaries	\$ (38,199)	\$ 38,418	\$ (76,574)	\$ (127,808)	\$ (204,163)

F-86

**Table of Contents****ALERE INC. AND SUBSIDIARIES****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)****(26) Guarantor Financial Information (Continued)****CONSOLIDATING STATEMENT OF COMPREHENSIVE INCOME (LOSS)****For the Year Ended December 31, 2013****(in thousands)**

	<b>Issuer</b>	<b>Guarantor Subsidiaries</b>	<b>Non-Guarantor Subsidiaries</b>	<b>Eliminations</b>	<b>Consolidated</b>
Net income (loss)	\$ (71,733)	\$ 59,621	\$ 72,611	\$ (132,232)	\$ (71,733)
Other comprehensive loss, before tax:					
Changes in cumulative translation adjustment	(550)	(619)	(48,998)	1	(50,166)
Unrealized gains on hedging instruments			39		39
Minimum pension liability adjustment			(415)		(415)
Other comprehensive loss, before tax	(550)	(619)	(49,374)	1	(50,542)
Income tax benefit related to items of other comprehensive loss			(106)		(106)
Other comprehensive loss, net of tax	(550)	(619)	(49,268)	1	(50,436)
Comprehensive income (loss)	(72,283)	59,002	23,343	(132,231)	(122,169)
Less: Comprehensive income attributable to non-controlling interests			976		976
Comprehensive income (loss) attributable to Alere Inc. and Subsidiaries	\$ (72,283)	\$ 59,002	\$ 22,367	\$ (132,231)	\$ (123,145)

F-87

**Table of Contents****ALERE INC. AND SUBSIDIARIES****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)****(26) Guarantor Financial Information (Continued)****CONSOLIDATING STATEMENT OF COMPREHENSIVE INCOME (LOSS)****For the Year Ended December 31, 2012****(in thousands)**

	<b>Issuer</b>	<b>Guarantor Subsidiaries</b>	<b>Non-Guarantor Subsidiaries</b>	<b>Eliminations</b>	<b>Consolidated</b>
Net income (loss)	\$ (78,217)	\$ 123,641	\$ 30,805	\$ (154,446)	\$ (78,217)
Other comprehensive income (loss), before tax:					
Changes in cumulative translation adjustment	(834)	(302)	53,654	2,124	54,642
Unrealized gains (losses) on available for sale securities	(221)	5			(216)
Unrealized gains on hedging instruments	16		372		388
Minimum pension liability adjustment			(1,042)		(1,042)
Other comprehensive income (loss), before tax	(1,039)	(297)	52,984	2,124	53,772
Income tax benefit related to items of other comprehensive loss	(86)		(286)		(372)
Other comprehensive income (loss), net of tax	(953)	(297)	53,270	2,124	54,144
Comprehensive income (loss)	(79,170)	123,344	84,075	(152,322)	(24,073)
Less: Comprehensive income attributable to non-controlling interests			275		275
Comprehensive income (loss) attributable to Alere Inc. and Subsidiaries	\$ (79,170)	\$ 123,344	\$ 83,800	\$ (152,322)	\$ (24,348)

F-88

**Table of Contents****ALERE INC. AND SUBSIDIARIES****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)****(26) Guarantor Financial Information (Continued)****CONSOLIDATING BALANCE SHEET**

December 31, 2014 (Restated)

(in thousands)

	Issuer	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Consolidated
<b>ASSETS</b>					
<b>Current assets:</b>					
Cash and cash equivalents	\$ 2,149	\$ 69,154	\$ 307,158	\$	\$ 378,461
Restricted cash	5,012		32,559		37,571
Marketable securities		259			259
Accounts receivable, net of allowances		192,775	273,331		466,106
Inventories, net		191,323	195,606	(21,764)	365,165
Deferred tax assets	36,347	44,961	31,265		112,573
Prepaid expenses and other current assets	9,800	31,410	88,695	2,508	132,413
Assets held for sale	1,361	284,369	29,785		315,515
Intercompany receivables	404,990	888,688	55,923	(1,349,601)	
<b>Total current assets</b>	<b>459,659</b>	<b>1,702,939</b>	<b>1,014,322</b>	<b>(1,368,857)</b>	<b>1,808,063</b>
Property, plant and equipment, net	30,547	218,613	204,188	222	453,570
Goodwill		1,795,663	1,131,003		2,926,666
Other intangible assets with indefinite lives		9,287	34,422	(58)	43,651
Finite-lived intangible assets, net	6,104	742,760	527,580		1,276,444
Deferred financing costs, net and other non-current assets	40,992	5,334	21,541	(35)	67,832
Investments in subsidiaries	3,740,004	179,315	58,067	(3,977,386)	
Investments in unconsolidated entities	13,987	14,765	49,608	13,333	91,693
Deferred tax assets			8,569		8,569
Non-current income tax receivable	2,468				2,468
Intercompany notes receivables	2,028,701	649,444	46,676	(2,724,821)	
<b>Total assets</b>	<b>\$ 6,322,462</b>	<b>\$ 5,318,120</b>	<b>\$ 3,095,976</b>	<b>\$ (8,057,602)</b>	<b>\$ 6,678,956</b>
<b>LIABILITIES AND EQUITY</b>					
<b>Current liabilities:</b>					
Short-term debt and current portion of long-term debt	\$ 61,700	\$ 2	\$ 27,173	\$	\$ 88,875
Current portion of capital lease obligations		1,045	3,196		4,241
Accounts payable	21,402	81,741	110,449		213,592
Accrued expenses and other current liabilities	(536,286)	663,221	248,604	(45)	375,494
Liabilities related to assets held for sale	1,094	77,749			78,843
Intercompany payables	902,576	198,788	248,237	(1,349,601)	
<b>Total current liabilities</b>	<b>450,486</b>	<b>1,022,546</b>	<b>637,659</b>	<b>(1,349,646)</b>	<b>761,045</b>
<b>Long-term liabilities:</b>					
Long-term debt, net of current portion	3,615,759		5,626		3,621,385
Capital lease obligations, net of current portion		4,097	6,463		10,560



Edgar Filing: ALERE INC. - Form 10-K/A

Deferred tax liabilities	(107,844)	252,944	69,457	82	214,639
Other long-term liabilities	42,762	46,865	71,988	(33)	161,582
Intercompany notes payables	415,700	1,276,245	1,032,876	(2,724,821)	
<b>Total long-term liabilities</b>	<b>3,966,377</b>	<b>1,580,151</b>	<b>1,186,410</b>	<b>(2,724,772)</b>	<b>4,008,166</b>
<b>Stockholders equity</b>	<b>1,905,599</b>	<b>2,715,423</b>	<b>1,267,761</b>	<b>(3,983,184)</b>	<b>1,905,599</b>
Non-controlling interests			4,146		4,146
<b>Total equity</b>	<b>1,905,599</b>	<b>2,715,423</b>	<b>1,271,907</b>	<b>(3,983,184)</b>	<b>1,909,745</b>
<b>Total liabilities and equity</b>	<b>\$ 6,322,462</b>	<b>\$ 5,318,120</b>	<b>\$ 3,095,976</b>	<b>\$ (8,057,602)</b>	<b>\$ 6,678,956</b>

F-89

**Table of Contents****ALERE INC. AND SUBSIDIARIES****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)****(26) Guarantor Financial Information (Continued)****CONSOLIDATING BALANCE SHEET****December 31, 2013****(in thousands)**

	<b>Issuer</b>	<b>Guarantor Subsidiaries</b>	<b>Non-Guarantor Subsidiaries</b>	<b>Eliminations</b>	<b>Consolidated</b>
<b>ASSETS</b>					
<b>Current assets:</b>					
Cash and cash equivalents	\$ 14,801	\$ 78,976	\$ 261,654	\$	\$ 355,431
Restricted cash	2,221		1,237		3,458
Marketable securities		853	5		858
Accounts receivable, net of allowances		179,445	307,932		487,377
Inventories, net		169,141	219,892	(23,766)	365,267
Deferred tax assets	4,418	9,483	31,451	3,506	48,858
Prepaid expenses and other current assets	517,311	(415,124)	23,502	(44)	125,645
Assets held for sale		380,414	69		380,483
Intercompany receivables	331,844	759,498	75,424	(1,166,766)	
<b>Total current assets</b>	<b>870,595</b>	<b>1,162,686</b>	<b>921,166</b>	<b>(1,187,070)</b>	<b>1,767,377</b>
Property, plant and equipment, net	14,197	210,883	241,713	(296)	466,497
Goodwill		1,753,498	1,253,499		3,006,997
Other intangible assets with indefinite lives		14,301	42,401		56,702
Finite-lived intangible assets, net	11,006	868,683	677,737		1,557,426
Restricted cash			29,370		29,370
Deferred financing costs, net and other non-current assets	55,207	7,777	20,560	(47)	83,497
Investments in subsidiaries	3,780,251	282,310	191,947	(4,254,508)	
Investments in unconsolidated entities	29,005		44,636	13,189	86,830
Deferred tax assets	(570)		7,959		7,389
Intercompany notes receivables	2,197,576	630,627	60,441	(2,888,644)	
<b>Total assets</b>	<b>\$ 6,957,267</b>	<b>\$ 4,930,765</b>	<b>\$ 3,491,429</b>	<b>\$ (8,317,376)</b>	<b>\$ 7,062,085</b>
<b>LIABILITIES AND EQUITY</b>					
<b>Current liabilities:</b>					
Short-term debt and current portion of long-term debt	\$ 60,000	\$ 323	\$ 3,789	\$	\$ 64,112
Current portion of capital lease obligations		2,859	3,103		5,962
Accounts payable	12,584	63,346	105,712		181,642
Accrued expenses and other current liabilities	68,581	117,937	195,412	(36)	381,894
Liabilities related to assets held for sale		106,343	26,899		133,242
Intercompany payables	728,541	163,518	274,708	(1,166,767)	
<b>Total current liabilities</b>	<b>869,706</b>	<b>454,326</b>	<b>609,623</b>	<b>(1,166,803)</b>	<b>766,852</b>

Edgar Filing: ALERE INC. - Form 10-K/A

<b>Long-term liabilities:</b>					
Long-term debt, net of current portion	3,720,137	100	37,551		3,757,788
Capital lease obligations, net of current portion		4,773	8,469		13,242
Deferred tax liabilities	(49,190)	246,178	88,038	8	285,034
Other long-term liabilities	21,038	47,008	93,032	(47)	161,031
Intercompany notes payables	322,322	1,444,742	1,121,581	(2,888,645)	
<b>Total long-term liabilities</b>	<b>4,014,307</b>	<b>1,742,801</b>	<b>1,348,671</b>	<b>(2,888,684)</b>	<b>4,217,095</b>
<b>Stockholders equity</b>					
Non-controlling interests	2,073,254	2,733,638	1,528,253	(4,261,889)	2,073,256
			4,882		4,882
<b>Total equity</b>	<b>2,073,254</b>	<b>2,733,638</b>	<b>1,533,135</b>	<b>(4,261,889)</b>	<b>2,078,138</b>
<b>Total liabilities and equity</b>	<b>\$ 6,957,267</b>	<b>\$ 4,930,765</b>	<b>\$ 3,491,429</b>	<b>\$ (8,317,376)</b>	<b>\$ 7,062,085</b>

F-90

**Table of Contents****ALERE INC. AND SUBSIDIARIES****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)****(26) Guarantor Financial Information (Continued)****CONSOLIDATING STATEMENT OF CASH FLOWS****For the Year Ended December 31, 2014 (Restated)****(in thousands)**

	<b>Issuer</b>	<b>Guarantor Subsidiaries</b>	<b>Non-Guarantor Subsidiaries</b>	<b>Eliminations</b>	<b>Consolidated</b>
<b>Cash Flows from Operating Activities:</b>					
Net income (loss)	\$ (37,710)	\$ 38,951	\$ 88,857	\$ (127,808)	\$ (37,710)
Income (loss) from discontinued operations, net of tax	145,751	(27,839)	20,400	6	138,318
Income (loss) from continuing operations	(183,461)	66,790	68,457	(127,814)	(176,028)
Adjustments to reconcile net income (loss) from continuing operations to net cash provided by operating activities:					
Equity in earnings of subsidiaries, net of tax	(129,391)			129,391	
Non-cash interest expense, including amortization of original issue discounts and deferred financing costs	15,780	42	411		16,233
Depreciation and amortization	8,783	177,347	149,688	15	335,833
Non-cash stock-based compensation expense	3,446	4,957	4,049		12,452
Tax benefit related to discontinued operations retained by Alere Inc		12,977	(3,132)		9,845
Impairment of inventory			3,124		3,124
Impairment of long-lived assets	1,019	(712)	6,712		7,019
Loss on disposition of fixed assets	1	4,807	1,737		6,545
Equity earnings of unconsolidated entities, net of tax	(1,717)		(15,928)	136	(17,509)
Deferred income taxes	40,693	(32,750)	(15,945)	1,020	(6,982)
(Gain) loss related to impairment and net gain on dispositions	4,236	11,393	(7,887)		7,742
Other non-cash items	1,418	3,726	(179)		4,965
Changes in assets and liabilities, net of acquisitions:					
Accounts receivable, net		(13,966)	13,277		(689)
Inventories, net		(53,181)	(5,784)	(2,145)	(61,110)
Prepaid expenses and other current assets	501,023	(474,115)	(78,161)	(745)	(51,998)
Accounts payable	8,818	24,776	14,257		47,851
Accrued expenses and other current liabilities	(559,508)	544,755	80,256	(1,814)	63,689
Other non-current liabilities	127	3,601	2,851	2,571	9,150
Cash paid for contingent consideration	(21,867)		(210)		(22,077)
Intercompany payable (receivable)	428,340	(266,833)	(161,507)		
Net cash provided by continuing operations	117,740	13,614	56,086	615	188,055
Net cash provided by (used in) discontinued operations	(671)	44,060	79		43,468
<b>Net cash provided by operating activities</b>	<b>117,069</b>	<b>57,674</b>	<b>56,165</b>	<b>615</b>	<b>231,523</b>
<b>Cash Flows from Investing Activities:</b>					
Increase in restricted cash	(2,791)		(2,655)		(5,446)
Purchases of property, plant and equipment	(21,680)	(40,737)	(41,862)	3,717	(100,562)
Proceeds from sale of property, plant and equipment	726	845	4,165	(4,250)	1,486
Cash received from disposition, net of cash divested		1,081	43,995		45,076
Cash paid for business acquisitions, net of cash acquired	(75)				(75)

Edgar Filing: ALERE INC. - Form 10-K/A

Cash received (paid) for investments	477	(279)			198
Proceeds from sale of equity investment			9,526		9,526
Cash received from sales of marketable securities		576	4		580
Decrease in other assets	96	714	130	46	986
Net cash provided by (used in) continuing operations	(23,247)	(37,800)	13,303	(487)	(48,231)
Net cash used in discontinued operations		(8,972)			(8,972)
<b>Net cash provided by (used in) investing activities</b>	<b>(23,247)</b>	<b>(46,772)</b>	<b>13,303</b>	<b>(487)</b>	<b>(57,203)</b>
<b>Cash Flows from Financing Activities:</b>					
Cash paid for financing costs	(1,528)				(1,528)
Cash paid for contingent purchase price consideration	(32,467)		(435)		(32,902)
Cash paid for dividends	(21,293)				(21,293)
Proceeds from issuance of common stock, net of issuance costs	51,555				51,555
Proceeds from issuance of short-term debt			806		806
Proceeds from issuance of long-term debt			58		58
Payments on long-term debt	(60,000)	(271)	(4,851)		(65,122)
Net proceeds (payments) under revolving credit facilities	(43,000)		478		(42,522)
Excess tax benefits on exercised stock options	460	422	90		972
Principal payments on capital lease obligations		(2,885)	(3,200)		(6,085)
Purchase of non-controlling interest			(623)		(623)
Net cash used in continuing operations	(106,273)	(2,734)	(7,677)		(116,684)
Net cash used in discontinued operations		(893)	(578)		(1,471)
<b>Net cash used in financing activities</b>	<b>(106,273)</b>	<b>(3,627)</b>	<b>(8,255)</b>		<b>(118,155)</b>
Foreign exchange effect on cash and cash equivalents	(201)	(273)	(15,710)	(128)	(16,312)
Net increase (decrease) in cash and cash equivalents	(12,652)	7,002	45,503		39,853
Cash and cash equivalents, beginning of period - continuing operations	14,801	78,976	261,654		355,431
Cash and cash equivalents, beginning of period - discontinued operations		6,476	1		6,477
Cash and cash equivalents, end of period	2,149	92,454	307,158		401,761
Less: Cash and cash equivalents of discontinued operations, end of period		23,300			23,300
<b>Cash and cash equivalents of continuing operations, end of period</b>	<b>\$ 2,149</b>	<b>\$ 69,154</b>	<b>\$ 307,158</b>	<b>\$</b>	<b>\$ 378,461</b>

**Table of Contents****ALERE INC. AND SUBSIDIARIES****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)****(26) Guarantor Financial Information (Continued)****CONSOLIDATING STATEMENT OF CASH FLOWS****For the Year Ended December 31, 2013****(in thousands)**

	<b>Issuer</b>	<b>Guarantor Subsidiaries</b>	<b>Non-Guarantor Subsidiaries</b>	<b>Eliminations</b>	<b>Consolidated</b>
<b>Cash Flows from Operating Activities:</b>					
Net income (loss)	\$ (71,733)	\$ 59,621	\$ 72,611	\$ (132,232)	\$ (71,733)
Income (loss) from discontinued operations, net of tax	198	(14,370)	(1,954)		(16,126)
Income (loss) from continuing operations	(71,931)	73,991	74,565	(132,232)	(55,607)
Adjustments to reconcile net income (loss) from continuing operations to net cash provided by operating activities:					
Equity in earnings of subsidiaries, net of tax	(134,003)	2,948		131,055	
Non-cash interest expense, including amortization of original issue discounts and deferred financing costs	17,704	59	76		17,839
Depreciation and amortization	5,864	189,325	179,403	(119)	374,473
Non-cash charges for sale of inventories revalued at the date of acquisition			2,504		2,504
Non-cash stock-based compensation expense	8,792	5,158	7,260		21,210
Tax benefit related to discontinued operations retained by Alere Inc		6,567	1,315		7,882
Impairment of inventory		26	311		337
Impairment of long-lived assets		4,581	1,237		5,818
Impairment of intangible assets			686		686
Loss on disposition of fixed assets		326	1,145		1,471
Equity earnings of unconsolidated entities, net of tax	(1,890)		(15,470)	(83)	(17,443)
Deferred income taxes	(41,807)	(26,116)	(61,144)	(620)	(129,687)
Loss on extinguishment of debt	35,603				35,603
Loss related to impairment and net gain on dispositions			5,124		5,124
Bargain purchase gain			(8,023)		(8,023)
Other non-cash items	5,202	1,617	3,631		10,450
Changes in assets and liabilities, net of acquisitions:					
Accounts receivable, net		(8,598)	(38,074)		(46,672)
Inventories, net		(55,783)	(28,981)	2,054	(82,710)
Prepaid expenses and other current assets	(577,892)	515,020	54,469	(2,907)	(11,310)
Accounts payable	4,591	(4,541)	17,700		17,750
Accrued expenses and other current liabilities	500,079	(427,864)	(17,964)	2,907	57,158
Other non-current liabilities	(14,271)	(17,729)	11,451	24	(20,525)
Cash paid for contingent consideration	(10,236)		(1,424)		(11,660)
Intercompany payable (receivable)	410,392	(251,389)	(159,037)	34	
Net cash provided by continuing operations	136,197	7,598	30,760	113	174,668
Net cash provided by (used in) discontinued operations	(2,103)	71,184	182	(31)	69,232
<b>Net cash provided by operating activities</b>	<b>134,094</b>	<b>78,782</b>	<b>30,942</b>	<b>82</b>	<b>243,900</b>
<b>Cash Flows from Investing Activities:</b>					
Increase in restricted cash	(2,221)		(28,943)		(31,164)

Edgar Filing: ALERE INC. - Form 10-K/A

Purchases of property, plant and equipment	(11,400)	(33,483)	(69,920)	14,895	(99,908)
Proceeds from sale of property, plant and equipment		5,183	12,876	(14,441)	3,618
Cash received from disposition, net of cash divested			29,000		29,000
Cash paid for business acquisitions, net of cash acquired	(166,772)		(9,359)		(176,131)
Cash received from sales of marketable securities		(66)	107		41
Cash received from (paid for) equity method investments	1,960		27,384	(6)	29,338
(Increase) decrease in other assets	15,269	(1,428)	905	(23)	14,723
<b>Net cash used in continuing operations</b>	<b>(163,164)</b>	<b>(29,794)</b>	<b>(37,950)</b>	<b>425</b>	<b>(230,483)</b>
Net cash used in discontinued operations		(26,936)	(27)		(26,963)
<b>Net cash used in investing activities</b>	<b>(163,164)</b>	<b>(56,730)</b>	<b>(37,977)</b>	<b>425</b>	<b>(257,446)</b>
<b>Cash Flows from Financing Activities:</b>					
Cash paid for financing costs	(9,845)				(9,845)
Cash paid for contingent purchase price consideration	(39,073)		(1,006)		(40,079)
Cash paid for dividends	(21,293)				(21,293)
Proceeds from issuance of common stock, net of issuance costs	20,863				20,863
Proceeds from issuance of long-term debt	425,000		33,962		458,962
Payments on long-term debt	(461,845)	(299)	(8,413)		(470,557)
Net proceeds (payments) under revolving credit facilities	147,500		(8,537)		138,963
Excess tax benefits on exercised stock options	193	200	68		461
Principal payments on capital lease obligations		(3,278)	(3,255)		(6,533)
Purchase of non-controlling interest			(165)		(165)
Other	(18,953)				(18,953)
<b>Net cash provided by (used in) continuing operations</b>	<b>42,547</b>	<b>(3,377)</b>	<b>12,654</b>		<b>51,824</b>
Net cash used in discontinued operations	(2,299)	(534)			(2,833)
<b>Net cash provided by (used in) financing activities</b>	<b>40,248</b>	<b>(3,911)</b>	<b>12,654</b>		<b>48,991</b>
Foreign exchange effect on cash and cash equivalents		(618)	(746)	(507)	(1,871)
<b>Net increase in cash and cash equivalents</b>	<b>11,178</b>	<b>17,523</b>	<b>4,873</b>		<b>33,574</b>
Cash and cash equivalents, beginning of period continuing operations	3,623	56,074	256,782		316,479
Cash and cash equivalents, beginning of period discontinued operations		11,855			11,855
<b>Cash and cash equivalents, end of period</b>	<b>14,801</b>	<b>85,452</b>	<b>261,655</b>		<b>361,908</b>
Less: Cash and cash equivalents of discontinued operations, end of period		6,476	1		6,477
<b>Cash and cash equivalents of continuing operations, end of period</b>	<b>\$ 14,801</b>	<b>\$ 78,976</b>	<b>\$ 261,654</b>	<b>\$</b>	<b>\$ 355,431</b>

**Table of Contents****ALERE INC. AND SUBSIDIARIES****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)****(26) Guarantor Financial Information (Continued)****CONSOLIDATING STATEMENT OF CASH FLOWS****For the Year Ended December 31, 2012****(in thousands)**

	<b>Issuer</b>	<b>Guarantor Subsidiaries</b>	<b>Non-Guarantor Subsidiaries</b>	<b>Eliminations</b>	<b>Consolidated</b>
<b>Cash Flows from Operating Activities:</b>					
Net income (loss)	\$ (78,217)	\$ 123,641	\$ 30,805	\$ (154,446)	\$ (78,217)
Loss from discontinued operations, net of tax	(1,391)	(29,011)	(2,724)		(33,126)
Income (loss) from continuing operations	(76,826)	152,652	33,529	(154,446)	(45,091)
Adjustments to reconcile net income (loss) from continuing operations to net cash provided by operating activities:					
Equity in (earnings) losses of subsidiaries, net of tax	(153,740)	1,574		152,166	
Non-cash interest expense, including amortization of original issue discounts and deferred financing costs	21,213	133			21,346
Depreciation and amortization	7,961	193,368	182,592	(21)	383,900
Non-cash charges for sale of inventories revalued at the date of acquisition		1,400	3,281		4,681
Non-cash stock-based compensation expense	4,247	5,486	5,932		15,665
Tax benefit related to discontinued operations retained by Alere Inc		3,133	1,755		4,888
Impairment of inventory			290		290
Impairment of long-lived assets		451	586		1,037
(Gain) loss on disposition of fixed assets	4	(3,656)	518		(3,134)
Gain on sales of marketable securities	(751)				(751)
Equity earnings of unconsolidated entities, net of tax	(2,205)		(10,952)	(88)	(13,245)
Deferred income taxes	26,156	(59,249)	(23,854)	(962)	(57,909)
Loss on extinguishment of debt	23,235				23,235
Other non-cash items	(1,001)	940	7,428		7,367
Changes in assets and liabilities, net of acquisitions:					
Accounts receivable, net		714	(20,524)		(19,810)
Inventories, net		(6,103)	(13,692)	2,902	(16,893)
Prepaid expenses and other current assets	(454,780)	355,041	(708)	95,087	(5,360)
Accounts payable	1,289	2,085	(15,046)		(11,672)
Accrued expenses and other current liabilities	342,165	(236,872)	30,813	(95,081)	41,025
Other non-current liabilities	(15,418)	1,424	(25,711)	(70)	(39,775)
Cash paid for contingent consideration	(10,243)	(74)			(10,317)
Intercompany payable (receivable)	413,479	(405,459)	(6,858)	(1,162)	
Net cash provided by continuing operations	124,785	6,988	149,379	(1,675)	279,477
Net cash provided by (used in) discontinued operations	5,332	36,545	(1,673)		40,204
<b>Net cash provided by operating activities</b>	<b>130,117</b>	<b>43,533</b>	<b>147,706</b>	<b>(1,675)</b>	<b>319,681</b>
<b>Cash Flows from Investing Activities:</b>					
Decrease in restricted cash		12	5,899		5,911
Purchases of property, plant and equipment	(2,061)	(63,602)	(109,396)	65,962	(109,097)
Proceeds from sale of property, plant and equipment		22,115	65,748	(66,217)	21,646



Edgar Filing: ALERE INC. - Form 10-K/A

Cash paid for business acquisitions, net of cash acquired	(399,052)	1,999	(22,934)		(419,987)
Cash received from sales of marketable securities	2,784	269	3		3,056
Cash received from equity method investments	1,470		11,237		12,707
Increase in other assets	(53,189)	(1,131)	(2,105)	70	(56,355)
Net cash used in continuing operations	(450,048)	(40,338)	(51,548)	(185)	(542,119)
Net cash used in discontinued operations	(4,500)	(27,570)			(32,070)
<b>Net cash used in investing activities</b>	<b>(454,548)</b>	<b>(67,908)</b>	<b>(51,548)</b>	<b>(185)</b>	<b>(574,189)</b>
<b>Cash Flows from Financing Activities:</b>					
Cash paid for financing costs	(10,139)				(10,139)
Cash paid for contingent purchase price consideration	(19,284)	(788)	(60)		(20,132)
Cash paid for dividends	(21,293)				(21,293)
Proceeds from issuance of common stock, net of issuance costs	14,924				14,924
Proceeds from issuance of long-term debt	648,000		535		648,535
Payments on short-term debt	(6,240)				(6,240)
Payments on long-term debt	(300,155)	(234)	(10,923)		(311,312)
Net proceeds (payments) under revolving credit facilities	22,500	(2)	(8,226)		14,272
Excess tax benefits on exercised stock options	176	303	25		504
Principal payments on capital lease obligations		(2,076)	(4,655)		(6,731)
Purchase of non-controlling interest			(2,972)		(2,972)
Other	(12,267)				(12,267)
Net cash provided by (used in) continuing operations	316,222	(2,797)	(26,276)		287,149
Net cash used in discontinued operations	(832)	(574)			(1,406)
<b>Net cash provided by (used in) financing activities</b>	<b>315,390</b>	<b>(3,371)</b>	<b>(26,276)</b>		<b>285,743</b>
Foreign exchange effect on cash and cash equivalents	213	474	(4,611)	1,860	(2,064)
Net increase (decrease) in cash and cash equivalents	(8,828)	(27,272)	65,271		29,171
Cash and cash equivalents, beginning of period - continuing operations	12,451	83,579	191,511		287,541
Cash and cash equivalents, beginning of period - discontinued operations		11,622			11,622
Cash and cash equivalents, end of period	3,623	67,929	256,782		328,334
Less: Cash and cash equivalents of discontinued operations, end of period		11,855			11,855
<b>Cash and cash equivalents of continuing operations, end of period</b>	<b>\$ 3,623</b>	<b>\$ 56,074</b>	<b>\$ 256,782</b>	<b>\$</b>	<b>\$ 316,479</b>

**Table of Contents**

**ALERE INC. AND SUBSIDIARIES**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

**(27) Subsequent Event**

On January 9, 2015, we completed the sale of our health management business conducted by Alere Health and its subsidiaries to OptumHealth Care Solutions, Inc. At the closing of the sale, Optum paid Alere \$600.1 million, which amount reflected an initial adjustment based on a preliminary determination of Alere Health's working capital and net cash as of the closing date and is subject to post-closing adjustments based on the final determination of Alere Health's working capital and net cash as of the closing date.

We used the net cash proceeds of the sale to repay \$575.0 million in aggregate principal amount of indebtedness under our secured credit facility, consisting of the repayment of \$127.0 million in aggregate principal amount of revolving credit loans outstanding thereunder, \$166.3 million in aggregate principal amount of A term loans (including Delayed Draw term loans) outstanding thereunder and \$281.7 million in aggregate principal amount of B term loans outstanding thereunder. Such repaid term loan amounts may not be reborrowed; such repaid revolving credit loan amount may be reborrowed, subject to compliance with the terms of the secured credit facility. If as a result of any purchase price adjustment we receive any additional net cash proceeds from the sale, we will be obligated to use such proceeds to make additional repayments of A term loans (including Delayed Draw term loans) and B term loans outstanding. See Note 8 for further information about our secured credit facility.