ALERE INC.
Form 10-Q
November 08, 2011

Table of Contents

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

FORM 10-Q

(Mark One)

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

For the quarterly period ended September 30, 2011

OR

o **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 þ No o

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 þ No o

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 þ	Accelerated filer o	Non-accelerated filer o (Do not check if a smaller reporting company)	Smaller reporting company o

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes o No þ

The number of shares outstanding of the registrant s common stock, par value of $0.001 per share, as of October 31, 2011 was 86,011,860.

ALERE INC.
REPORT ON FORM 10-Q
For the Quarterly Period Ended September 30, 2011

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, as amended, for the fiscal year ended December 31, 2010 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 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.

TABLE OF CONTENTS

Table of Contents

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 September 30,		Nine Months Ended September 30,	
	2011	**2010**	**2011**	**2010**
Net product sales	$ 418,254	$ 363,433	$ 1,224,302	$ 1,063,549
Services revenue	162,266	171,123	493,393	497,292
Net product sales and services revenue	580,520	534,556	1,717,695	1,560,841
License and royalty revenue	5,249	4,123	17,723	16,052
Net revenue	585,769	538,679	1,735,418	1,576,893
Cost of net product sales	193,899	170,549	573,919	500,990
Cost of services revenue	84,177	80,782	251,388	238,991
Cost of net product sales and services revenue	278,076	251,331	825,307	739,981
Cost of license and royalty revenue	1,731	1,802	5,214	5,411
Cost of net revenue	279,807	253,133	830,521	745,392
Gross profit	305,962	285,546	904,897	831,501
Operating expenses:				
Research and development	34,772	32,434	112,662	96,187
Sales and marketing	134,376	125,606	407,973	369,016
General and administrative	91,895	96,131	292,284	284,155
Total operating expenses	261,043	254,171	812,919	749,358
Operating income	44,919	31,375	91,978	82,143
Interest expense, including amortization of original issue discounts and deferred financing costs	(47,327)	(34,180)	(154,194)	(100,921)
Other income (expense), net	(8,250)	7,525	(5,477)	14,681
Gain on sale of joint venture interest	288,896		288,896	
Income (loss) from continuing operations before provision (benefit) for income taxes	278,238	4,720	221,203	(4,097)
Provision (benefit) for income taxes	42,652	(167)	(4,414)	(964)
	235,586	4,887	225,617	(3,133)

Income (loss) from continuing operations before equity earnings (losses) of unconsolidated entities, net of tax								
Equity earnings (losses) of unconsolidated entities, net of tax		4,118		(62)		4,922		8,195
Income from continuing operations		239,704		4,825		230,539		5,062
Income from discontinued operations, net of tax				2				11,913
Net income		239,704		4,827		230,539		16,975
Less: Net income attributable to non-controlling interests		138		1,494		160		1,167
Net income attributable to Alere Inc. and Subsidiaries		239,566		3,333		230,379		15,808
Preferred stock dividends		(5,358)		(6,147)		(16,682)		(18,001)
Preferred stock repurchase						23,936		
Net income (loss) available to common stockholders	$	234,208	$	(2,814)	$	237,633	$	(2,193)
Basic net income (loss) per common share attributable to Alere Inc. and Subsidiaries:								
Income (loss) from continuing operations	$	2.84	$	(0.03)	$	2.81	$	(0.17)
Income from discontinued operations, net of tax								0.14
Net income (loss) per common share	$	2.84	$	(0.03)	$	2.81	$	(0.03)
Diluted net income (loss) per common share attributable to Alere Inc. and Subsidiaries:								
Income (loss) from continuing operations	$	2.48	$	(0.03)	$	2.56	$	(0.17)
Income from discontinued operations, net of tax								0.14
Net income (loss) per common share	$	2.48	$	(0.03)	$	2.56	$	(0.03)
Weighted average shares-basic		82,486		84,796		84,508		84,269
Weighted average shares-diluted		97,090		84,796		100,058		84,269

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

Table of Contents

ALERE INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
(unaudited)
(in thousands, except par value)

	September 30, 2011	December 31, 2010
ASSETS		
Current assets:		
Cash and cash equivalents	$ 276,754	$ 401,306
Restricted cash	349,551	2,581
Marketable securities	1,066	2,094
Accounts receivable, net of allowances of $22,163 and $20,381 at September 30, 2011 and December 31, 2010, respectively	423,437	397,148
Inventories, net	273,310	257,720
Deferred tax assets	66,560	57,111
Income tax receivable		1,383
Receivable from joint venture, net	15,668	
Prepaid expenses and other current assets	98,009	74,914
Total current assets	1,504,355	1,194,257
Property, plant and equipment, net	420,005	390,510
Goodwill	2,889,893	2,831,300
Other intangible assets with indefinite lives	14,355	28,183
Finite-lived intangible assets, net	1,569,024	1,707,581
Deferred financing costs, net and other non-current assets	98,538	57,529
Receivable from joint venture, net of current portion	15,579	23,872
Investments in unconsolidated entities	177,780	62,556
Marketable securities	2,040	9,404
Deferred tax assets	10,045	25,182
Total assets	$ 6,701,614	$ 6,330,374
LIABILITIES AND EQUITY		
Current liabilities:		
Current portion of long-term debt	$ 45,421	$ 16,891
Current portion of capital lease obligations	2,491	2,126
Short-term debt	6,147	
Accounts payable	145,397	126,844
Accrued expenses and other current liabilities	411,183	345,832
Payable to joint venture, net		2,787
Deferred gain on joint venture		288,378
Total current liabilities	610,639	782,858
Long-term liabilities:		
Long-term debt, net of current portion	3,018,602	2,378,566

Capital lease obligations, net of current portion	2,334	1,402
Deferred tax liabilities	395,370	420,166
Other long-term liabilities	121,881	169,656
Total long-term liabilities	3,538,187	2,969,790
Commitments and contingencies (Note 16)		
Redeemable non-controlling interest	2,502	
Stockholders equity:		
Series B preferred stock, $0.001 par value (liquidation preference: $709,763 at September 30, 2011 and $836,222 at December 31, 2010); Authorized: 2,300 shares; Issued: 2,065 shares at September 30, 2011 and 2,091 shares at December 31, 2010; Outstanding: 1,774 shares at September 30, 2011 and 2,091 shares at December 31, 2010	606,468	718,554
Common stock, $0.001 par value; Authorized: 200,000 shares; Issued: 85,999 shares at September 30, 2011 and 84,928 shares at December 31, 2010; Outstanding: 78,320 shares at September 30, 2011 and 84,904 shares at December 31, 2010	86	85
Additional paid-in capital	3,259,573	3,232,997
Accumulated deficit	(1,122,869)	(1,377,184)
Treasury stock, at cost, 7,679 shares at September 30, 2011 and 24 shares at December 31, 2010	(184,971)	(104)
Accumulated other comprehensive income	(10,576)	690
Total stockholders equity	2,547,711	2,575,038
Non-controlling interests	2,575	2,688
Total equity	2,550,286	2,577,726
Total liabilities and equity	$ 6,701,614	$ 6,330,374

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

Table of Contents

ALERE INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
(unaudited)
(in thousands)

	Nine Months Ended September 30, 2011	Nine Months Ended September 30, 2010
Cash Flows from Operating Activities:		
Net income	$ 230,539	$ 16,975
Income from discontinued operations, net of tax		11,913
Income from continuing operations	230,539	5,062
Adjustments to reconcile income from continuing operations to net cash provided by operating activities:		
Non-cash interest expense, including amortization of original issue discounts and write-off of deferred financing costs	32,726	10,284
Depreciation and amortization	287,033	275,507
Non-cash stock-based compensation expense	16,275	22,947
Impairment of inventory	445	712
Impairment of long-lived assets	1,674	618
Impairment of intangible assets	2,938	
Gain on sale of joint venture interest	(288,896)	
Loss on sale of fixed assets	1,096	607
Gain on sales of marketable securities	(376)	
Equity earnings of unconsolidated entities, net of tax	(4,922)	(8,195)
Deferred income taxes	(30,999)	(33,256)
Other non-cash items	(8,115)	(1,378)
Changes in assets and liabilities, net of acquisitions:		
Accounts receivable, net	(30,832)	(2,553)
Inventories, net	(17,013)	(29,107)
Prepaid expenses and other current assets	(17,364)	6,752
Accounts payable	11,977	(19,423)
Accrued expenses and other current liabilities	66,769	23,121
Other non-current liabilities	(30,448)	(21,984)
Net cash provided by continuing operations	222,507	229,714
Net cash used in discontinued operations		(390)
Net cash provided by operating activities	222,507	229,324
Cash Flows from Investing Activities:		
Increase in restricted cash	(346,970)	(280)
Purchases of property, plant and equipment	(94,692)	(68,457)
Proceeds from sale of property, plant and equipment	846	642
Proceeds from disposition of business	11,491	
Cash paid for acquisitions, net of cash acquired	(127,081)	(465,583)
Proceeds from sales of (increase in) marketable securities	8,392	(17,887)
Net cash received from (paid for) equity method investments	(44,102)	10,835

Increase in other assets	(55,888)	(1,717)
Net cash used in continuing operations	(648,004)	(542,447)
Net cash provided by discontinued operations		63,446
Net cash used in investing activities	(648,004)	(479,001)
Cash Flows from Financing Activities:		
Cash paid for financing costs	(66,338)	(9,590)
Cash paid for contingent purchase price consideration	(25,305)	
Proceeds from issuance of common stock, net of issuance costs	24,159	17,839
Repurchase of preferred stock	(99,068)	
Proceeds from issuance of long-term debt	1,752,708	400,000
Payments on long-term debt	(1,195,337)	(7,313)
Net proceeds (payments) under revolving credit facilities	104,808	(146,985)
Repurchase of common stock	(184,867)	
Excess tax benefits on exercised stock options	2,183	1,300
Principal payments on capital lease obligations	(3,084)	(1,270)
Other	(10,451)	(509)
Net cash provided by financing activities	299,408	253,472
Foreign exchange effect on cash and cash equivalents	1,537	(8,987)
Net decrease in cash and cash equivalents	(124,552)	(5,192)
Cash and cash equivalents, beginning of period	401,306	492,773
Cash and cash equivalents, end of period	$ 276,754	$ 487,581

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 presentation. 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 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 and cash flows. Our audited consolidated financial statements for the year ended December 31, 2010 included information and footnotes necessary for such presentation and were included in our Annual Report on Form 10-K, as amended, filed with the Securities and Exchange Commission, or SEC, on April 29, 2011. 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, 2010.

Certain reclassifications of prior period amounts have been made to conform to current period presentation. These reclassifications had no effect on net income or equity.

(2) 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 September 30, 2011, our cash equivalents consisted of money market funds.

We have restricted cash of $349.6 million and $2.6 million as of September 30, 2011 and December 31, 2010, respectively. Of the $349.6 million, $347.1 million relates to a cash balance established in connection with the Axis-Shield plc, or Axis-Shield, tender offer, which we expect to consumate during the fourth quarter of 2011.

(3) Inventories

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

	September 30, 2011	December 31, 2010
Raw materials	$ 82,582	$ 81,640
Work-in-process	60,880	61,849
Finished goods	129,848	114,231
	$ 273,310	$ 257,720

(4) Stock-based Compensation

We recorded stock-based compensation expense in our consolidated statements of operations for the three and nine months ended September 30, 2011 and 2010, respectively, as follows (in thousands):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2011	2010	2011	2010
Cost of net revenue	$ 408	$ 589	$ 1,124	$ 1,390
Research and development	881	1,543	3,017	5,415
Sales and marketing	1,016	1,181	3,184	3,094
General and administrative	1,981	3,950	8,950	13,048
	4,286	7,263	16,275	22,947

Benefit for income taxes	(674)	(1,295)	(3,264)	(4,633)
	$ 3,612	$ 5,968	$ 13,011	$ 18,314

6

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

(5) 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 data):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2011	**2010**	**2011**	**2010**
Numerator:				
Income from continuing operations	$ 239,704	$ 4,825	$ 230,539	$ 5,062
Preferred stock dividends	(5,358)	(6,147)	(16,682)	(18,001)
Preferred stock repurchase			23,936	
Income (loss) from continuing operations attributable to common shares	234,346	(1,322)	237,793	(12,939)
Less: Net income attributable to non-controlling interest	138	1,494	160	1,167
Income (loss) from continuing operations attributable to Alere Inc. and Subsidiaries	**234,208**	**(2,816)**	**237,633**	**(14,106)**
Income from discontinued operations		2		11,913
Net income (loss) available to common stockholders	$ 234,208	$ (2,814)	$ 237,633	$ (2,193)
Denominator:				
Weighted-average common shares outstanding basic	82,486	84,796	84,508	84,269
Effect of dilutive securities:				
Stock options	661		1,078	
Warrants	95		120	
Potentially issuable shares of common stock associated with deferred purchase price consideration	189		189	
Potentially issuable shares of common stock associated with Series B convertible preferred stock	10,221		10,725	
Potentially issuable shares of common stock associated with convertible debt securities	3,438		3,438	
Weighted-average common shares outstanding diluted	97,090	84,796	100,058	84,269
Net income (loss) per common share basic:				

Income (loss) from continuing operations attributable to Alere Inc. and Subsidiaries	**$**	**2.84**	**$**	**(0.03)**	**$**	**2.81**	**$**	**(0.17)**
Income from discontinued operations								0.14
Net income (loss) per common share basic	$	2.84	$	(0.03)	$	2.81	$	(0.03)
Net income (loss) per common share diluted:								
Income (loss) from continuing operations attributable to Alere Inc. and Subsidiaries	**$**	**2.48**	**$**	**(0.03)**	**$**	**2.56**	**$**	**(0.17)**
Income from discontinued operations								0.14
Net income (loss) per common share diluted	$	2.48	$	(0.03)	$	2.56	$	(0.03)

7

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

For the three and nine-month periods ended September 30, 2010, anti-dilutive shares of 16.3 million and 16.9 million, respectively, were excluded from the computations of diluted net income (loss) per share.

(6) Stockholders Equity

(a) Preferred Stock

For the three and nine months ended September 30, 2011, Series B preferred stock dividends amounted to $5.4 million and $16.7 million, respectively, and for the three and nine months ended September 30, 2010, Series B preferred stock dividends amounted to $6.1 million and $18.0 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 October 17, 2011, payments have been made covering all dividend periods through September 30, 2011.

(b) Share Repurchases

In December 2010, our Board of Directors authorized the repurchase of up to $50.0 million of our common or preferred stock. During the first quarter of 2011, under this authorization we repurchased, in the open market and privately negotiated transactions, 183,000 shares of our Series B preferred stock, which were convertible into approximately 1.1 million shares of our common stock, at a cost of approximately $49.4 million, which we paid in cash. Also during the first quarter of 2011, under this same authorization, we completed this repurchase program by repurchasing 16,700 shares of our common stock at a cost of approximately $0.6 million, which we paid in cash. The repurchase of the preferred stock at an average cost of $269.84 per preferred share, an amount less than the weighted average fair value of the preferred shares at issuance, resulted in the allocation of $13.7 million of income attributable to common shareholders.

In March 2011, our Board of Directors authorized an additional repurchase of up to $50.0 million of our preferred or common stock. During the second quarter of 2011, under this authorization we repurchased, in the open market and privately negotiated transactions, 174,788 shares of our Series B preferred stock, which were convertible into approximately 1.0 million shares of our common stock, at a cost of approximately $49.7 million, which we paid in cash. Also during the second quarter of 2011, under this same authorization, we completed this repurchase program by repurchasing 8,300 shares of our common stock at a cost of approximately $0.3 million, which we paid in cash. The repurchase of the preferred stock at an average cost of $284.28 per preferred share, an amount less than the weighted average fair value of the preferred shares at issuance, resulted in the allocation of $10.2 million of income attributable to common shareholders.

On May 31, 2011, we announced that our Board of Directors had authorized the repurchase of $200.0 million of our common stock or preferred stock, subject to completion of the consent solicitation we announced that day and receipt of necessary authorizations from our senior secured lenders. We satisfied these conditions on June 30, 2011. During the third quarter of 2011, under this authorization we repurchased approximately 7.6 million shares of our common stock at a cost of approximately $183.9 million, which we paid in cash.

(7) Comprehensive Income (Loss)

The following table provides a reconciliation of net income attributable to Alere Inc. and Subsidiaries reported in our consolidated financial statements to comprehensive income (loss) for the three and nine months ended September 30, 2011 and 2010 (in thousands):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2011	2010	2011	2010
Net income attributable to Alere Inc. and Subsidiaries	$ 239,566	$ 3,333	$ 230,379	$ 15,808
Other comprehensive income (loss), net of tax:				
Changes in cumulative translation adjustment	(56,737)	45,260	(18,116)	(3,204)

Unrealized gains (losses) on available for sale securities	(480)	404	(758)	452
Unrealized gains (losses) on hedging instruments	(53)	497	7,272	237
Minimum pension liability adjustment	246	(237)	336	65
Total other comprehensive income (loss)	(57,024)	45,924	(11,266)	(2,450)
Total comprehensive income	$ 182,542	$ 49,257	$ 219,113	$ 13,358

Table of Contents

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

A summary of the changes in stockholders equity and non-controlling interest comprising total equity for the nine months ended September 30, 2011 and 2010 is provided below (in thousands):

	Nine Months Ended September 30,					
	2011			2010		
	Total Stockholders Equity	Non-controlling Interest	Total Equity	Total Stockholders Equity	Non-controlling Interest	Total Equity
Equity, beginning of period	$ 2,575,038	$ 2,688	$ 2,577,726	$ 3,527,555	$ 1,334	$ 3,528,889
Issuance of common stock and warrants in connection with acquisitions	1,000		1,000	16,277		16,277
Exercise of common stock options, warrants and shares issued under employee stock purchase plan	24,159		24,159	17,839		17,839
Repurchase of common stock	(184,867)		(184,867)			
Repurchase of preferred stock	(99,068)		(99,068)			
Preferred stock dividends	(5,391)		(5,391)	(119)		(119)
Stock-based compensation related to grants of common stock options	16,275		16,275	22,947		22,947
Excess tax benefits on exercised stock options	1,452		1,452	452		452
Non-controlling interest from acquisitions				(5,492)	1,864	(3,628)
Dividend relating to non-controlling interest		(271)	(271)			
Redeemable non-controlling interest in subsidiaries income		(2)	(2)		(1,164)	(1,164)
Net income	230,379	160	230,539	15,808	1,167	16,975
Total other comprehensive loss	(11,266)		(11,266)	(2,450)		(2,450)
Equity, end of period	$ 2,547,711	$ 2,575	$ 2,550,286	$ 3,592,817	$ 3,201	$ 3,596,018

A summary of the changes in redeemable non-controlling interest recorded in the mezzanine section of the balance sheet for the nine months ended September 30, 2011 and 2010 is provided below:

	Nine Months Ended September 30, 2011	Nine Months Ended September 30, 2010
Redeemable non-controlling interest, beginning of period	$	$
Acquisition of non-controlling interest	2,500	49,207
Net income	2	1,164
Redeemable non-controlling interest, end of period	$ 2,502	$ 50,371

(8) Business Combinations

Acquisitions are accounted for using the acquisition method and the acquired companies results have been included in the accompanying consolidated financial statements from their respective dates of acquisition. During the three and nine months ended September 30, 2011, we expensed acquisition-related costs of $2.9 million and $6.2 million, respectively, in general and administrative expense. During the three and nine months ended September 30,

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

2010, we expensed acquisition-related costs of $0.9 million and $6.9 million, respectively, primarily in general and administrative expense.

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

Net assets acquired are recorded at their fair value and are subject to adjustment upon finalization of the fair value analysis. We are not aware of any information that indicates the final fair value analysis will differ materially from the preliminary estimates. Determination of the estimated useful lives of the individual categories of intangible assets was based on the nature of the applicable intangible asset and the expected future cash flows to be derived from the intangible asset. Amortization of intangible assets with finite lives is recognized over the shorter of the respective lives of the agreement or the period of time the assets are expected to contribute to future cash flows. We amortize our finite-lived intangible assets based on patterns on which the respective economic benefits are expected to be realized.

(a) Acquisitions in 2011

During 2011, we acquired the following businesses for a preliminary aggregate purchase price of $129.7 million, which included cash payments totaling $91.1 million, 25,463 shares of our common stock with an acquisition date fair value of $1.0 million, contingent consideration obligations with an aggregate acquisition date fair value of $29.8 million and deferred purchase price consideration with an acquisition date fair value of $3.9 million.

- 90% interest in BioNote, Inc., or BioNote, headquartered in South Korea, a manufacturer of diagnostic products for the veterinary industry (Acquired January 2011). We previously owned a 10% interest in BioNote.
- assets, including domain name, of Pregnancy.org, LLC, or Pregnancy.org, a U.S.-based company providing a website for preconception, pregnancy and newborn care content, tools and sharing (Acquired January 2011)
- Home Telehealth Limited, subsequently renamed Alere Connected Health Limited, or Alere Connected Health, located in Cardiff, Wales, a company that focuses on delivering integrated, comprehensive services and programs to health and social care providers and insurers (Acquired February 2011)
- Bioeasy Diagnostica Ltda., or Bioeasy, located in Belo Horizonte, Brazil, a company that markets and sells rapid diagnostic tests and systems for laboratory diagnosis, prevention and monitoring of immunological diseases and fertility (Acquired March 2011)
- 80.92% interest in Standing Stone, Inc., or Standing Stone, located in Westport, Connecticut, a company that focuses on disease state management by enhancing the quality of care provided to patients who require long-term therapy for chronic disease management (Acquired May 2011)
- certain assets, rights, liabilities and properties of Drug Detection Devices, Inc., or 3DL, located in Alpharetta, Georgia, a distributor that promotes, markets, distributes and sells drugs of abuse diagnostic products, including consumables, point-of-care diagnostic kits and related products and services (Acquired July 2011)
- Colibri Medical AB, or Colibri, located in Helsingborg, Sweden, a distributor of point-of-care drugs of abuse diagnostic products primarily to the Scandinavian marketplace (Acquired July 2011)
- Laboratory Data Systems, Inc., or LDS, located in Tampa, Florida, a provider of healthcare software products, services, consulting and solutions (Acquired August 2011)
- certain assets, liabilities and properties of Abatek Medical LLC, or Abatek, located in Dover, New Hampshire, a distributor that promotes, markets, distributes and sells drugs of abuse diagnostic products, including consumables, point-of-care diagnostic kits and related products and services (Acquired September 2011)
- Forensics Limited, or ROAR, located in Worcestershire, United Kingdom, a company that provides forensic quality toxicology services across the United Kingdom (Acquired September 2011)

The operating results of BioNote, Bioeasy, 3DL, Colibri, Abatek, LDS and ROAR are included in our professional diagnostics reporting unit and business segment. The operating results of Pregnancy.org, Alere Connected Health and Standing Stone are included in our health management reporting unit and business segment.

Table of Contents

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

Our consolidated statements of operations for the three and nine months ended September 30, 2011 included revenue totaling approximately $5.6 million and $15.3 million, respectively, related to these businesses. Goodwill has been recognized in all of the acquisitions and amounted to approximately $79.7 million. Goodwill related to the acquisitions of Pregnancy.org, 3DL, Abatek and LDS which totaled $14.8 million, is expected to be deductible for tax purposes.

A summary of the preliminary fair values of the net assets acquired for the acquisitions consummated in 2011 is as follows (in thousands):

Current assets [1]	$ 13,735
Property, plant and equipment	5,442
Goodwill	79,733
Intangible assets	51,514
Other non-current assets	996
Total assets acquired	151,420
Current liabilities	7,889
Non-current liabilities	11,320
Total liabilities assumed	19,209
Net assets acquired	132,211
Less:	
Fair value of non-controlling interest	2,500
Previously-owned 10% investment in BioNote	3,937
Contingent consideration	29,785
Fair value of common stock issued	1,000
Deferred purchase price consideration	3,870
Cash paid	$ 91,119

(1) Includes cash acquired of approximately $4.2 million.

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

	Amount	Weighted Average Useful Life
Core technology and patents	$ 5,441	14.4 years
Database	64	3 years
Trademarks and trade names	5,052	16 years
Customer relationships	24,697	11.7 years
Non-compete agreements	720	4.3 years

Software	7,400	10.9 years
Other	7,766	15.6 years
In-process research and development	374	N/A
Total intangible assets	$ 51,514	

(b) Acquisitions in 2010

During 2010, we acquired the following businesses for a preliminary aggregate purchase price of $602.5 million, which consisted of initial cash payments totaling $512.1 million, contingent consideration obligations with an acquisition date fair value of $89.7 million and deferred purchase price consideration with an acquisition date fair value of $0.7 million.

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

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

Table of Contents

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

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

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

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

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

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

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

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

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

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

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

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

Medlab Produtos Medicos Hospitalares Ltda, now known as Alere S.A., located in Sao Paulo, Brazil, a distributor of medical instruments and reagents to public and private laboratories throughout Brazil and Uruguay (Acquired December 2010)

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

The operating results of the acquired businesses mentioned above, except for RMD and Alere Health Pty Ltd., are included in our professional diagnostics reporting unit and business segment. The operating results of RMD and Alere Health Pty Ltd. are included in our health management reporting unit and business segment. Our consolidated statements of operations for the three and nine months ended September 30, 2010 included revenue totaling approximately $42.3 million and $91.5 million, respectively, related to these businesses. Goodwill has been recognized in all of the acquisitions, with the exception of Unotech, Micropharm and Streck, and amounted to

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

approximately $327.2 million. Goodwill related to the acquisitions of Alere Toxicology, Immunalysis and Capital Toxicology, which totaled $81.7 million, is expected to be deductible for tax purposes.

A summary of the preliminary fair values of the net assets acquired for the acquisitions consummated in 2010 is as follows (in thousands):

Current assets [1]	$ 85,127
Property, plant and equipment	36,257
Goodwill	327,205
Intangible assets	283,855
Other non-current assets	16,953
Total assets acquired	749,397
Current liabilities	30,170
Non-current liabilities	71,060
Total liabilities assumed	101,230
Net assets acquired	648,167
Less:	
Fair value of non-controlling interest	45,623
Contingent consideration	89,708
Deferred purchase price consideration	688
Cash paid	$ 512,148

[1] Includes cash acquired of approximately $22.8 million.

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

	Amount	Weighted Average Useful Life
Core technology and patents	$ 106,885	12.4 years
Quality systems	153	5 years
Database	654	3 years
Trademarks and trade names	11,654	6.3 years
License agreements	459	10 years
Customer relationships	125,332	14.3 years
Non-compete agreements	2,650	4.2 years
Software	5,000	7 years
Distribution agreement	800	14 years
Manufacturing know-how	3,683	10.5 years
In-process research and development	26,585	N/A

Total intangible assets	$ 283,855

(c) Restructuring Plans of Acquisitions

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

Table of Contents

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

	Balance at December 31, 2010	Adjustments to the Reserve (1)	Amounts Paid	Balance at September 30, 2011	Exit Costs Since Inception
Acquisition of Matria Healthcare Inc.:					
Severance-related costs	$ 255	$ (176)	$ (11)	$ 68	$ 13,840
Facility costs	967		(534)	433	4,674
Total costs for Matria Healthcare Inc.	1,222	(176)	(545)	501	18,514
Acquisition of Panbio Limited:					
Severance-related costs					211
Facility costs	242	(75)	(167)		828
Total costs for Panbio Limited	242	(75)	(167)		1,039
Acquisition of Cholestech Corporation:					
Severance-related costs	85	(85)			5,796
Facility costs	1,805		(421)	1,384	2,732
Total costs for Cholestech Corporation	1,890	(85)	(421)	1,384	8,528
Total costs for all plans	$ 3,354	$ (336)	$ (1,133)	$ 1,885	$ 28,081

(1) These adjustments resulted in a change in the aggregate purchase price and related goodwill for each related acquisition.

Of the total $1.9 million liability outstanding as of September 30, 2011, $0.6 million is included in accrued expenses and other current liabilities and $1.3 million is included in other long-term liabilities.

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

(d) Pro Forma Financial Information

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

The pro forma results are derived from the historical financial results of the acquired businesses for the periods presented and are not necessarily indicative of the results that would have occurred had the acquisitions been consummated on January 1, 2010. There was no pro forma impact on the results of operations for the three and nine months ended September 30, 2011, as the acquisition of Standard Diagnostics closed prior to January 1, 2011 (in thousands, except per share amounts).

	Three Months Ended September 30, 2010	Nine Months Ended September 30, 2010
Pro forma net revenue	$ 538,679	$ 1,583,046
Pro forma loss from continuing operations attributable to Alere Inc. and Subsidiaries and available to common stockholders	$ (2,631)	$ (13,408)
Pro forma loss available to common stockholders	$ (2,629)	$ (1,495)
Pro forma loss from continuing operations attributable to Alere Inc. and Subsidiaries per common share basic and diluted[(1)]	$ (0.03)	$ (0.16)
Pro forma net loss available to common stockholders basic and diluted[(1)]	$ (0.03)	$ (0.02)

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

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

(9) Restructuring Plans

The following table sets forth aggregate restructuring charges recorded in our consolidated statements of operations for the three and nine months ended September 30, 2011 and 2010 (in thousands):

Statement of Operations Caption	Three Months Ended September 30, 2011	Three Months Ended September 30, 2010	Nine Months Ended September 30, 2011	Nine Months Ended September 30, 2010
Cost of net revenue	$ 80	$ (675)	$ 2,310	$ 3,316
Research and development	(1)	235	433	458
Sales and marketing	935	80	3,809	1,328
General and administrative	2,115	489	13,074	8,247
Operating income	3,129	129	19,626	13,349
Interest expense, including amortization of original issue discounts and deferred financing costs	(84)	62	(206)	(291)
Other income (expense), net		3,350		3,350
Equity earnings (losses) of unconsoliated entities, net of tax	(199)	(1,728)	(534)	(3,191)
Net income	$ 3,412	$ (1,555)	$ 20,366	$ 13,481

(a) 2011 Restructuring Plans

In 2011, management executed a company-wide cost reduction plan, which impacted our corporate and other business segment, as well as the health management and professional diagnostics business segments. Management also developed plans within our professional diagnostics business segment to consolidate operating activities among certain of our European and Asia Pacific subsidiaries, including transferring the manufacturing of our Panbio products from Australia to our Standard Diagnostics facility in South Korea. Additionally, within our health management business segment, management executed plans to further reduce costs and improve efficiencies, as well as cease operations at our GeneCare Medical Genetics Center, Inc., or GeneCare, facility in Chapel Hill, North Carolina and transfer the majority of our Quality Assured Services, Inc. operation in Orlando, Florida to our facility in Livermore, California. The following table summarizes the restructuring activities related to our 2011 restructuring plans for the three and nine months ended September 30, 2011 (in thousands):

	Three Months Ended September 30, 2011			
	Professional Diagnostics	Health Management	Corporate and Other	Total
Severance-related costs	$ 2,120	$ 82	$ 69	$ 2,271
Facility and transition costs	208	388		596
Other exit costs		58		58
Cash charges	2,328	528	69	2,925
Fixed asset and inventory impairments	43	60		103
Total charges	$ 2,371	$ 588	$ 69	$ 3,028

	Nine Months Ended September 30, 2011			
	Professional Diagnostics	Health Management	Corporate and Other	Total
Severance-related costs	$ 5,722	$ 2,274	$ 1,117	$ 9,113
Facility and transition costs	207	4,195		4,402
Other exit costs		58		58
Cash charges	5,929	6,527	1,117	13,573
Fixed asset and inventory impairments	659	864	2	1,525
Intangible asset impairments		2,935		2,935
Other non-cash charges		812		812
Total charges	$ 6,588	$ 11,138	$ 1,119	$ 18,845

Table of Contents

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

We anticipate incurring approximately $4.0 million in additional costs under these plans related to our professional diagnostics business segment, primarily related to severance and facility exit costs, and may also incur impairment charges on assets as plans are finalized. We anticipate incurring approximately $1.8 million in additional costs under these plans related to our health management business segment, primarily related to transition costs and facility lease obligations at our facility in Orlando, Florida.

(b) 2010 Restructuring Plans

In 2010, management developed several plans to reduce costs and improve efficiencies within our health management and professional diagnostics business segments. The following table summarizes the restructuring activities related to the 2010 restructuring plans for the three and nine months ended September 30, 2011 and 2010, respectively, and since inception (in thousands):

	Professional Diagnostics				
	Three Months Ended September 30,		Nine Months Ended September 30,		Since Inception
	2011	2010	2011	2010	
Severance-related costs	$	$ 339	$ 74	$ 2,121	$ 2,480
Facility and transition costs	80	226	141	322	954
Other exit costs		3		9	10
Cash charges	80	568	215	2,452	3,444
Fixed asset and inventory impairments				111	126
Total charges	$ 80	$ 568	$ 215	$ 2,563	$ 3,570

	Health Management				
	Three Months Ended September 30,		Nine Months Ended September 30,		Since Inception
	2011	2010	2011	2010	
Severance-related costs	$	$ 4	$	$ 3,827	$ 4,647
Facility and transition costs		$ 120	40	2,349	2,476
Other exit costs	4	$ 62	80	168	271
Cash charges	4	186	120	6,344	7,394
Fixed asset and inventory impairments					165
Total charges	$ 4	$ 186	$ 120	$ 6,344	$ 7,559

We do not anticipate incurring significant additional charges under these plans.

(c) 2009 Restructuring Plans

In 2009, management developed plans to reduce costs and improve efficiencies in our health management business segment, as well as reduce costs and consolidate operating activities among several of our professional diagnostics-related German subsidiaries. The charges for the three and nine months ended September 30, 2010 were included in our professional diagnostics business segment. Of the $3.5 million included in operating income since inception, \$2.3 million and \$1.2 million were included in our health management and professional diagnostics business segments, respectively. The following table summarizes the restructuring activities under the 2009 restructuring plans for the three and nine months ended September 30, 2010 and since inception (in thousands):

Table of Contents

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

	Three Months Ended September 30, 2010	Nine Months Ended September 30, 2010	Since Inception
Severance-related costs	$ 80	$ 392	$ 2,904
Facility and transition costs	2	7	511
Other exit costs			109
Cash charges	82	399	3,524
Fixed asset and inventory impairments			67
Total charges	$ 82	$ 399	$ 3,591

No costs were incurred during the three and nine months ended September 30, 2011. All costs have been paid under these plans and we do not expect to incur any additional costs.

(d) 2008 Restructuring Plans

In May 2008, management decided to close our facility located in Bedford, England and initiated steps to cease operations at this facility and transition the manufacturing operations principally to our manufacturing facilities in Shanghai and Hangzhou, China. The following table summarizes the restructuring activities under this plan for the three and nine months ended September 30, 2011 and 2010, respectively, and since inception (in thousands):

	Three Months Ended September 30,		Nine Months Ended September 30,		Since Inception
	2011	2010	2011	2010	
Severance-related costs	$ (108)	$ 47	$ (103)	$ 100	$ 3,351
Facility and transition costs	161	(688)	586	1,399	4,221
Other exit costs		(3,519)		(3,299)	3,842
Cash charges (recoveries)	53	(4,160)	483	(1,800)	11,414
Fixed asset and inventory impairments		(27)		432	5,921
Total charges (recoveries)	$ 53	$ (4,187)	$ 483	$ (1,368)	$ 17,335

During the three months ended September 30, 2010, we recorded net recoveries of $3.5 million in other exit costs, and $0.7 million in facility exit costs, as a result of a settlement of the facility restoration and lease costs with the landlord of the Bedford facility. The costs incurred for the three and nine months ended September 30, 2011 and 2010 were primarily included in our professional diagnostics business segment.

In addition to the restructuring charges discussed above, certain charges associated with the Bedford facility closure were borne by SPD, our 50/50 joint venture with the Procter & Gamble Company, or P&G. Of the restructuring charges recorded by SPD, 50% has been included in equity earnings of unconsolidated entities, net of tax, in our consolidated statements of operations. The following table summarizes the 50% portion of the restructuring charges borne by SPD and included in equity earnings of unconsolidated entities, net of tax, for the three and nine months ended September 30, 2011 and 2010, respectively, and since inception (in thousands):

17

Table of Contents

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

	Three Months Ended September 30,		Nine Months Ended September 30,		
	2011	2010	2011	2010	Since Inception
Severance-related costs	$	$ 99	$ 30	$ 734	$ 5,720
Facility and transition costs	199	1,448	433	2,249	5,341
Other exit costs		106		144	283
Cash charges	199	1,653	463	3,127	11,344
Fixed asset and inventory impairments		75	71	64	4,635
Total charges included in equity earnings of unconsolidated entities, net of tax	$ 199	$ 1,728	$ 534	$ 3,191	$ 15,979

We do not anticipate incurring significant additional restructuring charges under this plan.

Additionally, in 2008, management developed and initiated plans to transition the businesses of Cholestech and HemoSense, Inc., or HemoSense, to our San Diego, California facility and the Panbio business to our Orlando, Florida facility and close the respective facilities of Cholestech and HemoSense. Restructuring charges under these plans related to our professional diagnostics business segment. The following table summarizes the restructuring activities for these plans for the three and nine months ended September 30, 2011 and 2010, respectively, and since inception (in thousands):

	Three Months Ended September 30,		Nine Months Ended September 30,		
	2011	2010	2011	2010	Since Inception
Severance-related costs	$	$ (103)	$	$ 158	$ 4,505
Facility and transition costs	26	55	101	1,341	4,616
Other exit costs	22	43	68	65	546
Cash charges (recoveries)	48	(5)	169	1,564	9,667
Fixed asset and inventory impairments		73		788	5,011
Total charges	$ 48	$ 68	$ 169	$ 2,352	$ 14,678

We do not anticipate incurring significant additional restructuring charges under these plans.

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

(e) Restructuring Reserves

The following table summarizes our restructuring reserves related to the plans described above, of which $4.1 million is included in accrued expenses and other current liabilities and $2.5 million is included in other long-term liabilities on our consolidated balance sheets (in thousands):

	Severance-related Costs	Facility and Transition Costs	Other Exit Costs	Total
2011 Plans:				
Balance, December 31, 2010	$	$	$	$
Cash charges	9,113	4,402	58	13,573
Payments	(7,306)	(1,276)	(4)	(8,586)
Currency adjustments	(124)	(10)		(134)
Balance, September 30, 2011	1,683	3,116	54	4,853
2010 Plans:				
Balance, December 31, 2010	1,607	1,543	156	3,306
Cash charges	74	181	80	335
Payments	(1,679)	(772)	(91)	(2,542)
Currency adjustments	(2)	4	(1)	1
Balance, September 30, 2011		956	144	1,100
2008 Plans:				
Balance, December 31, 2010	380	2,715	3,302	6,397
Cash charges	(103)	687	68	652
Cash charges borne by SPD	59	866		925
Payments	(262)	(4,049)	(3,030)	(7,341)
Currency adjustments	(7)	(21)	22	(6)
Balance, September 30, 2011	67	198	362	627
Total	$ 1,750	$ 4,270	$ 560	$ 6,580

(10) Long-term Debt

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

	September 30, 2011	December 31, 2010

A term loans	$	625,000	$	
B term loans		925,000		
Revolving line of credit		100,000		
Delayed-draw term loans		200,000		
First Lien Credit Agreement Term loans				941,250
Second Lien Credit Agreement				250,000
3% Senior subordinated convertible notes		150,000		150,000
9% Senior subordinated notes		390,833		389,686
7.875% Senior notes		245,399		244,756
8.625% Senior subordinated notes		400,000		400,000
Lines-of-credit		6,793		4,405
Other		20,998		15,360
		3,064,023		2,395,457
Less: Current portion		(45,421)		(16,891)
	$	3,018,602	$	2,378,566

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 consolidated statements of

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

operations for the three and nine months ended September 30, 2011 and 2010, respectively, as follows (in thousands):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2011	2010	2011	2010
Secured credit facility(1)	$ 21,160(1)	$	$ 21,380(1)	$
Former secured credit facility(2)	(279)	15,818	53,978(3)	47,314
3% Senior subordinated convertible notes	1,246	1,205	3,742	3,696
9% Senior subordinated notes	9,751	9,914	29,219	29,417
7.875% Senior notes	5,378	5,462	16,112	16,030
8.625% Senior subordinated notes	8,909	972	26,736	972
	$ 46,165	$ 33,371	$ 151,167	$ 97,429

(1) Includes A term loans, B term loans, revolving line of credit and delayed-draw term loans. Amount includes $1.3 million and $1.5 million during the three and nine months ended September 30, 2011, respectively, related to the amortization of fees paid for certain debt modifications.

(2) Includes First Lien Credit Agreement and Second Lien Credit Agreement.

(3) Amount includes approximately $29.7 million recorded in connection with the termination of our former secured credit facility and related interest rate swap agreement.

(a) Credit Agreement

On June 30, 2011, we entered into a Credit Agreement, or secured credit facility, with certain lenders, General Electric Capital Corporation as administrative agent and collateral agent, and certain other agents and arrangers, and, along with certain of our subsidiaries, a related guaranty and security agreement. The secured credit facility provides for a total of $2.1 billion, which consists of term loans in the aggregate amount of $1.85 billion (consisting of A term loans in the aggregate principal amount of $625.0 million, B term loans in the aggregate principal amount of $925.0 million, and delayed-draw term loans in the aggregate principal amount of $300.0 million) and, subject to our continued compliance with the secured credit facility, a $250.0 million revolving line of credit (which revolving line of credit includes a $50.0 million sublimit for the issuance of letters of credit). We must repay the A term loans in eighteen consecutive quarterly installments, beginning on December 31, 2011 and continuing through March 31, 2016, in the amount of $7,812,500 each, and a final installment on June 30, 2016, in the amount of $484,375,000. We must repay the B term loans in twenty-two consecutive quarterly installments, beginning on December 31, 2011 and continuing through March 31, 2017, in the amount of $2,312,500 each, and a final installment on June 30, 2017, in the amount of $874,125,000. We must repay the delayed-draw term loans in fifteen consecutive quarterly installments, beginning on September 30, 2012 and continuing through March 31, 2016, each in the amount of 1.25% of the aggregate principal amount of the delayed-draw term loans that are borrowed through June 30, 2012 and remain outstanding on that date, and a final installment on June 30, 2016, in the amount of 81.25% of such aggregate principal amount. We may repay any future borrowings under the secured credit facility revolving line of credit at any time (without premium or penalty), but in no event later than June 30, 2016. The A term loans, any delayed draw term loans and our borrowings under the revolving credit facility bear interest at a rate *per annum* of, at our option, either (i) the Base Rate, as defined in the Credit Agreement, plus an applicable margin, which varies between 1.75% and 2.50% depending on our consolidated secured leverage ratio, or (ii) the Eurodollar Rate, as defined in the Credit Agreement, plus an applicable margin, which varies between 2.75% and 3.50% depending on our consolidated secured leverage ratio. The B term loans bear interest at a rate *per annum* of, at our option, either (i) the Base Rate, as defined in the Credit Agreement, plus an applicable margin, which varies between 2.50% and 3.25% depending on our consolidated secured leverage ratio, or (ii) the Eurodollar Rate, as defined in the Credit Agreement, plus an applicable margin, which varies between 3.50% and 4.25% depending on our consolidated secured leverage ratio. Interest on B term loans based on the Eurodollar Rate is subject to a 1.00% floor. As of September 30, 2011, the A term loans, the B term loans, the revolving line of credit and the delayed-draw term loans bore interest at 2.98%, 4.5%, 2.98% and 2.98%, respectively.

As of September 30, 2011, aggregate borrowings under the secured credit facility amounted to $1.85 billion, consisting of A term loans in the aggregate principal amount of $625.0 million, B term loans in the aggregate principal amount of $925.0 million, borrowing under the revolving line of credit totaling $100.0 million and borrowing under the delayed-draw term loans in the aggregate principal amount of $200.0 million. As of September 30, 2011, we were in compliance with all debt covenants related to the above debt, which consisted principally of maximum consolidated secured leverage and minimum consolidated interest coverage requirements.

(b) First Lien Credit Agreement and Second Lien Credit Agreement

In connection with entering into the secured credit facility on June 30, 2011, we repaid in full all outstanding indebtedness under and terminated our First Lien Credit Agreement, or senior secured credit facility, and our Second Lien Credit Agreement, or junior secured credit facility (and, collectively with the senior secured credit facility, our former secured credit facility), each dated June 26, 2007, with certain lenders, General Electric Capital Corporation as

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

administrative agent and collateral agent, and certain other agents and arrangers, and certain related guaranty and security agreements. The aggregate outstanding principal amount of the loans repaid under our former secured credit facility in connection with the termination thereof was approximately $1.2 billion.

In August 2007, we entered into interest rate swap contracts, with an effective date of September 28, 2007, that had a total notional value of $350.0 million and an original maturity date of September 28, 2010. These interest rate swap contracts paid us variable interest at the three-month LIBOR rate, and we paid the counterparties a fixed rate of 4.85%. In March 2009, we extended our August 2007 interest rate hedge for an additional two-year period commencing in September 2010 at a one-month LIBOR rate of 2.54%. These interest rate swap contracts were entered into to convert $350.0 million of the $1.2 billion variable rate term loans under the former secured credit facility into fixed rate debt. In connection with entering into the secured credit facility on June 30, 2011, we paid $10.1 million to terminate these interest rate swap contracts which was recorded in interest expense, including amortization of original issue discounts and deferred financing costs in our consolidated statements of operations.

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

(11) Derivative Financial Instruments

We manage our economic and transaction exposure to certain market-based risks through the use of derivative instruments. Our objective for holding derivative instruments has been to reduce volatility of net earnings and cash flows associated with changes in interest rates and foreign currency exchange rates. We do not hold or issue derivative financial instruments for speculative purposes.

(a) Interest Rate Risk

We have historically used interest rate swap contracts in the management of our interest rate exposure related to our former secured credit facility. On June 30, 2011, we entered into a new secured credit facility, and in connection therewith, repaid in full all outstanding indebtedness under and terminated our former secured credit facility and related interest rate swaps.

(b) Foreign Exchange Risk

During the second quarter of 2011, we entered into a foreign exchange forward contract with a notional value of 1.0 billion South Korean Won to hedge against the effect of exchange rate fluctuations on a certain obligation denominated in non-functional currency. The contract has a term of six months. We report the effective portion of the gain or loss on a cash flow hedge as a component of other comprehensive income, and it is subsequently reclassified into net earnings in the period in which the hedged transaction affects net earnings or the forecasted transaction is no longer probable of occurring.

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

Derivative Instruments	Balance Sheet Caption	Fair Value at September 30, 2011	Fair Value at December 31, 2010
Foreign exchange forward contract	Accrued expenses and other current liabilities	$ 80	$
Interest rate swap contracts[(1)]	Accrued expenses and other current liabilities	$	$ 26

&nb