ALERE INC.
Form 10-Q
September 06, 2016
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UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 10-Q

(Mark One)

x **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the quarterly period ended June 30, 2016

OR

¨ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the transition period from __________ to __________

COMMISSION FILE NUMBER 001-16789

ALERE INC.

(Exact name of registrant as specified in its charter)

DELAWARE	**04-3565120**
(State or other jurisdiction of incorporation or organization)	**(I.R.S. Employer Identification No.)**

51 SAWYER ROAD, SUITE 200

WALTHAM, MASSACHUSETTS 02453

(Address of principal executive offices) (Zip code)

(781) 647-3900

(Registrant s telephone number, including area code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 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 x 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 (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes x No ¨

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 x	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 x

The number of shares outstanding of the registrant s common stock, par value of $0.001 per share, as of August 30, 2016 was 86,740,318.

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ALERE INC.

REPORT ON FORM 10-Q

For the Quarterly Period Ended June 30, 2016

This Quarterly Report on Form 10-Q contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. Readers can identify these statements by forward-looking words such as may, could, should, would, intend, will, expect, anticipate, believe, estimate, continue or similar words. A number of important factors could cause actual results of Alere Inc. and its subsidiaries to differ materially from those indicated by such forward-looking statements. These factors include, but are not limited to, the risk factors detailed in Part I, Item 1A, Risk Factors, of our Annual Report on Form 10-K for the fiscal year ended December 31, 2015 and other risk factors identified herein or from time to time in our periodic filings with the Securities and Exchange Commission. Readers should carefully review these forward-looking statements and these risk factors, and should not place undue reliance on our forward-looking statements. These forward-looking statements are based on information, plans and estimates at the date of this report. We undertake no obligation to update any forward-looking statements to reflect changes in underlying assumptions or factors, new information, future events or other changes.

Unless the context requires otherwise, references in this Quarterly Report on Form 10-Q to we, us and our refer to Alere Inc. and its subsidiaries.

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PART I FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

ALERE INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF OPERATIONS

(unaudited)

(in thousands, except per share amounts)

	Three Months Ended June 30, 2016	Three Months Ended June 30, 2015	Six Months Ended June 30, 2016	Six Months Ended June 30, 2015
Net product sales	$ 483,746	$ 491,049	$ 943,517	$ 975,387
Services revenue	124,809	126,628	240,518	250,484
Net product sales and services revenue	608,555	617,677	1,184,035	1,225,871
License and royalty revenue	2,533	5,694	5,262	10,392
Net revenue	611,088	623,371	1,189,297	1,236,263
Cost of net product sales	250,398	257,893	487,859	497,994
Cost of services revenue	78,294	76,800	151,394	152,426
Cost of net product sales and services revenue	328,692	334,693	639,253	650,420
Cost of license and royalty revenue	535	1,344	1,926	3,294
Cost of net revenue	329,227	336,037	641,179	653,714
Gross profit	281,861	287,334	548,118	582,549
Operating expenses:				
Research and development	28,446	27,198	55,508	55,214
Sales and marketing	102,516	108,024	202,329	217,103
General and administrative	128,354	61,173	243,310	153,864
Impairment and (gain) loss on dispositions, net		5,542	(3,810)	40,334
Operating income	22,545	85,397	50,781	116,034
Interest expense, including amortization of original issue discounts and deferred financing costs	(42,329)	(59,494)	(84,435)	(105,925)
Other income (expense), net	(14,112)	3,195	(15,461)	828
Income (loss) from continuing operations before provision for income taxes	(33,896)	29,098	(49,115)	10,937
Provision (benefit) for income taxes	3,117	15,689	2,909	7,836

Income (loss) from continuing operations before equity earnings of unconsolidated entities, net of tax		(37,013)		13,409		(52,024)		3,101
Equity earnings of unconsolidated entities, net of tax		2,122		1,361		7,156		5,320
Income (loss) from continuing operations		(34,891)		14,770		(44,868)		8,421
Income from discontinued operations, net of tax								216,777
Net income (loss)		(34,891)		14,770		(44,868)		225,198
Less: Net income attributable to non-controlling interests		143		359		246		447
Net income (loss) attributable to Alere Inc. and Subsidiaries		(35,034)		14,411		(45,114)		224,751
Preferred stock dividends		(5,308)		(5,308)		(10,617)		(10,558)
Net income (loss) available to common stockholders	$	(40,342)	$	9,103	$	(55,731)	$	214,193
Basic net income (loss) per common share:								
Income (loss) from continuing operations	$	(0.46)	$	0.11	$	(0.64)	$	(0.03)
Income from discontinued operations								2.56
Net income (loss) per common share	$	(0.46)	$	0.11	$	(0.64)	$	2.53
Diluted net income (loss) per common share:								
Income (loss) from continuing operations	$	(0.46)	$	0.11	$	(0.64)	$	(0.03)
Income from discontinued operations								2.56
Net income (loss) per common share	$	(0.46)	$	0.11	$	(0.64)	$	2.53
Weighted-average shares basic		86,737		85,173		86,692		84,758
Weighted-average shares diluted		86,737		86,635		86,692		84,758

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

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ALERE INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)

(unaudited)

(in thousands)

	Three Months Ended June 30, 2016	Three Months Ended June 30, 2015	Six Months Ended June 30, 2016	Six Months Ended June 30, 2015
Net income (loss)	$ (34,891)	$ 14,770	$ (44,868)	$ 225,198
Other comprehensive income (loss), before tax:				
Changes in cumulative translation adjustment	(44,135)	46,726	(21,942)	(33,616)
Minimum pension liability adjustment	531	(374)	686	(1,756)
Other comprehensive income (loss), before tax	(43,604)	46,352	(21,256)	(35,372)
Other comprehensive income (loss)	(43,604)	46,352	(21,256)	(35,372)
Comprehensive income (loss)	(78,495)	61,122	(66,124)	189,826
Less: Comprehensive income attributable to non-controlling interests	143	359	246	447
Comprehensive income (loss) attributable to Alere Inc. and Subsidiaries	$ (78,638)	$ 60,763	$ (66,370)	$ 189,379

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

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ALERE INC. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

(unaudited)

(in thousands, except par value)

	June 30, 2016	December 31, 2015
ASSETS		
Current assets:		
Cash and cash equivalents	$ 506,164	$ 502,200
Restricted cash	5,662	5,694
Marketable securities	74	164
Accounts receivable, net of allowances of $92,983 and $89,701 at June 30, 2016 and December 31, 2015, respectively	427,222	445,833
Inventories, net	333,846	347,001
Prepaid expenses and other current assets	162,339	152,233
Assets held for sale current		4,165
Total current assets	1,435,307	1,457,290
Property, plant and equipment, net	438,787	446,039
Goodwill	2,811,545	2,836,915
Other intangible assets with indefinite lives	28,279	28,110
Finite-lived intangible assets, net	909,208	997,281
Restricted cash	42,589	43,228
Other non-current assets	16,290	18,078
Investments in unconsolidated entities	74,511	65,333
Deferred tax assets	18,638	13,993
Non-current income tax receivable	3,517	3,517
Assets held for sale non-current	12,223	13,337
Total assets	$ 5,790,894	$ 5,923,121
LIABILITIES AND EQUITY		
Current liabilities:		
Short-term debt and current portion of long-term debt	$ 43,681	$ 199,992
Current portion of capital lease obligations	3,500	3,962
Accounts payable	194,235	195,752
Accrued expenses and other current liabilities	320,526	324,465
Liabilities related to assets held for sale current		363
Total current liabilities	561,942	724,534
Long-term liabilities:		
Long-term debt, net of current portion	2,920,789	2,831,166

Capital lease obligations, net of current portion	6,972	7,181
Deferred tax liabilities	140,864	147,618
Other long-term liabilities	148,165	154,193
Total long-term liabilities	3,216,790	3,140,158
Commitments and contingencies		
Stockholders equity:		
Series B preferred stock, $0.001 par value (liquidation preference: $709,701 at June 30, 2016 and $709,763 at December 31, 2015); Authorized: 2,300 shares; Issued: 2,065 shares at June 30, 2016 and December 31, 2015; Outstanding: 1,774 shares at June 30, 2016 and December 31, 2015	606,406	606,468
Common stock, $0.001 par value; Authorized: 200,000 shares; Issued: 94,419 shares at June 30, 2016 and 94,043 shares at December 31, 2015; Outstanding: 86,740 shares at June 30, 2016 and 86,364 shares at December 31, 2015	94	94
Additional paid-in capital	3,458,639	3,438,732
Accumulated deficit	(1,511,481)	(1,466,381)
Treasury stock, at cost, 7,679 shares at June 30, 2016 and December 31, 2015	(184,971)	(184,971)
Accumulated other comprehensive loss	(361,033)	(339,777)
Total stockholders equity	2,007,654	2,054,165
Non-controlling interests	4,508	4,264
Total equity	2,012,162	2,058,429
Total liabilities and equity	$ 5,790,894	$ 5,923,121

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

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ALERE INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

(unaudited)

(in thousands)

	Six Months Ended June 30, 2016	2015
Cash Flows from Operating Activities:		
Net income (loss)	$ (44,868)	$ 225,198
Income from discontinued operations, net of tax		216,777
Income (loss) from continuing operations	(44,868)	8,421
Adjustments to reconcile net income (loss) to net cash provided by operating activities:		
Non-cash interest expense, including amortization of original issue discounts and deferred financing costs	5,261	7,784
Depreciation and amortization	142,405	147,103
Non-cash stock-based compensation expense	20,607	12,279
Impairment of inventory	870	68
Impairment of long-lived assets	633	387
Loss on disposition of fixed assets	4,235	3,318
Equity earnings of unconsolidated entities, net of tax	(7,156)	(5,320)
Gain on sales of marketable securities		(8)
Deferred income taxes	(13,210)	(42,171)
(Gain) loss related to impairment and net loss on dispositions	(3,810)	40,334
(Gain) loss on extinguishment of debt		3,480
Other non-cash items	9,720	(2,332)
Non-cash change in fair value of contingent purchase price consideration	(1,780)	(52,867)
Changes in assets and liabilities, net of acquisitions:		
Accounts receivable, net	20,023	(18,016)
Inventories, net	(5,820)	(45,219)
Prepaid expenses and other current assets	(24,881)	(27,077)
Accounts payable	(1)	(23,251)
Accrued expenses and other current liabilities	(1,676)	23,052
Other non-current liabilities	(6,106)	8,536
Cash paid for contingent purchase price consideration	(324)	(3,781)
Net cash provided by continuing operations	94,122	34,720
Net cash provided by discontinued operations		318
Net cash provided by operating activities	94,122	35,038

Cash Flows from Investing Activities:

Increase in restricted cash	(449)	(424,025)
Purchases of property, plant and equipment	(32,318)	(47,284)
Proceeds from sale of property, plant and equipment	892	1,120
Cash received from dispositions, net of cash divested	21,470	586,625
Cash paid for business acquisitions, net of cash acquired	(5,958)	
Cash received from equity method investments	2,383	14,297
Cash received from sales of marketable securities	90	93
Cash paid for investments	(184)	
Decrease in other assets	495	1,750
Net cash provided by (used in) continuing operations	(13,579)	132,576
Net cash used in discontinued operations		(209)
Net cash provided by (used in) investing activities	(13,579)	132,367
Cash Flows from Financing Activities:		
Cash paid for financing costs	(19,564)	(15,731)
Cash paid for contingent purchase price consideration	(485)	(6,373)
Proceeds from issuance of common stock, net of issuance costs	11,124	56,332
Proceeds from issuance of long-term debt	381	2,121,851
Payments on short-term debt	(791)	(584)
Payments on long-term debt	(177,637)	(2,118,264)
Net (payments) proceeds under revolving credit facilities	126,213	(126,320)
Cash paid for dividends	(10,646)	(10,646)
Principal payments on capital lease obligations	(2,210)	(2,910)
Net cash used in continuing operations	(73,615)	(102,645)
Net cash used in discontinued operations		(76)
Net cash used in financing activities	(73,615)	(102,721)
Foreign exchange effect on cash and cash equivalents	(2,964)	(1,574)
Net increase in cash and cash equivalents	3,964	63,110
Cash and cash equivalents, beginning of period continuing operations	502,200	378,461
Cash and cash equivalents, beginning of period discontinued operations		23,300
Cash and cash equivalents, end of period	506,164	464,871
Less: Cash and cash equivalents of discontinued operations, end of period		
Cash and cash equivalents of continuing operations, end of period	$ 506,164	$ 464,871

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

ALERE INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(unaudited)

(1) Basis of Presentation of Financial Information

The accompanying consolidated financial statements of Alere Inc. are unaudited. In the opinion of management, the unaudited consolidated financial statements contain all adjustments considered normal and recurring and necessary for their fair statement. Interim results are not necessarily indicative of results to be expected for the year. These interim financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America, or U.S. GAAP, for interim financial information and in accordance with the instructions to Form 10-Q and Article 10 of Regulation S-X. Accordingly, these consolidated financial statements do not include all of the information and footnotes necessary for a complete presentation of financial position, results of operations, comprehensive income and cash flows. Our audited consolidated financial statements for the year ended December 31, 2015 included information and footnotes necessary for such presentation and were included in our Annual Report on Form 10-K filed with the Securities and Exchange Commission, or SEC, on August 8, 2016. These unaudited consolidated financial statements should be read in conjunction with our audited consolidated financial statements and notes thereto for the year ended December 31, 2015.

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

(2) Revision of Previously Reported Consolidated Financial Statements

In connection with the preparation of our consolidated financial statements for the fiscal year ended December 31, 2015, we determined that, in fiscal years 2013 and 2014, each of the interim periods of 2014 and the first three quarters of fiscal year 2015, we had incorrectly reported the timing of recognition of certain revenue transactions for such periods. As a result, we revised our consolidated financial statements as of December 31, 2014 and for the fiscal years ended December 31, 2014 and 2013, each of the interim periods in 2014 and the first three quarters of fiscal year 2015.

Specifically, the errors in the application of U.S. GAAP rules regarding the timing of revenue recognition primarily related to: (i) transactions, principally in Africa, in which we recognized revenue when the product shipped to the distributor, but we contractually retained title in the products until the distributor paid for the products in full or the distributor was not obligated to pay us until the products were sold through to the end-user; (ii) bill and hold transactions, principally in China, which did not meet the criteria for revenue recognition under U.S. GAAP; and (iii) other transactions, in which we recognized revenue prior to full satisfaction of all contractual criteria for title and risk of loss passing to the customer.

These errors required adjustments to the period in which certain revenues were recognized so that such revenues were recognized in the period in which: physical delivery occurred as defined by the contractual relationship; title and risk of loss had transferred to the buyer; or the buyer had the contractual obligation to pay the amounts invoiced, as required by U.S. GAAP revenue recognition rules and our accounting policy relating to revenue recognition. The impact of these adjustments was a decrease in revenue of $5.8 million and $1.0 million for the three and six months ended June 30, 2015, respectively.

Additionally, we have reflected other out-of-period adjustments in the periods in which such adjustments originated. These adjustments were identified during the financial closing process in connection with the fiscal years ended December 31, 2014 and 2013 and the first three quarters of fiscal year 2015 but were not reflected in our prior filings because they were deemed immaterial. The financial statements included in this Quarterly Report on Form 10-Q have been adjusted to include the adjustments in the period in which these items originated. These out-of-period adjustments are treated as corrections to our prior period financial results. For the three months ended June 30, 2015 these adjustments include a $1.2 million increase in operating expenses related to a bonus accrual, a $1.1 million increase in other income and expense, net due to the measurement of a royalty obligation and the income tax impact of these adjustments. For the six months ended June 30, 2015 these adjustments include a $1.2 million increase in operating expenses related to a bonus accrual, a $2.2 million increase in other income and expense, net due to the measurement of a royalty obligation and the income tax impact of these adjustments. Although management has determined that the errors, as well as the revenue recognition issues noted in the preceding paragraphs, individually and in the aggregate, were not material to prior periods, the financial statements for the three and six months ended June 30, 2015, included herein, have been revised to correct for the impact of these items. Unless otherwise indicated, the consolidated financial information as of and for the three and six months ended June 30, 2015 presented in this Quarterly Report on Form 10-Q reflects these revisions.

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

	Three Months Ended June 30, 2015		
Revised Consolidated Statement of Operations (in thousands, except per share data)	**As Previously Reported**	**Adjustment**	**As Revised**
Net product sales	$ 496,834	$ (5,785)	$ 491,049
Net product sales and services revenue	$ 623,462	$ (5,785)	$ 617,677
Net revenue	$ 629,156	$ (5,785)	$ 623,371
Cost of net product sales	$ 258,485	$ (592)	$ 257,893
Cost of service revenue	$ 76,753	$ 47	$ 76,800
Cost of net product sales and services revenue	$ 335,238	$ (545)	$ 334,693
Cost of net revenue	$ 336,582	$ (545)	$ 336,037
Gross profit	$ 292,574	$ (5,240)	$ 287,334
Sales and marketing	$ 107,184	$ 840	$ 108,024
General and administrative	$ 60,813	$ 360	$ 61,173
Operating income	$ 91,837	$ (6,440)	$ 85,397
Other income (loss), net	$ 4,260	$ (1,065)	$ 3,195
Income from continuing operations before provision for income taxes	$ 36,603	$ (7,505)	$ 29,098
Provision for income taxes	$ 17,701	$ (2,012)	$ 15,689
Income from continuing operations before equity earnings of unconsolidated entities, net of tax	$ 18,902	$ (5,493)	$ 13,409
Income from continuing operations	$ 20,263	$ (5,493)	$ 14,770
Net income	$ 20,263	$ (5,493)	$ 14,770
Net income attributable to Alere Inc. and Subsidiaries	$ 19,904	$ (5,493)	$ 14,411
Net income available to common stockholders	$ 14,596	$ (5,493)	$ 9,103
Basic and diluted income per common share: Income from continuing operations	$ 0.17	$ (0.06)	$ 0.11
Basic and diluted net income per common share: Net income per common share	$ 0.17	$ (0.06)	$ 0.11

	Six Months Ended June 30, 2015		
Revised Consolidated Statement of Operations (in thousands, except per share data)	**As Previously Reported**	**Adjustment**	**As Revised**
Net product sales	$ 976,433	$ (1,046)	$ 975,387
Net product sales and services revenue	$ 1,226,917	$ (1,046)	$ 1,225,871
Net revenue	$ 1,237,309	$ (1,046)	$ 1,236,263
Cost of net product sales	$ 497,122	$ 872	$ 497,994
Cost of service revenue	$ 152,334	$ 92	$ 152,426
Cost of net product sales and services revenue	$ 649,456	$ 964	$ 650,420
Cost of net revenue	$ 652,750	$ 964	$ 653,714
Gross profit	$ 584,559	$ (2,010)	$ 582,549
Sales and marketing	$ 216,263	$ 840	$ 217,103

General and administrative	$ 153,504	$ 360	$ 153,864
Operating income	$ 119,244	$ (3,210)	$ 116,034
Other income (loss), net	$ 2,990	$ (2,162)	$ 828
Income from continuing operations before benefit for income taxes	$ 16,309	$ (5,372)	$ 10,937
Provision for income taxes	$ 8,915	$ (1,079)	$ 7,836
Income from continuing operations before equity earnings of unconsolidated entities, net of tax	$ 7,394	$ (4,293)	$ 3,101
Income from continuing operations	$ 12,714	$ (4,293)	$ 8,421
Net income	$ 229,491	$ (4,293)	$ 225,198
Net income attributable to Alere Inc. and Subsidiaries	$ 229,044	$ (4,293)	$ 224,751
Net income available to common stockholders	$ 218,486	$ (4,293)	$ 214,193
Basic and diluted income (loss) per common share: Income (loss) from continuing operations	$ 0.02	$ (0.05)	$ (0.03)
Basic and diluted net income per common share: Net income per common share	$ 2.54	$ (0.01)	$ 2.53

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Revised Consolidated Statement of Comprehensive Loss (in thousands)	Three Months Ended June 30, 2015 As Previously Reported	Adjustment	As Revised
Net income	$ 20,263	$ (5,493)	$ 14,770
Comprehensive income	$ 66,615	$ (5,493)	$ 61,122
Comprehensive income attributable to Alere Inc. and Subsidiaries	$ 66,256	$ (5,493)	$ 60,763

Revised Consolidated Statement of Comprehensive Loss (in thousands)	Six Months Ended June 30, 2015 As Previously Reported	Adjustment	As Revised
Net income	$ 229,491	$ (4,293)	$ 225,198
Comprehensive income	$ 194,119	$ (4,293)	$ 189,826
Comprehensive income attributable to Alere Inc. and Subsidiaries	$ 193,672	$ (4,293)	$ 189,379

Revised Consolidated Statement of Cash Flows (in thousands)	Six Months Ended June 30, 2015 As Previously Reported	Adjustment	As Revised
Net income	$ 229,491	$ (4,293)	$ 225,198
Income from continuing operations	$ 12,714	$ (4,293)	$ 8,421
Depreciation and amortization	$ 147,011	$ 92	$ 147,103
Deferred income taxes	$ (40,655)	$ (1,516)	$ (42,171)
Accounts receivable, net	$ (27,464)	$ 9,448	$ (18,016)
Inventories, net	$ (46,093)	$ 874	$ (45,219)
Accrued expenses and other current liabilities	$ 27,657	$ (4,605)	$ 23,052
Other non-current liabilities	$ 6,025	$ 2,511	$ 8,536
Net cash provided by continuing operations	$ 32,209	$ 2,511	$ 34,720
Net cash provided by operating activities	$ 32,527	$ 2,511	$ 35,038
Excess tax benefits on exercised stock options	$ 2,511	$ (2,511)	$
Net cash used in continuing operations	$ (100,134)	$ (2,511)	$ (102,645)
Net cash used in financing activities	$ (100,210)	$ (2,511)	$ (102,721)

We have also reflected these corrections as applicable in our consolidated financial statements and our consolidating financial statements presented in Note 22 *Guarantor Financial Information*.

(3) Merger Agreement

Merger Agreement with Abbott Laboratories

On January 30, 2016, we entered into an Agreement and Plan of Merger, or the Merger Agreement, with Abbott Laboratories, or Abbott. The Merger Agreement provides for the merger of a newly formed, wholly owned subsidiary of Abbott with and into Alere, or the merger, with Alere surviving the merger as a wholly owned subsidiary of Abbott, or the surviving corporation. Under the terms of the Merger Agreement, holders of shares of our common stock will receive $56.00 in cash, without interest, in exchange for each share of common stock. Each share of our Series B Convertible Perpetual Preferred Stock, par value $0.001 per share, or Series B Preferred Stock, issued and outstanding immediately prior to the effective time of the merger will remain issued and outstanding immediately following the consummation of the merger as one share of Series B Convertible Preferred Stock, par value $0.001 per share, of the surviving corporation. The Merger Agreement was approved by our board of directors. Completion of the merger is subject to customary closing conditions, including (1) the adoption of the Merger Agreement by the affirmative vote of the holders of at least a majority of all outstanding shares of our common stock, (2) there being no judgment or law enjoining or otherwise prohibiting the consummation of the merger and (3) the expiration of the waiting period applicable to the merger under the Hart-Scott-Rodino Antitrust Improvements Act of 1976, as amended, or the HSR Act, and receipt of other required antitrust approvals. The obligation of each of the parties to consummate the merger is also conditioned on the other party s representations and warranties being true and correct (subject to certain materiality exceptions) and the other party having performed in all material respects its obligations under the Merger Agreement. The Merger Agreement contains certain termination rights and provides that, upon termination of the Merger Agreement under certain circumstances, Alere would be required to pay Abbott a termination fee equal to $177.0 million.

On May 2, 2016, Abbott and Alere received a request for additional information, or a second request, from the United States Federal Trade Commission, or the FTC, relating to Abbott s potential acquisition of Alere. The second request was issued under the HSR Act. In addition, Abbott has agreed voluntarily to provide the FTC at least 60 days advance notice before certifying substantial compliance with the second request and to extend the waiting period imposed by the HSR Act to not less than 60 days after Abbott and Alere have certified substantial compliance with the second request, unless the period is further extended voluntarily by the parties or terminated sooner by the FTC. On June 23, 2016, Abbott and Alere received a request for additional information, or a supplemental information request, from the Canadian Competition Bureau, or the Bureau, relating to Abbott s potential acquisition of Alere. The supplemental information request was issued under the Competition Act of Canada, or the Competition Act. The effect of the supplemental information request is to extend the waiting period imposed by the Competition Act until 30 days after Abbott and Alere have each complied with the supplemental information request, unless the period is extended voluntarily by the parties or terminated sooner by the Bureau. Under the terms of the Merger Agreement, Abbott has agreed to make certain divestitures if necessary to obtain the consent of the antitrust authorities to the transaction contemplated by the Merger Agreement, subject to certain exceptions set forth in the Merger Agreement.

On August 25, 2016, we filed a complaint against Abbott in Delaware Chancery Court, which seeks to compel Abbott to fulfill its obligations under the terms of the Merger Agreement to take all actions necessary to promptly obtain all required antitrust approvals for the merger. The complaint alleges, among other things, that Abbott is purposefully failing to comply with its obligations set forth in the Merger Agreement related to obtaining antitrust approvals. Specifically, the complaint alleges that Abbott: (i) purposefully failed to supply information requested by the FTC as promptly as reasonably practicable after such requests were made, as expressly required by the Merger Agreement; (ii) purposefully failed to supply information requested and make antitrust filings pursuant to antitrust laws in various foreign jurisdictions as promptly as reasonably practicable after such requests were made; (iii) purposefully failed to promptly take any and all steps necessary to avoid or eliminate impediments to obtaining antitrust clearance in the United States and in various foreign jurisdictions; (iv) purposefully failed to keep Alere informed in all material respects and on a reasonably timely basis of material communications with respect to the merger with antitrust authorities in the United States and in various foreign jurisdictions; and (v) purposefully failed to cooperate and consult with Alere, as well as give due consideration to Alere s views with respect to antitrust matters. We have asked the Delaware Chancery Court to require Abbott to specifically perform its obligations with respect to these matters, as required by the Merger Agreement.

(4) Discontinued Operations

On January 9, 2015, we completed the sale of our health management business to OptumHealth Care Solutions for a purchase price of $599.9 million. We used the net cash proceeds of the sale to repay $575.0 million in aggregate principal amount of outstanding indebtedness under our prior credit facility.

The following summarized financial information related to the health management business has been segregated from continuing operations and reported as discontinued operations in our consolidated statements of operations for the three and six months ended June 30, 2015. The results are as follows (in thousands):

	Three and Six Months Ended June 30, 2015
Net revenue	$ 7,373
Cost of net revenue	(4,413)
Sales and marketing	(996)
General and administrative	(5,001)
Interest expense	(9)
Other income (expense), net	160
Gain on disposal	366,191

Income from discontinued operations before provision for income taxes		363,305
Provision for income taxes		146,528
Income from discontinued operations, net of tax	$	216,777

(5) Cash and Cash Equivalents

We consider all highly-liquid cash investments with original maturities of three months or less at the date of acquisition to be cash equivalents. At June 30, 2016, our cash equivalents consisted of money market funds.

(6) Inventories

Inventories are stated at the lower of cost (first in, first out) or market and are comprised of the following (in thousands):

	June 30, 2016		December 31, 2015	
Raw materials	$	121,904	$	130,171
Work-in-process		74,206		69,178
Finished goods		137,736		147,652
	$	333,846	$	347,001

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(7) Stock-based Compensation

We recorded stock-based compensation expense in our consolidated statements of operations for the three and six months ended June 30, 2016 and 2015, respectively, as follows (in thousands):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2016	2015	2016	2015
Cost of net revenue	$ 601	$ 287	$ 1,080	$ 540
Research and development	481	282	879	606
Sales and marketing	2,636	1,251	4,561	2,345
General and administrative	7,286	5,310	14,086	8,788
	$ 11,004	$ 7,130	$ 20,607	$ 12,279

(8) Net Income (Loss) per Common Share

The following table sets forth the computation of basic and diluted net income (loss) per common share for the periods presented (in thousands, except per share amounts):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2016	2015	2016	2015
Basic and diluted net income (loss) per common share:				
Numerator:				
Income (loss) from continuing operations	$ (34,891)	$ 14,770	$ (44,868)	$ 8,421
Preferred stock dividends	(5,308)	(5,308)	(10,617)	(10,558)
Income (loss) from continuing operations attributable to common shares	(40,199)	9,462	(55,485)	(2,137)
Less: Net income attributable to non-controlling interest	143	359	246	447
Income (loss) from continuing operations attributable to Alere Inc. and Subsidiaries	(40,342)	9,103	(55,731)	(2,584)
Income from discontinued operations				216,777
Net income (loss) available to common stockholders	$ (40,342)	$ 9,103	$ (55,731)	$ 214,193
Denominator:				
Weighted-average common shares outstanding basic	86,737	85,173	86,692	84,758
	86,737	86,635	86,692	84,758

Weighted-average common shares outstanding diluted								
Basic net income (loss) per common share:								
Income (loss) from continuing operations attributable to Alere Inc. and Subsidiaries	$	(0.46)	$	0.11	$	(0.64)	$	(0.03)
Income from discontinued operations								2.56
Basic net income (loss) per common share	$	(0.46)	$	0.11	$	(0.64)	$	2.53
Diluted net income (loss) per common share:								
Income (loss) from continuing operations attributable to Alere Inc. and Subsidiaries	$	(0.46)	$	0.11	$	(0.64)	$	(0.03)
Income from discontinued operations								2.56
Diluted net income (loss) per common share	$	(0.46)	$	0.11	$	(0.64)	$	2.53

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2016	2015	2016	2015
Denominator:				
Options to purchase shares of common stock	7,329	7,627	7,329	7,627
Warrants				4
Conversion shares related to 3% convertible senior subordinated notes	1,687	3,411	2,549	3,411
Conversion shares related to subordinated convertible promissory notes		27		27
Conversion shares related to Series B convertible preferred stock	10,238	10,239	10,238	10,239
Total number of antidilutive potentially issuable shares of common stock excluded from diluted common shares outstanding	19,254	21,304	20,116	21,308

(9) Stockholders Equity and Non-controlling Interests

(a) Preferred Stock

For the three and six months ended June 30, 2016, Series B preferred stock dividends amounted to $5.3 million and $10.6 million, respectively, and for the three and six months ended June 30, 2015, Series B preferred stock dividends amounted to $5.3 million and $10.6 million, respectively, which reduced earnings available to common stockholders for purposes of calculating net income (loss) per common share for each of the respective periods. As of June 30, 2016, $5.3 million of Series B preferred stock dividends was accrued. As of July 15, 2016, payments have been made covering all dividend periods through June 30, 2016.

The Series B preferred stock dividends for the three and six months ended June 30, 2016 and 2015 were paid in cash in the subsequent quarters.

(b) Changes in Stockholders Equity and Non-controlling Interests

A summary of the changes in stockholders equity and non-controlling interests comprising total equity for the six months ended June 30, 2016 is provided below (in thousands):

	Six Months Ended June 30, 2016		
	Total Stockholders Equity	Non-controlling Interests	Total Equity
Equity, beginning of period	$ 2,054,165	$ 4,264	$ 2,058,429
	11,308		11,308

Issuance of common stock under employee compensation plans			
Net issuance of common stock to settle taxes on restricted stock units	(1,410)		(1,410)
Preferred stock dividends	(10,646)		(10,646)
Stock-based compensation expense	20,607		20,607
Other adjustments		(2)	(2)
Net income (loss)	(45,114)	246	(44,868)
Total other comprehensive loss	(21,256)		(21,256)
Equity, end of period	$ 2,007,654	$ 4,508	$ 2,012,162

(10) Business Combinations

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.

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Net assets acquired are recorded at their estimated 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 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.

Acquisition in 2016

EDTS

On February 11, 2016, we acquired the shares of European Drug Testing Services EDTS AB, or EDTS, located in Lidingo, Sweden, a provider of services related to on-site drug testing. The aggregate purchase price was approximately $6.5 million and was paid in cash. The operating results of EDTS are included in our professional diagnostics reporting unit and business segment.

Our consolidated statements of operations for the three and six months ended June 30, 2016 included revenue totaling approximately $1.7 million and $2.6 million, respectively, related to this business. Goodwill has been recognized in the acquisition and amounted to approximately $2.1 million, which is deductible for tax purposes.

A summary of the preliminary fair values of the net assets acquired from EDTS is as follows (in thousands):

	Fair Value
Current assets	$ 1,371
Property, plant and equipment	115
Goodwill	2,065
Intangible assets	4,220
Total assets acquired	$ 7,771
Current liabilities	$ 1,301
Total liabilities assumed	$ 1,301
Net assets acquired	$ 6,470
Cash paid	$ 6,470

The following table provides information regarding the intangible assets acquired in connection with the EDTS acquisition and their respective preliminary fair values and weighted-average useful lives (dollars in thousands):

	Fair Value	Weighted-average Useful Life

Core technology and patents	$	540	10.0 years
Trademarks and trade names		310	20.0 years
Customer relationships		2,800	14.0 years
Non-compete agreements		570	3.0 years
Total intangible assets	$	4,220	

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(11) Restructuring

The following table sets forth aggregate restructuring charges recorded in our consolidated statements of operations for the three and six months ended June 30, 2016 and 2015 (in thousands):

Statement of Operations Caption	Three Months Ended June 30, 2016	Three Months Ended June 30, 2015	Six Months Ended June 30, 2016	Six Months Ended June 30, 2015
Cost of net revenue	$ 1,103	$ 896	$ 2,370	$ 2,399
Research and development	1,034	156	2,954	649
Sales and marketing	259	570	909	1,953
General and administrative	6,389	3,231	10,215	4,122
Total operating expenses	8,785	4,853	16,448	9,123
Interest expense, including amortization of original issue discounts and deferred financing costs	2	6	7	13
Total restructuring charges	$ 8,787	$ 4,859	$ 16,455	$ 9,136

(a) Restructuring Plans

During 2016, management developed world-wide cost reduction plans to reduce costs and improve operational efficiencies within our professional diagnostics and corporate and other business segments, primarily impacting our manufacturing and supply chain, and research and development groups, as well as closing certain business locations in Europe and the United States. The following table summarizes the restructuring activities related to the 2016 restructuring plans, in addition to our earlier restructuring plans as previously disclosed in our Annual Report on Form 10-K for the fiscal year ended December 31, 2015, for the three and six months ended June 30, 2016 and 2015 and since inception of these restructuring plans (in thousands):

	Three Months Ended June 30,		Six Months Ended June 30,		Since Inception
Professional Diagnostics	**2016**	**2015**	**2016**	**2015**	
Severance-related costs	$ 3,183	$ 1,264	$ 6,274	$ 4,064	$ 44,261
Facility and transition costs	213	2,581	1,194	4,007	12,862
Other exit costs	2	6	7	13	829
Cash charges	3,398	3,851	7,475	8,084	57,952
Fixed asset and inventory impairments	21	445	419	454	16,372
Other non-cash charges	(3)		210		2,192
Total professional diagnostics charges	$ 3,416	$ 4,296	$ 8,104	$ 8,538	$ 76,516
Corporate and Other					
Severance-related costs	$ (19)	$ 569	$ (4)	$ 611	$ 4,273

Facility and transition costs	5,390	(6)	8,355	(13)	19,677
Total corporate and other charges	$ 5,371	$ 563	$ 8,351	$ 598	$ 23,950
Total restructuring charges	$ 8,787	$ 4,859	$ 16,455	$ 9,136	$ 100,466

We anticipate incurring approximately $4.4 million and $8.0 million in additional costs under our 2016 restructuring plans related to our professional diagnostics and corporate and other business segments, respectively, primarily related to integration and operational initiatives and site closures. We may develop additional restructuring plans over the remainder of 2016. In addition, we anticipate incurring approximately $3.7 million in additional costs under earlier restructuring plans as in effect at June 30, 2016, primarily related to the closure of our manufacturing facility in Israel.

(b) Restructuring Reserves

The following table summarizes our restructuring reserves related to the plans described above, of which $9.5 million is included in accrued expenses and other current liabilities and $0.6 million is included in other long-term liabilities on our accompanying consolidated balance sheets (in thousands):

	Severance-related Costs	**Facility and Transition Costs**	**Other Exit Costs**	**Total**
Balance, December 31, 2015	$ 1,633	$ 1,966	$ 180	$ 3,779
Cash charges	6,270	9,549	7	15,826
Payments	(3,814)	(5,645)	(73)	(9,532)
Currency adjustments	(18)	11		(7)
Balance, June 30, 2016	$ 4,071	$ 5,881	$ 114	$ 10,066

(12) Long-term Debt

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

	June 30, 2016	December 31, 2015
A term loans(1)(2)	$ 559,317	$ 575,746
B term loans(1)(2)	958,337	965,740
Revolving loans(1)	125,000	
7.25% Senior notes(2)	442,533	446,320
6.5% Senior subordinated notes(2)	415,679	419,209
6.375% Senior subordinated notes(2)	414,033	418,133
3% Convertible senior subordinated notes(3)		149,839
Other lines of credit	1,335	136
Other	48,236	56,035
	2,964,470	3,031,158
Less: Short-term debt and current portion of long-term debt	(43,681)	(199,992)
Long-term debt	$ 2,920,789	$ 2,831,166

(1) Incurred under our secured credit facility entered into on June 18, 2015.

(2) As discussed more fully below in this Note 12, (i) on March 31, 2016 we were in default under the credit agreement governing our secured credit facility, or the Credit Agreement, and the respective indentures governing our 7.25% senior notes, our 6.5% senior subordinated notes, our 6.375% senior subordinated notes and our 3% convertible senior subordinated notes as a result of our failure to timely furnish to the holders of such debt our annual financial statements for the year ended December 31, 2015 and (ii) we subsequently entered into an amendment to the Credit Agreement and solicited consents from the requisite holders of our senior notes and senior subordinated notes (other than holders of our 3% convertible senior subordinated notes) to waive certain defaults and extend the deadline dates for the filing and delivery, as applicable, of our Annual Report on Form 10-K, our Quarterly Report on Form 10-Q for the quarter ended March 31, 2016 and certain related deliverables in order to avoid events of default under the Credit Agreement and the indentures governing our notes. On June 30, 2016, we were not in default under the Credit Agreement or the indentures governing our notes. As discussed more fully below in this Note 12, in August 2016 we entered into a further amendment to the Credit Agreement with respect to our failure to timely file this Quarterly Report on Form 10-Q. At September 1, 2016, we were in default under the indentures governing our outstanding notes with respect to our failure to timely file this Quarterly Report on Form 10-Q and, by filing this Quarterly Report on Form 10-Q prior to the expiration of the applicable cure periods under the notes, we have cured this default.

(3) The principal amount of the 3% convertible senior subordinated notes is included in the short-term debt and current portion of long-term debt on our consolidated balance sheets as of December 31, 2015, as these notes matured (and were fully paid and discharged) in May 2016.

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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 the three and

six months ended June 30, 2016 and 2015 as follows (in thousands):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2016	2015	2016	2015
Secured credit facility [(1)]	$ 17,834	$ 12,851	$ 34,877	$ 12,851
Prior credit facility [(2)] [(3)]		19,726		39,188
7.25% Senior notes	8,904	8,525	17,428	17,049
6.5% Senior subordinated notes	7,405	7,234	14,636	14,467
6.375% Senior subordinated notes	7,112	542	14,115	542
8.625% Senior subordinated notes		9,274		18,547
3% Convertible senior subordinated convertible notes	603	1,246	1,847	2,492
Other	471	96	1,532	789
	$ 42,329	$ 59,494	$ 84,435	$ 105,925

(1) Includes A term loans, B term loans, and revolving line of credit loans.

(2) Includes the following loans under our prior credit facility: 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 and later converted into and consolidated into the B term loans; and revolving line of credit loans. For the three and six months ended June 30, 2015, the amounts include $0.3 million and $0.7 million, respectively, related to the amortization of fees paid for certain debt modifications.

(3) Includes a $3.5 million loss on extinguishment of debt associated with our prior credit facility.

April and August 2016 Amendments to Secured Credit Facility

On April 22, 2016, we and the requisite lenders under the Credit Agreement entered into an amendment to the Credit Agreement pursuant to which the requisite lenders agreed to (i) waive certain Defaults and Events of Defaults (each as defined in the Credit Agreement) that may have occurred, are occurring or will occur, resulting from, among other things, (x) our failure to deliver to the Administrative Agents (as defined in the Credit Agreement) the financial statements and certain related deliverables for the year ended December 31, 2015 by the applicable deadline under the Credit Agreement, (y) any restatement of certain financial statements as a result of our incorrect application of revenue recognition principles for the years ended December 31, 2013, 2014 and 2015, or (z) any breach of any representation or affirmative covenant as a result of certain deliverables being incorrect when delivered, which breach is discovered as part of the audit of our financial statements for the year ended December 31, 2015, to the extent that such breach is due to our incorrect application of revenue recognition principles for the years ended December 31, 2013, 2014 and 2015, and (ii) extend the deadlines for delivery of the financial statements for the year ended December 31, 2015, the financial statements for the quarter ended March 31, 2016 and certain related deliverables. Under the terms of this amendment, we were required to deliver our unaudited financial statements for the three months ended March 31, 2016 and certain related deliverables on or before August 18, 2016. We made the required deliveries before that date. In connection with this amendment, we paid, among other fees and expenses, to each consenting lender aggregate consent fees of 0.250% of the sum of (i) the aggregate principal amount of such lender s Term Loans (as defined in the Credit Agreement) outstanding on the effective date of the amendment and (ii) such lender s Revolving Credit Commitment (as defined in the Credit Agreement) outstanding on the effective date of the amendment, or approximately $4.5 million in the aggregate for all consenting lenders. The amendment was deemed to be a debt modification, and therefore the payments were capitalized and will be amortized to interest expense over the remaining term of the debt. The amendment also increased the applicable interest rate margins for all loans outstanding under our secured credit facility by 0.25% per annum for the period from July 1, 2016 to the date of delivery of such financial reports and related deliverables under our secured credit facility.

On August 18, 2016, we and the requisite lenders under the Credit Agreement entered into a further amendment to the Credit Agreement pursuant to which the requisite lenders agreed to (i) waive certain Defaults and Events of Defaults (each as defined in the Credit Agreement) that may have occurred, are occurring or will occur, resulting from, among other things, our failure to deliver to the Administrative Agents (as defined in the Credit Agreement) (x) the financial statements and certain related deliverables for the three months ended March 31, 2016, which we refer to as the Q1 Financial Reports, by the applicable deadline under the Credit Agreement or (y) the financial statements and certain related deliverables for the three months ended June 30, 2016, which we refer to as the Q2 Financial Reports, by the applicable deadline under the Credit Agreement, and (ii) extend the deadline for delivery of the Q1 Financial Reports to August 25, 2016 and the deadline for the delivery of the Q2 Financial Reports to September 13, 2016. In connection with this amendment, we paid, among other fees and expenses, to each consenting lender aggregate consent fees of 0.125% of the sum of (i) the aggregate principal amount of such lender s Term Loans outstanding on the effective date of the amendment and (ii) such lender s Revolving Credit Commitment outstanding on the effective date of the amendment, or approximately $2.2 million in the aggregate for all consenting lenders. The amendment was deemed to be a debt modification, and therefore the payments were capitalized and will be amortized to interest expense over the remaining term of the debt.

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May 2016 Waivers with respect to Senior Notes and Senior Subordinated Notes

On April 29, 2016, we commenced consent solicitations relating to our 6.5% senior subordinated notes, our 6.375% senior subordinated notes and our 7.25% senior notes, which we refer to collectively as the Notes. The consent solicitations were made to holders of record of the Notes as of April 28, 2016, and such solicitations were completed on May 9, 2016. Pursuant to the consent solicitations, the requisite holders of each series of Notes agreed to extend the deadline for delivery of certain financial information and to waive, through and until 5:00 p.m., New York City time, on August 31, 2016, any default or event of default that occurred, is continuing or may occur under the indentures under which the Notes were issued (and its consequences) in connection with any failure to timely file with the SEC or to timely furnish to the relevant trustees pursuant to the indentures, our Annual Report on Form 10-K for the fiscal year ended December 31, 2015 and our subsequent Quarterly Reports on Form 10-Q, or the Failures to File. In connection with the Failures to File, we paid, in May and July 2016, to each holder of Notes who validly delivered a consent aggregate cash payments equal to $15.00 for each $1,000 aggregate principal amount of such holder s Notes, or an aggregate of $19.2 million. The waivers were deemed to be a debt modification, and therefore the payments were capitalized and will be amortized to interest expense over the remaining term of the debt.

Maturity of our 3.0% convertible senior subordinated notes

Our 3% convertible senior subordinated notes matured and were repaid in full on May 15, 2016. Based on the price of our common stock on the date of maturity, we paid all outstanding principal and accrued interest owing under such notes in cash. The aggregate amount paid to the noteholders at maturity was approximately $152.0 million, consisting of $125.0 million in cash drawn under our revolving credit facility plus $27.0 million of cash available on such date.

(13) 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.

The following tables present information about our assets and liabilities that are measured at fair value on a recurring basis as of June 30, 2016 and December 31, 2015, and indicates the fair value hierarchy of the valuation techniques we utilized to determine such fair value (in thousands):

Description		June 30, 2016		Quoted Prices in Active Markets (Level 1)		Significant Other Observable Inputs (Level 2)		Unobservable Inputs (Level 3)
Assets:								
Marketable securities	$	74	$	74	$		$	
Total assets	$	74	$	74	$		$	
Liabilities:								
Contingent consideration obligations (1)	$	55,100	$		$		$	55,100
Total liabilities	$	55,100	$		$		$	55,100

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Description	December 31, 2015	Quoted Prices in Active Markets (Level 1)	Significant Other Observable Inputs (Level 2)	Unobservable Inputs (Level 3)
Assets:				
Marketable securities	$ 164	$ 164	$	$
Total assets	$ 164	$ 164	$	$
Liabilities:				
Contingent consideration obligations [1]	$ 57,744	$	$	$ 57,744
Total liabilities	$ 57,744	$	$	$ 57,744

(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 17(a) 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 six months ended June 30, 2016 were as follows (in thousands):

Fair value of contingent consideration obligations, December 31, 2015	$ 57,744
Payments	(865)
Fair value adjustments	(1,780)
Foreign currency adjustments	1
Fair value of contingent consideration obligations, June 30, 2016	$ 55,100

At June 30, 2016 and December 31, 2015, 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 (including the current portion) were both $3.0 billion at June 30, 2016. The carrying amount and estimated fair value of our long-term debt (including the current portion) were $3.1 billion and $3.0 billion, respectively, at December 31, 2015. The estimated fair value of our long-term debt was determined using market sources that were derived from available market information (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.

(14) Financial Information by Segment

Operating segments are defined as components of an enterprise about which separate financial information is available that is evaluated regularly by the chief operating decision maker, or decision-making group, in deciding how to allocate resources and in assessing performance. Our chief operating decision-making group is composed of the chief executive officer and members of senior management. We currently have three reportable operating segments: (i) professional diagnostics, (ii) consumer diagnostics and (iii) 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. We evaluate performance of our operating segments based on revenue and operating income (loss). Segment information for the three and six months ended June 30, 2016 and 2015 is as follows (in thousands):

	Professional Diagnostics	Consumer Diagnostics	Corporate and Other	Total
Three Months Ended June 30, 2016:				
Net revenue	$ 591,294	$ 19,794	$	$ 611,088
Operating income (loss)	$ 85,535	$ 396	$ (63,386)	$ 22,545
Depreciation and amortization	$ 66,393	$ 1,374	$ 2,134	$ 69,901
Restructuring charge	$ 3,414	$	$ 5,371	$ 8,785
Stock-based compensation	$	$	$ 11,004	$ 11,004

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	Professional Diagnostics	Consumer Diagnostics	Corporate and Other	Total
Three Months Ended June 30, 2015:				
Net revenue	$ 598,726	$ 24,645	$	$ 623,371
Operating income (loss)	$ 153,241	$ 1,079	$ (68,923)	$ 85,397
Impairment and (gain) loss on dispositions, net	$ (38,836)	$	$ 44,378	$ 5,542
Depreciation and amortization	$ 70,189	$ 725	$ 1,775	$ 72,689
Restructuring charge	$ 4,290	$	$ 563	$ 4,853
Stock-based compensation	$	$	$ 7,130	$ 7,130
Six Months Ended June 30, 2016:				
Net revenue	$ 1,152,061	$ 37,236	$	$ 1,189,297
Operating income (loss)	$ 168,215	$ 563	$ (117,997)	$ 50,781
Impairment and (gain) loss on dispositions, net	$ (3,810)	$	$	$ (3,810)
Depreciation and amortization	$ 135,225	$ 2,873	$ 4,307	$ 142,405
Restructuring charge	$ 8,097	$	$ 8,351	$ 16,448
Stock-based compensation	$	$	$ 20,607	$ 20,607
Six Months Ended June 30, 2015:				
Net revenue	$ 1,189,651	$ 46,612	$	$ 1,236,263
Operating income (loss)	$ 242,784	$ 3,283	$ (130,033)	$ 116,034
Impairment and (gain) loss on dispositions, net	$ (40,568)	$	$ 80,902	$ 40,334
Depreciation and amortization	$ 142,658	$ 1,436	$ 3,009	$ 147,103
Restructuring charge	$ 8,525	$	$ 598	$ 9,123
Stock-based compensation	$	$	$ 12,279	$ 12,279
Assets:				
As of June 30, 2016	$ 5,572,046	$ 179,445	$ 39,403	$ 5,790,894
As of December 31, 2015	$ 5,619,901	$ 172,551	$ 130,669	$ 5,923,121

The following tables summarize our net revenue from the professional diagnostics reporting segments by groups of similar products and services for the three and six months ended June 30, 2016 and 2015 (in thousands):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2016	2015	2016	2015
Cardiometabolic	$ 203,982	$ 211,672	$ 398,559	$ 412,608
Infectious disease	190,168	172,834	373,402	358,236
Toxicology	158,199	157,495	304,982	306,251
Other	36,412	51,031	69,856	102,164
Total professional diagnostics net product sales and services revenue	588,761	593,032	1,146,799	1,179,259
License and royalty revenue	2,533	5,694	5,262	10,392
Total professional diagnostics net revenue	$ 591,294	$ 598,726	$ 1,152,061	$ 1,189,651

(15) Related Party Transactions

(a) 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 $3.7 million as of June 30, 2016 and $1.2 million as of December 31, 2015. The $3.7 million net payable balance as of June 30, 2016 is net of a receivable of approximately $1.3 million for costs incurred in connection with our 2008 SPD-related restructuring plans. The $1.2 million net payable balance as of December 31, 2015 is net of a receivable of approximately $1.5 million for costs incurred in connection with our 2008 SPD-related restructuring plans. We have also recorded a long-term receivable totaling approximately $6.7 million and $8.9 million as of June 30, 2016 and December 31, 2015, respectively, related to the 2008 SPD-related restructuring plans. Additionally, customer receivables associated with revenue earned after the formation of the joint venture have been classified as other receivables within prepaid and other current assets on our consolidated balance sheets in the amounts of $8.8 million and $7.8 million as of June 30, 2016 and December 31, 2015, 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 $21.8 million and $39.5 million during the three and six months ended June 30, 2016, respectively, and $21.7 million and $41.2 million during the three and six months ended June 30, 2015, respectively. Additionally, services revenue generated pursuant to the long-term services agreement with the joint venture totaled $0.3 million and $0.5 million during the three and six months ended June 31, 2016, respectively, and $0.3 million and $0.6 million during the three and six months ended June 30, 2015, 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.

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. We defer our profit on products sold to SPD until the products are sold through to the customer. As a result of these related transactions, we have recorded $11.7 million and $9.9 million of trade receivables which are included in accounts receivable on our consolidated balance sheets as of June 30, 2016 and December 31, 2015, respectively, and $31.6 million and $24.9 million of trade accounts payable which are included in accounts payable on our consolidated balance sheets as of June 30, 2016 and December 31, 2015, respectively.

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

Balance Sheet Caption	**June 30, 2016**	**December 31, 2015**
Accounts receivable, net of allowances	$ 11,670	$ 9,873
Prepaid expenses and other current assets	$ 8,768	$ 6,602
Other non-current assets	$ 6,699	$ 8,895
Accounts payable	$ 31,584	$ 24,887

As previously disclosed, SPD is currently involved in civil litigation brought by a competitor in the United States with respect to the advertising of one of SPD s products in the United States. During 2015, SPD appealed the district court s injunction with respect to sales and advertising of such product, which was based on a finding that SPD violated certain laws with respect to the advertising of such product. The appellate court has issued a stay of the injunction, pending the outcome of the appeal. In addition, a class action lawsuit has been initiated against SPD and P&G in the United States District Court for the Central District of California, alleging violations of certain laws in connection with the sales and advertising of one of SPD s products which claims are based on similar grounds as those at issue in the litigation described above in this paragraph. On August 19, 2016, the class action lawsuit was dismissed with prejudice. The plaintiffs may appeal the decision prior to September 19, 2016. There may be additional lawsuits against SPD or us relating to this matter in the future. The ultimate resolution of these matters is not known at this time, nor is the potential impact they or future litigation may have on SPD or us, including whether any such resolution or any damages imposed by a court would have a material adverse impact on SPD and, ultimately, by virtue of our 50% interest in SPD, on our financial position or results of operations.

(b) Entrustment Loan Arrangement with SPD Shanghai

Our subsidiary Alere (Shanghai) Diagnostics Co., Ltd., or Alere Shanghai, and SPD s subsidiary SPD Trading (Shanghai) Co., Ltd., or SPD Shanghai, entered into an entrustment loan arrangement for a maximum of CNY 23 million (approximately $3.5 million at June 30, 2016), 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 our balance sheet and amounted to $3.5 million at June 30, 2016.

(c) TechLab

We have an equity method investment in TechLab, Inc., or TechLab, a company that provides diagnostic testing products used by physicians and other health care customers to diagnose, treat, and monitor intestinal diseases and other medical conditions. We own approximately 49% of Techlab. We have also entered into an exclusive distributor agreement with Techlab. This agreement grants us the global distribution rights to Techlab s products with certain exceptions. We had trade payables owed to Techlab of $1.5 million and $3.2 million as of June 30, 2016 and December 31, 2015, respectively. We made product purchases from Techlab of $4.5 million and $4.1 million during the three months ended June 30, 2016 and 2015, respectively, and $9.2 million and $8.5 million during the six months ended June 30, 2016 and 2015.

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(16) 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, or BARDA, to develop diagnostic countermeasures for pandemic influenza. Under the terms of the 3.5 year contract, BARDA has agreed to 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. For the three months ended June 30, 2016 and 2015, we had incurred $1.0 million and $0.9 million, respectively, of qualified expenditures under the contract, for which we had received cash reimbursement from BARDA in the amount of $0.0 million and $0.5 million, respectively, and $1.0 million and $0.4 million was recorded as a receivable as of June 30, 2016 and 2015, respectively. 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 & 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 validated, low-cost, nucleic-acid assays and cartridges for clinical tuberculosis detection and drug-resistance testing, 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 provided 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. In April 2016, we and the Gates Foundation agreed to mutually terminate this grant and loan agreement and, therefore, there will be no additional grants and no advances will be available under the loan agreement. Prior to its termination, we did not borrow any amounts under the Gates Loan Agreement. As of June 30, 2016, we had received approximately $19.7 million in grant-related funding from the Gates Foundation. Grant funds were recorded upon receipt as restricted cash and deferred grant funding, with the deferred grant funding classified within accrued expenses and other current liabilities on our accompanying consolidated balance sheet. As qualified expenditures were incurred under the terms of the grant, we used the deferred funding to recognize a reduction of our related qualified research and development expenditures. For the three months ended June 30, 2015, we incurred approximately $1.8 million of qualified expenditures, for which we reduced our deferred grant funding balance and recorded an offset to our research and development expenses. There were no amounts remaining as restricted cash or deferred grant funding under the February 2013 grant agreement as of June 30, 2016.

In addition to the February 2013 grant discussed above, we have also been awarded several smaller grants by the Gates Foundation in the aggregate amount of approximately $2.9 million to support the elimination of malaria. We incurred qualifying expenses totaling approximately $0.3 million and $0.1 million for the three months ended June 30, 2016 and 2015, respectively. We incurred qualifying expenses totaling approximately $0.5 million and $0.3 million for the six months ended June 30, 2016 and 2015, respectively. As of June 30, 2016, $1.4 million under these grants was recorded as restricted cash and $1.3 million as deferred grant funding on our accompanying consolidated balance sheet.

(17) Commitments and Contingencies

(a) 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.

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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 June 30, 2016	Remaining Earn-out Period as of June 30, 2016	Estimated Fair Value as of June 30, 2016	Estimated Fair Value as of December 31, 2015	Payments Made During 2016
TwistDx, Inc.[1]	March 11, 2010	$ 35,600	$ 102,870	2016 2025[3]	$ 46,600	$ 47,800	$ 377
Epocal[2]	February 1, 2013	$ 75,000	$ 45,500	2016 2018	3,900	4,700	
Other	Various	$ 30,373	$ [4]	2016	4,600	5,244	488
					$ 55,100	$ 57,744	$ 865

(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 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.

(3) The maximum earn-out period ends on the fifteenth anniversary of the acquisition date.

(4) The maximum remaining earn-out potential for the other acquisitions is not determinable due to the nature of one of the earn-outs, which is tied to an unlimited revenue metric.

(b) Legal Proceedings

Abbott Laboratories

On August 25, 2016, Alere Inc. filed suit against Abbott Laboratories in the Delaware Chancery Court, and filed an accompanying motion to expedite the proceedings. The complaint alleges, among other things, that Abbott is purposefully failing to comply with its obligations set forth in the Merger Agreement related to obtaining antitrust approvals. Specifically, the complaint alleges that Abbott: (i) purposefully failed to supply information requested by the FTC as promptly as reasonably practicable after such requests were made, as expressly required by the Merger Agreement; (ii) purposefully failed to supply information requested and make antitrust filings pursuant to antitrust laws in various foreign jurisdictions as promptly as reasonably practicable after such requests were made; (iii) purposefully failed to promptly take any and all steps necessary to avoid or eliminate impediments to obtaining antitrust clearance in the United States and in various foreign jurisdictions; (iv) purposefully failed to keep Alere informed in all material respects and on a reasonably timely basis of material communications with respect to the merger with antitrust authorities in the United States and in various foreign jurisdictions; and (v) purposefully failed to cooperate and consult with Alere, as well as give due consideration to Alere s views with respect to antitrust matters. We have asked the Delaware Chancery Court to require Abbott to specifically perform its obligations with respect to these matters, as required by the Merger Agreement. On August 30, 2016, Abbott filed its response in opposition to the motion to expedite the proceedings in this matter. On September 2, 2016, the Delaware Chancery Court granted our motion to expedite the proceedings.

U.S. Securities and Exchange Commission Subpoenas

On August 28, 2015, we received a subpoena from the SEC which indicated that it is conducting a formal investigation of Alere. The SEC s subpoena relates to, among other things, (i) our previously filed restatement and revision to our financial statements, including the accounting for deferred taxes for discontinued operations, as well as our tax strategies and policies and (ii) our sales practices and dealings with third parties (including distributors and foreign government officials) in Africa relating to sales to government entities. On January 14, 2016, we received a second subpoena from the SEC in connection with this formal investigation seeking, among other things, additional information related to sales of products and services to end-users in Africa, as well as revenue recognition relating to sales of products and services to end-users in Africa. We have also received, from time to time, requests in connection with the investigation to voluntarily produce additional information to the SEC, including information pertaining to certain other countries in Asia and Latin America.

We are cooperating with the SEC and have provided documents in response to the subpoenas and voluntary requests. We are unable to predict when this matter will be resolved or what further action, if any, the SEC may take in connection with it.

Department of Justice Grand Jury Subpoena

On March 11, 2016, we received a grand jury subpoena from the United States Department of Justice requiring the production of documents relating to, among other things, sales, sales practices and dealings with third parties (including distributors and foreign governmental officials) in Africa, Asia and Latin America and other matters related to the U.S. Foreign Corrupt Practices Act.

We are cooperating with the Department of Justice and have provided information in response to the subpoena. We are unable to predict when this matter will be resolved or what further action, if any, the Department of Justice may take in connection with it.

Securities Class Actions

On April 21, 2016, a class action lawsuit captioned *Godinez* v. *Alere Inc.*, was filed against us in the United States District Court for the District of Massachusetts. On May 4, 2016, a second class action lawsuit captioned *Breton* v. *Alere Inc.*, was filed against us in the United States District Court for the District of Massachusetts. Both of these class actions purport to assert claims against us and certain current and former officers for alleged violations of Section 10(b) and Section 20(a) of the Exchange Act and Rule 10b-5 under the Exchange Act. Each plaintiff seeks to represent a proposed class of all persons who purchased or otherwise acquired our common stock during the period May 9, 2013 through April 20, 2016. Each complaint seeks damages allegedly caused by alleged materially misleading statements and/or material omissions by us and the officers regarding our business, prospects and operations, each plaintiff claims, which allegedly operated to inflate artificially the price paid for our common stock during the class period. Each complaint seeks unspecified compensatory damages, attorneys fees and costs. On July 11, 2016, the court entered an order consolidating the two actions and appointing lead plaintiffs and lead counsel, and on July 19, 2016, the court ordered a schedule for the filing of a consolidated amended complaint and for the motion to dismiss briefing.

We are unable at this time to determine the outcome of this class action lawsuit or our potential liability, if any.

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 a Form FDA 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. In September 2014, as follow up to a further inspection of our San Diego facility, the FDA notified us that this inspection was classified voluntary action indicated, meaning that the objectionable conditions or practices found in the inspection did 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 government and are responding to the investigation, which is ongoing. We have been engaged in discussions with the government about this matter, including a resolution of potential related False Claims Act and common law liability exposure for the products under review. As a result of these discussions, management has accrued $10.2 million for this matter in the three months ended June 30, 2016. We would need to obtain certain approvals before we could agree to any proposed resolution. There can be no assurance that future discussions with the government to resolve these matters will be successful, that the approvals we need will be obtained or that any potential settlement will be agreed to or finalized. We may be required to engage in litigation of this matter, which may be time consuming and costly. Based on the ongoing uncertainties and potentially wide range of outcomes associated with any potential resolution, the ultimate amount of potential loss may materially exceed the accrual we have established.

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.

INRatio Class Actions

On May 26, 2016, a class action lawsuit captioned *Dina Andren and Sidney Bludman v. Alere Inc*., *et al.*, was filed against us in the United States District Court for the Southern District of California. In addition, on July 22, 2016, a class action lawsuit captioned *J.E, J.D., and all others similarly situated v. Alere Inc., Alere San Diego, Inc. and Alere Home Monitoring, Inc.,* was filed against us in the United States District Court for the District of Massachusetts. These class actions purport to assert claims against us under several legal theories, including fraud, breach of warranty, unjust enrichment and violation of applicable unfair competition/business practice statutes in connection with the manufacturing, marketing and sale of our INRatio products. The plaintiffs in the *Dina Andren and Sidney Bludman* class action seek to represent a proposed class of all persons who purchased, rented or otherwise paid for the INRatio system during the period January 1, 2009 to May 26, 2016 in the United States, or alternatively, California, Maryland and/or New York. The plaintiffs in the *J.E, J.D., and all others similarly situated* class action seek to represent a proposed class of all persons who purchased, rented or otherwise paid for the INRatio system during the period April 1, 2008 to present. Both class action complaints seek restitution and damages allegedly resulting from inaccurate PT/INR readings and from the purchase of devices that claimants say they would not have purchased had they known of the alleged propensity of these devices to yield inaccurate PT/INR results. Among other things, plaintiffs in these class action lawsuits seek a refund of money spent on INRatio products. Each complaint also seeks unspecified compensatory damages, injunctive relief, attorneys fees and costs. The *Andren* action also appears to seek damages for personal injury.

We are unable, at this time, to predict the outcome of these class action lawsuits.

Claims in the Ordinary Course and Other Matters

We are also party to certain other legal proceedings and other governmental investigations, or are requested to provide information in connection with such proceedings or investigations. For example, in December 2014, we and our subsidiary, Avee Laboratories Inc., or Avee, 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. In addition, we received a U.S. Department of Justice criminal subpoena addressed to Alere Toxicology Services, Inc. on July 1, 2016 which seeks records related to Medicare, Medicaid and Tricare billings dating back to 2010 for specific patient samples tested at our Austin, Texas pain management laboratory and payments made to physicians. We are cooperating with these investigations and are providing documents in response to both subpoenas. We and our subsidiary, Arriva Medical, LLC, are also in the process of responding to Civil Investigative Demands, or CIDs, the most recent of which was received in July 2016, 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 CIDs request patient and insurance billing and medical records, records related to interactions with third parties, and correspondence related to the same, dating back to January 2010. We are cooperating with the investigation and are providing documents responsive to the CIDs. We cannot predict what effect, if any, these investigations, or any resulting claims, could have on Alere or its subsidiaries.

We have received, from time to time, additional subpoenas and requests for information from the United States Department of Justice, other federal government agencies and state attorneys general, and we have, in each of these cases, cooperated with the applicable governmental entity in responding to the applicable subpoena or request for information. For example, in May 2016, we received a subpoena from the U.S. Attorney for the District of New Jersey, which seeks various documents related to the accuracy, reliability and performance of the INRatio System, including documents relating to prior interactions with the FDA and others regarding the system.

Our diabetes, toxicology and patient self-testing businesses are subject to audit and claims for reimbursement brought in the ordinary course by private third-party payers, including health insurers, Zone Program Integrity Contractors, or ZPICs, and Medicare

Administrative Contractors, or MACs, to monitor compliance with coverage and reimbursement rules and guidelines. These types of audits and claims can include, but are not limited to, claims relating to proper documentation and support or claims relating to the medical necessity of certain testing and can lead to assertions or determinations that certain claims should not have been, or will no longer be, paid by the private third-party payer or by Medicare or Medicaid. In such cases, the payer or program may 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, product liability claims, personal injury claims, including claims arising from or relating to product recalls, negligence claims, third-party subpoenas 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. For example, several individuals have filed suits against us alleging personal injury claims in connection with the use of our INRatio products (which are in addition to the class action suits described above).

Such lawsuits or claims generally seek damages or reimbursement, sometimes in substantial amounts. There are possible unfavorable outcomes related to litigation or governmental investigations that could adversely impact our business, results of operations, financial condition, and cash flows.

(18) Recent Accounting Pronouncements

From time to time, new accounting pronouncements are issued by the Financial Accounting Standards Board, or FASB, or other standard setting bodies that we adopt on or before the specified effective date. Unless otherwise discussed, we believe that the impact of recently issued standards that are not yet effective will not have a material impact on our financial position, results of operations, comprehensive income or cash flows upon adoption. Please also see Note 3, *Summary of Significant Accounting Policies*, to our consolidated financial statements included within our Annual Report on Form 10-K for the fiscal year ended December 31, 2015.

Recently Issued Standards

In May 2016, the FASB issued ASU No. 2016-12, *Revenue from Contracts with Customers (Topic 606): Narrow-Scope Improvements and Practical Expedients,* or ASU 2016-12. ASU 2016-12: (1) clarifies the objective of the collectability criterion for applying Accounting Standards Codification, or ASC, paragraph 606-10-25-7; (2) permits an entity to exclude amounts collected from customers for all sales (and other similar) taxes from the transaction price; (3) specifies that the measurement date for non-cash consideration is contract inception; (4) provides a practical expedient that permits an entity to reflect the aggregate effect of all modifications that occur before the beginning of the earliest period presented when identifying the satisfied and unsatisfied performance obligations, determining the transaction price, and allocating the transaction price to the satisfied and unsatisfied performance obligations; (5) clarifies that a completed contract for purposes of transition is a contract for which all (or substantially all) of the revenue was recognized under legacy GAAP before the date of initial application, and (6) clarifies that an entity that retrospectively applies the guidance in Topic 606 to each prior reporting period is not required to disclose the effect of the accounting change for the period of adoption. ASU 2016-12 is effective for fiscal years beginning after December 15, 2017, including interim periods within those fiscal years. We do not expect the adoption of ASU 2016-12 to have a significant impact on our consolidated financial statements.

In April 2016, the FASB issued ASU No. 2016-10, *Revenue from Contracts with Customers (Topic 606): Identifying Performance Obligations and Licensing,* or ASU 2016-10. ASU 2016-10 adds further guidance on identifying performance obligations and also to improve the operability and understandability of the licensing implementation guidance. ASU 2016-10 is effective for fiscal years beginning after December 15, 2017, including interim periods within those fiscal years, with early adoption permitted. We are currently evaluating the impact of the adoption of ASU 2016-10 on our consolidated financial statements.

In March 2016, the FASB issued ASU No. 2016-09, *Compensation - Stock Compensation (Topic 718): Improvements to Employee Share-Based Payment Accounting*, or ASU 2016-09. ASU 2016-09 simplifies several aspects of the accounting for share-based payment award transactions including income tax consequences, classification of awards as either equity or liabilities, and classification on the statement of cash flows. ASU 2016-09 is effective for fiscal years beginning after December 15, 2016, including interim periods within those fiscal years, with early adoption permitted. We do not expect the adoption of ASU 2016-09 to have a significant impact on our consolidated financial statements.

In March 2016, the FASB issued ASU No. 2016-07, *Investments - Equity Method and Joint Ventures (Topic 323): Simplifying the Transition to the Equity Method of Accounting,* or ASU 2016-07. ASU 2016-07 eliminates the requirement that when an investment qualifies for use of the equity method as a result of an increase in the level of ownership interest or degree of influence, an investor must adjust the investment, results of operations, and retained earnings retroactively on a step-by-step basis as if the equity method had been in effect during all previous periods that the investment had been held. ASU 2016-07 requires that the equity method investor add the cost of acquiring the additional interest in the investee to the current basis of the investor s previously held interest and adopt the equity method of accounting as of the date the investment becomes qualified for equity method accounting. Therefore, upon qualifying for the equity method of accounting, no retroactive adjustment of the investment is required. ASU 2016-07 also requires that an entity that has an available-for-sale equity security that becomes qualified for the equity method of accounting recognize through earnings the unrealized holding gain or loss in accumulated other comprehensive income at the date the investment becomes qualified for use of the equity method. ASU 2016-07 is effective for fiscal years beginning after December 15, 2016, including interim periods within those fiscal years, and should be applied prospectively with early adoption permitted. We do not expect the adoption of ASU 2016-07 to have a significant impact on our consolidated financial statements.

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In February 2016, the FASB issued ASU No. 2016-02, *Leases (Topic 842),* or ASU 2016-02. ASU 2016-02 requires lessees to recognize for all leases (with the exception of short-term leases) at the commencement date, a lease liability which is a lessee s obligation to make lease payments arising from a lease measured on a discounted basis, and a right-of-use asset, which is an asset that represents the lessee s right to use, or control the use of, a specified asset for the lease term. ASU 2016-02 is effective for fiscal years beginning after December 15, 2018, including interim periods within those fiscal years, and should be applied with a modified retrospective transition approach, with early adoption permitted. We are currently evaluating the impact of the adoption of ASU 2016-02 on our 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 September 2015, the FASB issued ASU No. 2015-16, *Business Combinations (Topic 805): Simplifying the Accounting for Measurement-Period Adjustments,* or ASU 2015-16. ASU 2015-16 requires that an acquirer recognize adjustments to estimated amounts that are identified during the measurement period in the reporting period in which the adjustment amounts are determined. ASU 2015-16 is effective for fiscal years beginning after December 15, 2015, including interim periods within those fiscal years. The amendments should be applied prospectively to adjustments to provisional amounts that occur after the effective date with earlier application permitted for financial statements that have not been issued. Effective January 1, 2016, we adopted ASU 2015-16. The adoption did not have a significant impact on our consolidated financial statements.

In April 2015, the FASB issued ASU No. 2015-03, *Interest Imputation of Interest (Subtopic 835-30): Simplifying the Presentation of Debt Issuance Costs*, or ASU 2015-03. ASU 2015-03 is intended to simplify the presentation of debt issuance costs. It requires that debt issuance costs related to a recognized debt liability be presented in the balance sheet as a direct deduction from the carrying amount of that debt liability, consistent with debt discounts. ASU 2015-03 is effective for fiscal years beginning after December 15, 2015, and for interim periods within those fiscal years. Early adoption is permitted. In August 2015, the FASB issued ASU No. 2015-15, *Interest Imputation of Interest (Subtopic 835-30) Presentation and Subsequent Measurement of Debt Issuance Costs Associated with Line-of-Credit Arrangements (Amendments to SEC Paragraphs Pursuant to Staff Announcement at June 18, 2015 EITF Meeting),* or ASU 2015-15. ASU 2015-15 adds the authoritative guidance on presentation or subsequent measurement of debt issuance costs related to line-of-credit arrangements to ASU 2015-03. Effective December 31, 2015, we adopted ASU 2015-03 and ASU 2015-15, and accordingly we have reclassified $49.6 million and $34.1 million of debt issuance costs from other non-current assets to long-term debt, net of current portion on our balance sheet as of June 30, 2016 and December 31, 2015, respectively.

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. Effective March 31, 2016, we adopted ASU 2014-12. The adoption did not have a significant impact on our consolidated financial statements.

(19) Equity Investments

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

(a) SPD

We recorded earnings of $1.6 million and $6.2 million during the three and six months ended June 30, 2016, respectively, and earnings of $0.6 million and $4.2 million during the three and six months ended June 30, 2015, 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 and elimination of intercompany profit in inventory related to sales from Alere to SPD which is reflected in SPD s net income. During the three and six months ended June 30, 2015, we received $12.1 million in cash from SPD as a return of capital.

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(b) TechLab

We recorded earnings of $0.6 million and $1.0 million during the three and six months ended June 30, 2016, respectively, and earnings of $0.4 million and $0.8 million during the three and six months ended June 30, 2015, respectively, in equity earnings of unconsolidated entities, net of tax, in our accompanying consolidated statements of operations, which represented our minority share of TechLab s net income for the respective periods. During the three and six months ended June 30, 2015, we received $2.2 million in cash from TechLab as a return of capital.

As of June 30, 2016, we continued to meet the held for sale criteria with respect to our 49% investment in TechLab. We intend to use all or a portion of the proceeds from any sale of this investment to fund our working capital, operations, research and development or repay a portion of our outstanding indebtedness. Accordingly, we have classified our investment in TechLab in assets held for sale non-current in our consolidated balance sheet as of June 30, 2016.

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

Combined Condensed Results of Operations:	Three Months Ended June 30, 2016	Three Months Ended June 30, 2015	Six Months Ended June 30, 2016	Six Months Ended June 30, 2015
Net revenue	$ 55,077	$ 53,159	$ 108,511	$ 101,016
Gross profit	$ 36,634	$ 34,559	$ 72,853	$ 67,830
Net income after taxes	$ 4,328	$ 3,039	$ 14,469	$ 11,096

Combined Condensed Balance Sheet:	June 30, 2016	December 31, 2015
Current assets	$ 91,942	$ 71,542
Non-current assets	31,826	30,802
Total assets	$ 123,768	$ 102,344
Current liabilities	$ 47,764	$ 37,609
Non-current liabilities	5,845	5,157
Total liabilities	$ 53,609	$ 42,766

(20) Impairment and (Gain) Loss on Dispositions, Net

In January 2016, we completed the sale of our Alere E-Santé business, which was a component of our professional diagnostics reporting unit and business segment. We received cash consideration of approximately $8.1 million, net of a final working capital adjustment totaling approximately $0.2 million, and we are eligible to receive up to $1.5 million of contingent cash consideration. As a result of this transaction, we recorded a $3.8 million gain in the three months ended March 31, 2016 on the disposition of the Alere E-Santé business.

In May 2015, we sold our Alere Analytics business, which was part of our professional diagnostics reporting unit and business segment. Under the terms of the sale we received nominal consideration and agreed to contribute working capital of $2.7 million to Alere Analytics, of which $2.4 million was contributed in cash immediately prior to the closing of the sale and the remaining $0.3 million of which was deposited in escrow pending the performance by the buyers under certain contracts. As a result of this transaction we recorded a loss of $4.7 million during the second quarter of 2015. During the three months ended March 31, 2015, before identifying a buyer for Alere Analytics, our management decided to close the business, and in connection with this decision we recorded an impairment charge of $26.7 million during the period, including the write-off of $26.2 million of acquisition-related intangible assets and $0.5 million of fixed assets.

In March 2015, we sold certain assets of our AdnaGen GmbH business, which was part of our professional diagnostics reporting unit and business segment, for approximately $4.6 million in cash proceeds and, as a result of this transaction, we recorded a loss of $0.3 million during the three months ended March 31, 2015.

In March 2015, we sold our Gesellschaft fur Patientenhilfe DGP GmbH subsidiary, which was part of our professional diagnostics reporting unit and business segment, for 7.6 million (approximately $8.2 million at March 31, 2015) and, as a result of this transaction, we recorded a loss on disposition of $7.5 million during the three months ended March 31, 2015.

In December 2014, our management decided to close our Alere Connect, LLC subsidiary, which is part of our professional diagnostics reporting unit and business segment. During the six months ended June 30, 2015, in connection with this decision, we recorded impairment charges of $1.0 million, consisting primarily of severance costs, inventory write-offs and other closure-related expenses.

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

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(21) Income Taxes

We determine our estimated annual effective tax rate at the end of each interim period based on forecasted full-year pre-tax income (loss) by jurisdiction and permanent items. Our effective tax rate by quarter may vary based on actual quarter to date income and the forecasted mix of jurisdictional income (loss), as well as discrete items.

A reconciliation between the U.S. federal statutory rate and our effective tax rate is summarized as follows:

	For the Three Months Ended June 30,		For the Six Months Ended June 30,	
	2016	2015	2016	2015
Statutory rate	35%	35%	35%	35%
State income taxes, net of federal benefit	(5)%	(4)%	(4)%	(5)%
Rate differential on foreign earnings	(61)%	(19)%	(58)%	(27)%
Change in valuation allowance	(4)%	(3)%	(6)%	10%
Stock-based compensation	11%	5%	11%	(9)%
Uncertain tax positions	12%	7%	9%	15%
Disposition of BBI	0%	27%	0%	65%
Other	3%	6%	7%	(12)%
Effective tax rate	(9)%	54%	(6)%	72%

For the three months and six months ended June 30, 2016, compared to the same periods in 2015, our effective tax rate decrease is primarily attributed to a more favorable jurisdictional mix of income and losses in the current year and non-recurring discrete tax impacts in 2015.

(22) Guarantor Financial Information

Our 7.25% senior notes due 2018, our 6.5% senior subordinated notes due 2020 and our 6.375% senior subordinated notes due 2023 are guaranteed, and before their redemption on October 1, 2015, our 8.625% senior subordinated notes due 2018 were guaranteed, by certain of our consolidated 100% owned subsidiaries, or the Guarantor Subsidiaries. The guarantees are full and unconditional and joint and several. The following supplemental financial information sets forth, on a consolidating basis, balance sheets as of June 30, 2016 and December 31, 2015, the related statements of operations and statements of comprehensive income (loss) for the three and six months ended June 30, 2016 and 2015, and statements of cash flows for the six months ended June 30, 2016 and 2015, 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.

Effective December 31, 2015, we adopted ASU 2015-03 and ASU 2015-15, and accordingly we have reclassified $49.6 million and $34.1 million of debt issuance costs from other non-current assets to long-term debt, net of current portion on our balance sheet as of June 30, 2016 and December 31, 2015, respectively, as described in Note 18 *Recent Accounting Pronouncements*.

As discussed in Note 2 *Revision to Previously Reported Financial Statements*, in connection with the preparation of our consolidated financial statements for 2015, we determined that, in 2013 and 2014, each of the interim periods in 2014, and the first three quarters of 2015, we had incorrectly recorded the revenue for such periods. In addition, we corrected several out-of-period adjustments. As a result, we revised our consolidated financial information for the years ended December 31, 2014 and 2013, each of the interim periods in 2014 and the first three quarters of 2015. The revisions to the consolidating statements of cash flows in this Note 22 did not impact previously reported net cash flows from operating activities, investing activities, or financing activities and as a result, there was no net impact to net change in cash and cash equivalents for the previously reported periods reflected in this Note 22.

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The following schedules reconcile the amounts as previously reported in our consolidating financial statements to the corresponding revised amounts:

Revised Consolidating Statement of Operations- Guarantor Subsidiaries

(in thousands)	Three Months Ended June 30, 2015 As Previously Reported	Revision Adjustment	As Revised
Net revenue	$ 330,820	$ (1,011)	$ 329,809
Cost of net revenue	$ 199,233	$ 14	$ 199,247
Income from continuing operations before benefit for income taxes	$ 55,133	$ (2,090)	$ 53,043
Provision for income taxes	$ 11,277	$ (447)	$ 10,830
Income from continuing operations	$ 43,856	$ (1,643)	$ 42,213

Revised Consolidating Statement of Operations- Non-Guarantor Subsidiaries

(in thousands)	Three Months Ended June 30, 2015 As Previously Reported	Revision Adjustment	As Revised
Net revenue	$ 367,418	$ (4,774)	$ 362,644
Cost of net revenue	$ 205,840	$ (559)	$ 205,281
Income from continuing operations before benefit for income taxes	$ 111,130	$ (5,415)	$ 105,715
Provision for income taxes	$ 22,768	$ (1,565)	$ 21,203
Income from continuing operations	$ 88,786	$ (3,850)	$ 84,936

Revised Consolidating Statement of Operations- Guarantor Subsidiaries

(in thousands)	Six Months Ended June 30, 2015 As Previously Reported	Revision Adjustment	As Revised
Net revenue	$ 659,282	$ (3,181)	$ 656,101
Cost of net revenue	$ 387,269	$ (882)	$ 386,387
Income from continuing operations before benefit for income taxes	$ 60,049	$ (4,461)	$ 55,588
Provision for income taxes	$ 13,097	$ (1,516)	$ 11,581
Income from continuing operations	$ 46,952	$ (2,945)	$ 44,007

Revised Consolidating Statement of Operations- Non-Guarantor Subsidiaries

(in thousands)	Six Months Ended June 30, 2015 As Previously Reported	Revision Adjustment	As Revised
Net revenue	$ 710,777	$ 2,135	$ 712,912
Cost of net revenue	$ 398,325	$ 1,846	$ 400,171
Income from continuing operations before benefit for income taxes	$ 188,294	$ (911)	$ 187,383
Provision for income taxes	$ 32,483	$ 437	$ 32,920
Income from continuing operations	$ 159,803	$ (1,348)	$ 158,455

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CONSOLIDATING STATEMENT OF OPERATIONS

For the Three Months Ended June 30, 2016

(in thousands)

	Issuer	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Consolidated
Net product sales	$	$ 222,954	$ 335,540	$ (74,748)	$ 483,746
Services revenue		112,698	12,111		124,809
Net product sales and services revenue		335,652	347,651	(74,748)	608,555
License and royalty revenue		3,448	2,008	(2,923)	2,533
Net revenue		339,100	349,659	(77,671)	611,088
Cost of net product sales	220	126,795	188,478	(65,095)	250,398
Cost of services revenue	104	79,203	7,760	(8,773)	78,294
Cost of net product sales and services revenue	324	205,998	196,238	(73,868)	328,692
Cost of license and royalty revenue		(7)	3,466	(2,924)	535
Cost of net revenue	324	205,991	199,704	(76,792)	329,227
Gross profit (loss)	(324)	133,109	149,955	(879)	281,861
Operating expenses:					
Research and development	2,997	16,194	9,255		28,446
Sales and marketing	1,568	53,155	47,793		102,516
General and administrative	57,740	30,460	40,154		128,354
Impairment and (gain) loss on dispositions, net					
Operating income (loss)	(62,629)	33,300	52,753	(879)	22,545
Interest expense, including amortization of original issue discounts and deferred financing costs	(41,857)	(2,223)	(2,775)	4,526	(42,329)
Other income (expense), net	(8,144)	4,103	(5,544)	(4,527)	(14,112)
Income (loss) before provision (benefit) for income taxes	(112,630)	35,180	44,434	(880)	(33,896)
Provision (benefit) for income taxes	19,765	(6,759)	(9,889)		3,117
Income (loss) before equity in earnings of subsidiaries and unconsolidated entities, net of tax	(132,395)	41,939	54,323	(880)	(37,013)

Equity in earnings of subsidiaries, net of tax	96,916			(96,916)	
Equity earnings of unconsolidated entities, net of tax	588		1,557	(23)	2,122
Net income (loss)	(34,891)	41,939	55,880	(97,819)	(34,891)
Less: Net income attributable to non-controlling interests			143		143
Net income (loss) attributable to Alere Inc. and Subsidiaries	(34,891)	41,939	55,737	(97,819)	(35,034)
Preferred stock dividends	(5,308)				(5,308)
Net income (loss) available to common stockholders	$ (40,199)	$ 41,939	$ 55,737	$ (97,819)	$ (40,342)

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CONSOLIDATING STATEMENT OF OPERATIONS

For the Three Months Ended June 30, 2015

(in thousands)

	Issuer	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Consolidated
Net product sales	$	$ 211,593	$ 345,289	$ (65,833)	$ 491,049
Services revenue		114,983	11,645		126,628
Net product sales and services revenue		326,576	356,934	(65,833)	617,677
License and royalty revenue		3,233	5,710	(3,249)	5,694
Net revenue		329,809	362,644	(69,082)	623,371
Cost of net product sales	417	120,953	193,593	(57,070)	257,893
Cost of services revenue	80	77,884	7,524	(8,688)	76,800
Cost of net product sales and services revenue	497	198,837	201,117	(65,758)	334,693
Cost of license and royalty revenue	19	410	4,164	(3,249)	1,344
Cost of net revenue	516	199,247	205,281	(69,007)	336,037
Gross profit (loss)	(516)	130,562	157,363	(75)	287,334
Operating expenses:					
Research and development	3,241	13,993	9,964		27,198
Sales and marketing	1,570	52,101	54,353		108,024
General and administrative	24,390	51,288	(14,505)		61,173
Impairment and (gain) loss on dispositions, net	44,378	(39,412)	576		5,542
Operating income (loss)	(74,095)	52,592	106,975	(75)	85,397
Interest expense, including amortization of original issue discounts and deferred financing costs	(59,086)	(3,060)	(4,702)	7,354	(59,494)
Other income (expense), net	3,596	3,511	3,442	(7,354)	3,195
Income (loss) from continuing operations before provision (benefit) for income taxes	(129,585)	53,043	105,715	(75)	29,098
Provision (benefit) for income taxes	(16,306)	10,830	21,203	(38)	15,689
Income (loss) from continuing operations before equity in earnings	(113,279)	42,213	84,512	(37)	13,409

of subsidiaries and unconsolidated entities, net of tax					
Equity in earnings of subsidiaries, net of tax	127,127			(127,127)	
Equity earnings of unconsolidated entities, net of tax	922		424	15	1,361
Net income	14,770	42,213	84,936	(127,149)	14,770
Less: Net income attributable to non-controlling interests			359		359
Net income attributable to Alere Inc. and Subsidiaries	14,770	42,213	84,577	(127,149)	14,411
Preferred stock dividends	(5,308)				(5,308)
Net income available to common stockholders	$ 9,462	$ 42,213	$ 84,577	$ (127,149)	$ 9,103

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CONSOLIDATING STATEMENT OF OPERATIONS

For the Six Months Ended June 30, 2016

(in thousands)

	Issuer	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Consolidated
Net product sales	$	$ 447,334	$ 632,377	$ (136,194)	$ 943,517
Services revenue		217,182	23,336		240,518
Net product sales and services revenue		664,516	655,713	(136,194)	1,184,035
License and royalty revenue		6,368	4,566	(5,672)	5,262
Net revenue		670,884	660,279	(141,866)	1,189,297
Cost of net product sales	334	251,553	354,460	(118,488)	487,859
Cost of services revenue	104	151,698	15,800	(16,208)	151,394
Cost of net product sales and services revenue	438	403,251	370,260	(134,696)	639,253
Cost of license and royalty revenue		10	7,589	(5,673)	1,926
Cost of net revenue	438	403,261	377,849	(140,369)	641,179
Gross profit (loss)	(438)	267,623	282,430	(1,497)	548,118
Operating expenses:					
Research and development	7,131	30,653	17,724		55,508
Sales and marketing	2,904	107,620	91,805		202,329
General and administrative	102,355	63,646	77,309		243,310
Impairment and (gain) loss on dispositions, net			(3,810)		(3,810)
Operating income (loss)	(112,828)	65,704	99,402	(1,497)	50,781
Interest expense, including amortization of original issue discounts and deferred financing costs	(82,944)	(4,875)	(5,842)	9,226	(84,435)
Other income (expense), net	(6,156)	6,605	(6,683)	(9,227)	(15,461)
Income (loss) before provision (benefit) for income taxes	(201,928)	67,434	86,877	(1,498)	(49,115)
Provision (benefit) for income taxes	19,711	(6,509)	(10,293)		2,909
Income (loss) before equity in earnings of subsidiaries and unconsolidated entities, net of tax	(221,639)	73,943	97,170	(1,498)	(52,024)

Equity in earnings of subsidiaries, net of tax	175,502			(175,502)	
Equity earnings of unconsolidated entities, net of tax	1,269		6,138	(251)	7,156
Net income (loss)	(44,868)	73,943	103,308	(177,251)	(44,868)
Less: Net income attributable to non-controlling interests			246		246
Net income (loss) attributable to Alere Inc. and Subsidiaries	(44,868)	73,943	103,062	(177,251)	(45,114)
Preferred stock dividends	(10,617)				(10,617)
Net income (loss) available to common stockholders	$ (55,485)	$ 73,943	$ 103,062	$ (177,251)	$ (55,731)

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CONSOLIDATING STATEMENT OF OPERATIONS

For the Six Months Ended June 30, 2015

(in thousands)

	Issuer	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Consolidated
Net product sales	$	$ 426,631	$ 675,395	$ (126,639)	$ 975,387
Services revenue		223,040	27,444		250,484
Net product sales and services revenue		649,671	702,839	(126,639)	1,225,871
License and royalty revenue		6,430	10,073	(6,111)	10,392
Net revenue		656,101	712,912	(132,750)	1,236,263
Cost of net product sales	833	233,248	375,999	(112,086)	497,994
Cost of services revenue	130	151,921	15,964	(15,589)	152,426
Cost of net product sales and services revenue	963	385,169	391,963	(127,675)	650,420
Cost of license and royalty revenue	(21)	1,218	8,208	(6,111)	3,294
Cost of net revenue	942	386,387	400,171	(133,786)	653,714
Gross profit (loss)	(942)	269,714	312,741	1,036	582,549
Operating expenses:					
Research and development	5,543	28,912	20,759		55,214
Sales and marketing	2,830	105,328	108,945		217,103
General and administrative	44,913	89,058	19,893		153,864
Impairment and (gain) loss on dispositions, net	80,901	(8,804)	(31,763)		40,334
Operating income (loss)	(135,129)	55,220	194,907	1,036	116,034
Interest expense, including amortization of original issue discounts and deferred financing costs	(105,184)	(6,345)	(8,745)	14,349	(105,925)
Other income (expense), net	7,243	6,713	1,221	(14,349)	828
Income (loss) from continuing operations before provision (benefit) for income taxes	(233,070)	55,588	187,383	1,036	10,937
Provision (benefit) for income taxes	(36,973)	11,581	32,920	308	7,836
Income (loss) from continuing operations before equity in earnings	(196,097)	44,007	154,463	728	3,101

of subsidiaries and unconsolidated entities, net of tax					
Equity in earnings of subsidiaries, net of tax	201,260			(201,260)	
Equity earnings of unconsolidated entities, net of tax	1,346		3,992	(18)	5,320
Income from continuing operations	6,509	44,007	158,455	(200,550)	8,421
Income (loss) from discontinued operations, net of tax	218,689	(1,912)			216,777
Net income	225,198	42,095	158,455	(200,550)	225,198
Less: Net income attributable to non-controlling interests			447		447
Net income attributable to Alere Inc. and Subsidiaries	225,198	42,095	158,008	(200,550)	224,751
Preferred stock dividends	(10,558)				(10,558)
Net income available to common stockholders	$ 214,640	$ 42,095	$ 158,008	$ (200,550)	$ 214,193

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CONSOLIDATING STATEMENT OF COMPREHENSIVE INCOME (LOSS)

For the Three Months Ended June 30, 2016

(in thousands)

	Issuer	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Consolidated
Net income (loss)	$ (34,891)	$ 41,939	$ 55,880	$ (97,819)	$ (34,891)
Other comprehensive income (loss), before tax:					
Changes in cumulative translation adjustment	276	(699)	(43,720)	8	(44,135)
Minimum pension liability adjustment			531		531
Other comprehensive income (loss), before tax	276	(699)	(43,189)	8	(43,604)
Other comprehensive income (loss)	276	(699)	(43,189)	8	(43,604)
Comprehensive income (loss)	(34,615)	41,240	12,691	(97,811)	(78,495)
Less: Comprehensive income attributable to non-controlling interests			143		143
Comprehensive income (loss) attributable to Alere Inc. and Subsidiaries	$ (34,615)	$ 41,240	$ 12,548	$ (97,811)	$ (78,638)

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CONSOLIDATING STATEMENT OF COMPREHENSIVE INCOME (LOSS)

For the Three Months Ended June 30, 2015

(in thousands)

	Issuer	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Consolidated
Net income	$ 14,770	$ 42,213	$ 84,936	$ (127,149)	$ 14,770
Other comprehensive income, before tax:					
Changes in cumulative translation adjustment	197	689	45,840		46,726
Minimum pension liability adjustment			(374)		(374)
Other comprehensive income, before tax	197	689	45,466		46,352
Other comprehensive income	197	689	45,466		46,352
Comprehensive income	14,967	42,902	130,402	(127,149)	61,122
Less: Comprehensive income attributable to non-controlling interests			359		359
Comprehensive income attributable to Alere Inc. and Subsidiaries	$ 14,967	$ 42,902	$ 130,043	$ (127,149)	$ 60,763

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CONSOLIDATING STATEMENT OF COMPREHENSIVE INCOME (LOSS)

For the Six Months Ended June 30, 2016

(in thousands)

	Issuer	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Consolidated
Net income (loss)	$ (44,868)	$ 73,943	$ 103,308	$ (177,251)	$ (44,868)
Other comprehensive income (loss), before tax:					
Changes in cumulative translation adjustment	391	(828)	(21,513)	8	(21,942)
Minimum pension liability adjustment			686		686
Other comprehensive income (loss), before tax	391	(828)	(20,827)	8	(21,256)
Other comprehensive income (loss)	391	(828)	(20,827)	8	(21,256)
Comprehensive income (loss)	(44,477)	73,115	82,481	(177,243)	(66,124)
Less: Comprehensive income attributable to non-controlling interests			246		246
Comprehensive income (loss) attributable to Alere Inc. and Subsidiaries	$ (44,477)	$ 73,115	$ 82,235	$ (177,243)	$ (66,370)

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CONSOLIDATING STATEMENT OF COMPREHENSIVE INCOME (LOSS)

For the Six Months Ended June 30, 2015

(in thousands)

	Issuer	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Consolidated
Net income	$ 225,198	$ 42,095	$ 158,455	$ (200,550)	$ 225,198
Other comprehensive income (loss), before tax:					
Changes in cumulative translation adjustment	(460)	117	(33,273)		(33,616)
Minimum pension liability adjustment			(1,756)		(1,756)
Other comprehensive income (loss), before tax	(460)	117	(35,029)		(35,372)
Other comprehensive income (loss)	(460)	117	(35,029)		(35,372)
Comprehensive income	224,738	42,212	123,426	(200,550)	189,826
Less: Comprehensive income attributable to non-controlling interests			447		447
Comprehensive income attributable to Alere Inc. and Subsidiaries	$ 224,738	$ 42,212	$ 122,979	$ (200,550)	$ 189,379

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CONSOLIDATING BALANCE SHEET

June 30, 2016

(in thousands)

	Issuer	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Consolidated
ASSETS					
Current assets:					
Cash and cash equivalents	$ 49,465	$ 6,881	$ 449,818	$	$ 506,164
Restricted cash	1,415		4,247		5,662
Marketable securities		74			74
Accounts receivable, net of allowances		190,438	236,784		427,222
Inventories, net		168,413	188,448	(23,015)	333,846
Deferred tax assets	(455)	6,513	(6,058)		
Prepaid expenses and other current assets	12,194	33,489	110,122	6,534	162,339
Intercompany receivables	360,548	827,927	158,858	(1,347,333)	
Total current assets	423,167	1,233,735	1,142,219	(1,363,814)	1,435,307
Property, plant and equipment, net	29,742	224,796	187,337	(3,088)	438,787
Goodwill		1,823,018	988,527		2,811,545
Other intangible assets with indefinite lives		7,538	20,800	(59)	28,279
Finite-lived intangible assets, net	2,745	566,973	342,690	(3,200)	909,208
Restricted cash			42,589		42,589
Other non-current assets	570	2,052	14,317	(649)	16,290
Investments in subsidiaries	3,455,642	158,195	57,650	(3,671,487)	
Investments in unconsolidated entities	687	14,765	44,654	14,405	74,511
Deferred tax assets	(66,034)	24,785	62,006	(2,119)	18,638
Non-current income tax receivable	3,517				3,517
Assets held for sale non-current	12,223				12,223
Intercompany notes receivables	1,887,589	708,708	2,901	(2,599,198)	
Total assets	$ 5,749,848	$ 4,764,565	$ 2,905,690	$ (7,629,209)	$ 5,790,894
LIABILITIES AND EQUITY					
Current liabilities:					
Short-term debt and current portion of long-term debt	$ 40,073	$	$ 3,608	$	$ 43,681
Current portion of capital lease obligations		1,654	1,846		3,500

Accounts payable	23,789	77,283	93,163		194,235
Accrued expenses and other current liabilities	(514,898)	635,590	197,663	2,171	320,526
Intercompany payables	965,315	178,406	203,621	(1,347,342)	
Total current liabilities	514,279	892,933	499,901	(1,345,171)	561,942
Long-term liabilities:					
Long-term debt, net of current portion	2,874,825		45,964		2,920,789
Capital lease obligations, net of current portion		1,466	5,506		6,972
Deferred tax liabilities	(158,407)	250,292	48,897	82	140,864
Other long-term liabilities	14,741	56,618	77,455	(649)	148,165
Intercompany notes payables	496,756	1,162,748	939,694	(2,599,198)	
Total long-term liabilities	3,227,915	1,471,124	1,117,516	(2,599,765)	3,216,790
Total stockholders equity	2,007,654	2,400,508	1,283,765	(3,684,273)	2,007,654
Non-controlling interests			4,508		4,508
Total equity	2,007,654	2,400,508	1,288,273	(3,684,273)	2,012,162
Total liabilities and equity	$ 5,749,848	$ 4,764,565	$ 2,905,690	$ (7,629,209)	$ 5,790,894

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CONSOLIDATING BALANCE SHEET

December 31, 2015

(in thousands)

	Issuer	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Consolidated
ASSETS					
Current assets:					
Cash and cash equivalents	$ 139,153	$ 21,150	$ 341,897	$	$ 502,200
Restricted cash	1,250		4,444		5,694
Marketable securities		164			164
Accounts receivable, net of allowances		192,591	253,242		445,833
Inventories, net		173,383	194,192	(20,574)	347,001
Deferred tax assets	(52,410)	31,285	23,244	(2,119)	
Prepaid expenses and other current assets	7,575	27,095	110,961	6,602	152,233
Assets held for sale current			4,165		4,165
Intercompany receivables	620,838	812,957	50,691	(1,484,486)	
Total current assets	716,406	1,258,625	982,836	(1,500,577)	1,457,290
Property, plant and equipment, net	31,384	228,065	188,084	(1,494)	446,039
Goodwill		1,823,919	1,012,996		2,836,915
Other intangible assets with indefinite lives		7,638	20,531	(59)	28,110
Finite-lived intangible assets, net	2,951	627,269	370,261	(3,200)	997,281
Restricted cash			43,228		43,228
Other non-current assets	804	2,340	15,380	(446)	18,078
Investments in subsidiaries	3,294,857	158,195	57,650	(3,510,702)	
Investments in unconsolidated entities	502	14,764	37,947	12,120	65,333
Deferred tax assets	(14,078)	(14)	28,085		13,993
Non-current income tax receivable	3,517				3,517
Assets held for sale non-current	13,337				13,337
Intercompany notes receivables	1,905,188	672,032	6,900	(2,584,120)	
Total assets	$ 5,954,868	$ 4,792,833	$ 2,763,898	$ (7,588,478)	$ 5,923,121
LIABILITIES AND EQUITY					
Current liabilities:					
Short-term debt and current portion of long-term debt	$ 197,084	$	$ 2,908	$	$ 199,992
		2,018	1,944		3,962

Current portion of capital lease obligations					
Accounts payable	15,981	76,890	102,881		195,752
Accrued expenses and other current liabilities	(554,350)	650,632	225,944	2,239	324,465
Liabilities related to assets held for sale current			363		363
Intercompany payables	1,122,042	249,553	112,891	(1,484,486)	
Total current liabilities	780,757	979,093	446,931	(1,482,247)	724,534
Long-term liabilities:					
Long-term debt, net of current portion	2,784,913		46,253		2,831,166
Capital lease obligations, net of current portion		840	6,341		7,181
Deferred tax liabilities	(157,708)	250,495	54,749	82	147,618
Other long-term liabilities	14,962	59,309	80,369	(447)	154,193
Intercompany notes payables	477,779	1,181,168	925,173	(2,584,120)	
Total long-term liabilities	3,119,946	1,491,812	1,112,885	(2,584,485)	3,140,158
Total stockholders equity	2,054,165	2,321,928	1,199,818	(3,521,746)	2,054,165
Non-controlling interests			4,264		4,264
Total equity	2,054,165	2,321,928	1,204,082	(3,521,746)	2,058,429
Total liabilities and equity	$ 5,954,868	$ 4,792,833	$ 2,763,898	$ (7,588,478)	$ 5,923,121

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CONSOLIDATING STATEMENT OF CASH FLOWS

For the Six Months Ended June 30, 2016

(in thousands)

	Issuer	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Consolidated
Cash Flows from Operating Activities:					
Net income (loss)	$ (44,868)	$ 73,943	$ 103,308	$ (177,251)	$ (44,868)
Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities:					
Equity in earnings of subsidiaries, net of tax	(175,502)			175,502	
Non-cash interest expense, including amortization of original issue discounts and deferred financing costs	5,175	7	79		5,261
Depreciation and amortization	4,484	88,973	48,109	839	142,405
Non-cash stock-based compensation expense	10,541	5,462	4,604		20,607
Impairment of inventory			870		870
Impairment of long-lived assets		548	85		633
Loss on disposition of fixed assets	1	3,522	712		4,235
Equity earnings of unconsolidated entities, net of tax	(1,269)		(6,138)	251	(7,156)
Deferred income taxes		(200)	(13,010)		(13,210)
(Gain) loss related to impairment and net (gain) loss on dispositions			(3,810)		(3,810)
Other non-cash items	(66)	459	9,323	4	9,720
Non-cash change in fair value of contingent purchase price consideration	(800)	(823)	(157)		(1,780)
Changes in assets and liabilities, net of acquisitions:					
Accounts receivable, net		2,141	17,882		20,023
Inventories, net		(11,723)	5,243	660	(5,820)
Prepaid expenses and other current assets	(4,283)	(7,408)	(13,258)	68	(24,881)
Accounts payable	7,807	396	(8,204)		(1)
Accrued expenses and other current liabilities	40,481	(13,721)	(28,367)	(69)	(1,676)
Other non-current liabilities	(1,054)	(1,561)	(3,491)		(6,106)
Cash paid for contingent consideration	(321)		(3)		(324)
Intercompany payable (receivable)	145,358	(141,518)	(3,836)	(4)	

Net cash provided by (used in) operating activities	(14,316)	(1,503)	109,941		94,122
Cash Flows from Investing Activities:					
Increase in restricted cash	(165)		(284)		(449)
Purchases of property, plant and equipment	(2,680)	(11,750)	(18,972)	1,084	(32,318)
Proceeds from sale of property, plant and equipment	92	45	1,839	(1,084)	892
Cash received from (used in) dispositions, net of cash divested	(1,337)		22,807		21,470
Cash paid for business acquisitions, net of cash acquired			(5,958)		(5,958)
Cash received from equity method investments	2,383				2,383
Cash received from sales of marketable securities.		90			90
Cash paid for investments	(184)				(184)
(Increase) decrease in other assets	(50)	13	532		495
Net cash used in investing activities	(1,941)	(11,602)	(36)		(13,579)
Cash Flows from Financing Activities:					
Cash paid for financing costs	(19,564)				(19,564)
Cash paid for contingent purchase price consideration			(485)		(485)
Proceeds from issuance of common stock, net of issuance costs	11,124				11,124
Proceeds from issuance of long-term debt			381		381
Payments on short-term debt			(791)		(791)
Payments on long-term debt	(176,861)		(776)		(177,637)
Net proceeds under revolving credit facilities	125,000		1,213		126,213
Cash paid for dividends	(10,646)				(10,646)
Principal payments on capital lease obligations		(1,324)	(886)		(2,210)
Net cash used in financing activities	(70,947)	(1,324)	(1,344)		(73,615)
Foreign exchange effect on cash and cash equivalents	(2,484)	160	(640)		(2,964)
Net increase (decrease) in cash and cash equivalents	(89,688)	(14,269)	107,921		3,964
Cash and cash equivalents, beginning of period	139,153	21,150	341,897		502,200

Cash and cash equivalents, end of period	$ 49,465	$ 6,881	$ 449,818	$	$ 506,164

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CONSOLIDATING STATEMENT OF CASH FLOWS

For the Six Months Ended June 30, 2015

(in thousands)

	Issuer	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Consolidated
Cash Flows from Operating Activities:					
Net income	$ 225,198	$ 42,095	$ 158,455	$ (200,550)	$ 225,198
Income (loss) from discontinued operations, net of tax	218,689	(1,912)			216,777
Income from continuing operations	6,509	44,007	158,455	(200,550)	8,421
Adjustments to reconcile net income from continuing operations to net cash provided by (used in) operating activities:					
Equity in earnings of subsidiaries, net of tax	(201,260)			201,260	
Non-cash interest expense, including amortization of original issue discounts and deferred financing costs	7,728	13	43		7,784
Depreciation and amortization	3,840	82,576	60,652	35	147,103
Non-cash stock-based compensation expense	6,458	2,633	3,188		12,279
Impairment of inventory		133	(65)		68
Impairment of long-lived assets		64	323		387
Loss on disposition of fixed assets		2,764	554		3,318
Equity earnings of unconsolidated entities, net of tax	(1,346)		(3,992)	18	(5,320)
Gain on sales of marketable securities		(8)			(8)
Deferred income taxes	(8,686)	(32,097)	(1,826)	438	(42,171)
(Gain) loss related to impairment and net (gain) loss on dispositions	80,901	(8,804)	(31,763)		40,334
Loss on extinguishment of debt	3,480				3,480
Other non-cash items	(159)	(1,497)	(676)		(2,332)
Non-cash change in fair value of contingent purchase price consideration	(30,895)	15,748	(37,720)		(52,867)
Changes in assets and liabilities, net of acquisitions:					
Accounts receivable, net		(2,599)	(15,417)		(18,016)

Inventories, net		(27,824)	(15,984)	(1,411)	(45,219)
Prepaid expenses and other current assets	(3,052)	(19,127)	810	(5,708)	(27,077)
Accounts payable	(7,499)	(11,331)	(4,421)		(23,251)
Accrued expenses and other current liabilities	(8,944)	61,472	(33,374)	3,898	23,052
Other non-current liabilities	2,226	6,171	(1,476)	1,615	8,536
Cash paid for contingent purchase price consideration	(3,768)		(13)		(3,781)
Intercompany payable (receivable)	127,569	(101,515)	(26,054)		
Net cash provided by (used in) continuing operations	(26,898)	10,779	51,244	(405)	34,720
Net cash provided by discontinued operations		318			318
Net cash provided by (used in) operating activities	(26,898)	11,097	51,244	(405)	35,038
Cash Flows from Investing Activities:					
Increase in restricted cash	(422,169)		(1,856)		(424,025)
Purchases of property, plant and equipment	(5,147)	(19,386)	(23,907)	1,156	(47,284)
Proceeds from sale of property, plant and equipment		738	1,199	(817)	1,120
Cash received from (used in) disposition, net of cash divested	593,217	(8,723)	2,131		586,625
Cash received from equity method investments	2,205		12,092		14,297
Cash received from sales of marketable securities		93			93
Decrease in other assets	348	409	927	66	1,750
Net cash provided by (used in) continuing operations	168,454	(26,869)	(9,414)	405	132,576
Net cash used in discontinued operations		(209)			(209)
Net cash provided by (used in) investing activities	168,454	(27,078)	(9,414)	405	132,367
Cash Flows from Financing Activities:					
Cash paid for financing costs	(15,731)				(15,731)
Cash paid for contingent purchase price consideration	(5,503)		(870)		(6,373)
Proceeds from issuance of common stock, net of issuance costs	56,332				56,332 &n