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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, 2000, 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 0-21615

BOSTON BIOMEDICA, INC.

(EXACT NAME OF REGISTRANT AS SPECIFIED IN ITS CHARTER)

MASSACHUSETTS	04-2652826
(State or other Jurisdiction of Incorporation or Organization)	(I.R.S. Employer Identification No.)

375 WEST STREET,

WEST BRIDGEWATER, MASSACHUSETTS	02379-1040
(Address of Principal Executive Offices)	(Zip Code)

Registrant's telephone number, including area code
(508) 580-1900

Indicate by checkmark 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.

/X/ Yes / / No

The number of shares outstanding of the Registrant's only class of common stock as of July 31, 2000 was 5,614,486.

PART I. FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

BOSTON BIOMEDICA, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF OPERATIONS

(UNAUDITED)

<TABLE>
<CAPTION>

	For the Three Months Ended June 30,		For the Six Months Ended June 30,	
	2000	1999	2000	1999
<S>	<C>	<C>	<C>	<C>
REVENUE:				
Products	$3,539,861	$3,491,323	$6,136,942	$6,947,525
Services	4,214,148	3,647,334	8,447,779	7,036,297
Total Revenue	7,754,009	7,138,657	14,584,721	13,983,822
COSTS AND EXPENSES:				
Cost of products	1,723,736	1,822,537	3,018,033	3,631,184
Cost of services	3,191,619	2,641,555	6,522,031	5,111,652
Research and development	730,162	728,452	1,492,854	1,491,061
Selling and marketing	1,031,064	1,102,546	1,952,713	2,107,817
General and administrative	1,336,676	1,116,975	2,747,491	2,211,665
Total operating costs and expenses	8,013,257	7,412,065	15,733,122	14,553,379
Loss from operations	(259,248)	(273,408)	(1,148,401)	(569,557)
Interest income	-	159	422	855
Interest expense	(210,954)	(89,549)	(404,860)	(176,748)
Loss before income taxes	(470,202)	(362,798)	(1,552,839)	(745,450)
Benefit from income taxes	178,678	137,863	590,080	283,270
Net loss	$ (291,524)	$ (224,935)	$ (962,759)	$ (462,180)
Net loss per share: basic and diluted	$(0.05)	$(0.05)	$(0.18)	$(0.10)
Number of shares used to calculate net loss per share:				
basic and diluted	5,556,628	4,743,870	5,315,026	4,680,915

</TABLE>

The accompanying notes are an integral part of the Consolidated Financial Statements.

BOSTON BIOMEDICA, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
(UNAUDITED)

<TABLE>
<CAPTION>

ASSETS	June 30, 2000	December 31, 1999
CURRENT ASSETS		
<S>	<C>	<C>
Cash and cash equivalents	$ 260,273	$ 314,923

Accounts receivable, less allowances of $785,036 in 2000 and $746,797 in 1999	6,335,570	6,446,318
Inventories	7,547,377	6,917,916
Prepaid expenses and other	766,152	344,353
Deferred income taxes	956,242	934,790
Total current assets	15,865,614	14,958,300
Property and equipment, net	8,520,947	8,295,024
OTHER ASSETS:		
Goodwill and other intangibles, net	2,483,289	2,589,310
Deferred income taxes	258,149	220,535
Notes receivable and other	137,879	99,171
Total other assets	2,879,317	2,909,016
TOTAL ASSETS	$27,265,878	$26,162,340
LIABILITIES AND STOCKHOLDERS' EQUITY		
CURRENT LIABILITIES:		
Accounts payable	$ 3,215,931	$ 2,552,268
Accrued compensation	1,086,253	1,189,140
Accrued income taxes	12,329	112,487
Other accrued expenses	718,398	1,028,667
Current maturities of long term debt	5,890,475	22,414
Deferred revenue	58,179	-
Total current liabilities	10,981,565	4,904,976
LONG-TERM LIABILITIES:		
Long term debt, less current maturities	2,541,104	7,145,651
Deferred rent and other liabilities	404,195	465,590
STOCKHOLDERS' EQUITY:		
Common stock $.01 par value; authorized 20,000,000 shares in 2000 and 1999; issued and outstanding 5,614,486 in 2000 and 4,773,365 in 1999	56,145	47,734
Additional paid-in capital	19,720,609	16,809,242
Stock purchase warrants	(2,264,127)	-
Accumulated deficit	(4,173,613)	(3,210,853)
Total stockholders' equity	13,339,014	13,646,123
TOTAL LIABILITIES & STOCKHOLDERS' EQUITY	$27,265,878	$26,162,340

</TABLE>

The accompanying notes are an integral part of the Consolidated Financial Statements.

BOSTON BIOMEDICA, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

(UNAUDITED)

<TABLE>
<CAPTION>

	For The Six Months Ended June 30, 2000	1999
CASH FLOWS FROM OPERATING ACTIVITIES		

<S> <C> <C>

Net loss	$ (962,759)	$ (462,180)
Adjustments to reconcile net loss to net cash used by operating activities:		
Depreciation and amortization	916,173	722,090
Provision for doubtful accounts	60,398	54,268
Deferred rent and other liabilities	(61,395)	(236,336)
Deferred income taxes	(59,066)	(25,655)
Changes in operating assets and liabilities:		
Accounts receivable, net	44,889	703,646
Inventories	(629,461)	(90,582)
Prepaid expenses and other	(421,799)	(213,194)
Accounts payable	663,663	(362,422)
Accrued compensation and other expenses	(513,314)	84,858
Deferred revenue	58,179	(690,760)
Net cash used in operating activities	(904,492)	(516,267)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Additions to property and equipment	(1,030,615)	(1,189,516)
Advances under notes receivable and other assets	(38,708)	7,895
Net cash used in investing activities	(1,069,323)	(1,181,621)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from mortgage	2,446,573	-
(Repayments) borrowings on line of credit	(1,183,059)	1,632,266
Proceeds of common stock issued	655,651	172,254
Net cash provided by financing activities	1,919,165	1,804,520
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS:	(54,650)	106,632
Cash and cash equivalents, beginning of period	314,923	146,978
Cash and cash equivalents, end of period	$ 260,273	$ 253,610

</TABLE>

The accompanying notes are an integral part of the Consolidated Financial Statements.

BOSTON BIOMEDICA, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(1) BASIS OF PRESENTATION

The accompanying unaudited consolidated financial statements have been prepared in accordance with generally accepted accounting principles for the interim financial information and with the instructions to Form 10-Q and Article 10 of Regulation S-X. Accordingly, they do not include all of the information and footnotes required by generally accepted accounting principles for complete financial statements. In the opinion of management, all adjustments (consisting of only normal recurring adjustments) considered necessary for a fair presentation have been included. Operating results for the three and six months ended June 30, 2000 are not necessarily indicative of the results that may be expected for the year ending December 31, 2000. For further information, refer to the consolidated financial statements and footnotes thereto included in both the Form 10-K filing for the fiscal year ended December 31, 1999 and the Form 10-Q filing for the three months ended March 31, 2000 for Boston Biomedica, Inc. and Subsidiaries ("the Company" or "Boston Biomedica"). Certain prior year amounts in the consolidated financial statements have been reclassified to conform to the current year's presentation.

(2) USE OF ESTIMATES

In conformity with generally accepted accounting principles, management is required to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues, and expenses for the periods presented. Such estimates include reserves for uncollectable accounts receivable as well as the net realizable value of its inventory. Actual results could differ from the estimates and assumptions used by management.

(3) INVENTORIES

Inventories consisted of the following:

	June 30, 2000	December 31, 1999
Raw materials	$3,769,111	$2,675,735
Work-in-process	1,415,920	1,845,778
Finished goods	2,362,346	2,396,403
	$7,547,377	$6,917,916

(4) SEGMENT REPORTING AND RELATED INFORMATION

The Company has five operating segments. The Diagnostics segment serves the worldwide IN VITRO diagnostics industry, including users and regulators of their test kits, with quality control products and test kit components. The Biotech segment pursues third party contracts, primarily with agencies of the United States Government, to help fund the development of products and services for the other segments. The Clinical Laboratory Services segment performs specialty infectious disease testing for hospitals, blood banks, doctors and other clinical laboratories, primarily in North America. The Laboratory Instrumentation segment sells laboratory instruments primarily to the worldwide IN VITRO diagnostics industry on an OEM basis, and also performs in-house instrument servicing. Finally, "Other" consists of research and development in two areas: pressure cycling technology ("PCT"") and drug discovery ("Panacos"). The Company performs research in the development of PCT, with particular focus in the areas of nucleic acid purification and pathogen inactivation. The Company also

conducts research, together with Dr. K.H. Lee and collaborators at the School of Pharmacy, University of North Carolina at Chapel Hill ("UNC"), in the area of anti-HIV drug discovery, with exclusive focus on natural products and their synthetic derivatives.

(4) SEGMENT REPORTING AND RELATED INFORMATION (CONTINUED)

Operating segment information is as follows (dollars in 000's):
<TABLE>
<CAPTION>

	Three Months ended June 30,		Six Months Ended June 30,	
SEGMENT REVENUE:	2000	1999	2000	1999
<S>	<C>	<C>	<C>	<C>
Diagnostics	$3,229	$2,788	$ 5,509	$ 5,531
Biotech	2,142	1,476	4,060	2,858
Clinical Laboratory Services	2,272	2,464	4,612	4,669
Laboratory				

Laboratory Instrumentation	608	892	1,257	1,925
Other	120	41	268	41
Eliminations	(617)	(522)	(1,121)	(1,040)
Total Revenue	$7,754	$7,139	$14,585	$13,984
SEGMENT OPERATING (LOSS) INCOME:				
Diagnostics	$ 527	$ 479	$ 833	$ 1,038
Biotech	136	(123)	(16)	(241)
Clinical Laboratory Services	(67)	60	(194)	135
Laboratory Instrumentation	(304)	(294)	(590)	(502)
Other	(551)	(395)	(1,181)	(1,000)
Total Loss from Operations	$(259)	$ (273)	$(1,148)	$ (570)

IDENTIFIABLE CORPORATE AND SEGMENT ASSETS:	June 30, 2000	December 31, 1999
Diagnostics	$12,165	$12,170
Biotech	5,258	4,643
Clinical Laboratory Services	3,141	3,188
Laboratory Instrumentation	3,642	3,789
Corporate	1,825	1,205
Other	1,235	1,167
Total assets	$27,266	$26,162

</TABLE>

(5) RECENT ACCOUNTING STANDARDS

In March 2000, the Financial Accounting Standard Board issued FASB Interpretation No. 44, "Accounting for Certain Transactions Involving Stock Compensation - an interpretation of APB Opinion No. 25" ("FIN 44"). FIN 44 clarifies the application of APB Opinion No. 25 to certain issues including: the definition of an employee for purposes of applying APB Opinion No. 25; the criteria for determining whether a plan qualifies as a non-compensatory plan; the accounting consequence of various modifications to the terms of previously fixed stock options or awards; and the accounting for the exchange of stock compensation awards in a business combination. FIN 44 is effective July 1, 2000, but certain conclusions in FIN 44 are applicable retroactively to specific events occurring after either December 15, 1998 or January 12, 2000. The Company does not expect the application of FIN 44 to have a material impact on the Company's financial position or results of operations.

In December 1999, the Staff of the Securities and Exchange Commission issued Staff Accounting Bulletin No. 101, "Revenue Recognition in Financial Statements" ("SAB 101"). This SAB summarizes certain of the Staff's views in applying generally accepted accounting principles, in the United States, to revenue recognition in financial statements. SAB 101B amends SAB 101; accordingly, this bulletin is now scheduled to become effective for the Company's fourth quarter ended December 31, 2000. The Company is currently assessing the impact that SAB 101 may have on its financial statements.

(6) COMPUTATION OF NET LOSS PER SHARE

Basic loss per share is computed by dividing net loss by the weighted average number of common shares outstanding. Diluted loss per share is computed by dividing net loss by the weighted average number of common shares outstanding plus additional common shares that would have been outstanding if dilutive potential common shares had been issued. For the purposes of this calculation, stock options are considered common stock equivalents in periods in which they have a dilutive effect. Stock options that are antidilutive are excluded from the calculation. Potentially dilutive securities of 255,992 and 231,602, and 466,238 and 157,678, were not included in the computation of diluted loss per share because to do so would have reduced the loss per share for the three months ended June 30, 2000 and 1999, and the six months ended June 30, 2000 and 1999, respectively.

(7) STOCK PURCHASE WARRANTS AND OPTIONS RECEIVABLE

On February 17, 2000, the Company received notice that certain warrant holders exercised 500,000 warrants. This exercise will result in proceeds to the Company of approximately $2,100,000, net of transaction costs. The holders of the warrants are required to pay the exercise price when the registration of the underlying shares is effective. The Company recorded a receivable as a contra equity account to reflect the shares as outstanding, as of the exercise date. The Company considers these shares to be issued and outstanding, although the shares have not been delivered to the warrant holders as of August 14, 2000, and will not be delivered until the registration statement is declared effective and the shares have been paid for. Additionally, the Company accrued a broker fee related to the warrant exercise which is payable upon receipt of the exercise proceeds. This broker fee of $133,500 was recorded as an offset to additional paid-in capital.

(8) DEBT

The June 30, 2000 balance sheet reflects the classification of the Company's outstanding line-of-credit balance as short-term debt. The Company reclassified the debt because in the first and second quarters of 2000, it violated a financial covenant limiting the amount of allowable losses. There have been no payment defaults. The Company expects to complete negotiations and close on a new facility in the near future. In the meantime, there have been no changes in the financial terms or availability formula under the existing line-of-credit agreement.

On April 5, 2000, the Company borrowed $2,446,573 (net) under a mortgage agreement on its West Bridgewater, MA facility. The Company used the funds to reduce the outstanding balance of its existing line of credit. The principal amount of the note issued in connection with the mortgage is due on March 31, 2010. During the first five years the note carries an interest rate of 9.75%; after five years the rate charged will be .75% greater than the Corporate Base Rate then in effect. Under this mortgage agreement the Company is subject to certain financial covenants by which a default in its line of credit financial covenants will cause a default on this note. The Company has received a waiver from this lending institution regarding the covenant violation. The payments on this mortgage are based on a 20 year amortization schedule.

(9) REVENUE RECOGNITION

For further information regarding the Company's revenue recognition policies, refer to the consolidated financial statements and footnotes thereto included in both the Form 10-K filing for the fiscal year ended December 31, 1999 and the Form 10-Q filing for the three months ended March 31, 2000 for Boston Biomedica, Inc. and Subsidiaries.

Revenue for service and research and development contracts, in addition to revenues associated with long-term contracts, is recognized when the customer is contractually obligated to pay and the fees are not refundable.

(10) INCOME TAXES

For further information regarding the Company's income tax accounting policies, refer to the consolidated financial statements and footnotes thereto included in both the Form 10-K filing for the fiscal year ended December 31, 1999 and the Form 10-Q filing for the three months ended March 31, 2000 for Boston Biomedica, Inc. and Subsidiaries.

On December 31, 1999 the Company had a loss carryforward of approximately $2,000,000 for federal and state tax purposes that was obtained through the acquisition of BioSeq, Inc. This carryforward expires from 2011 through 2018 for federal purposes and 2001 through 2003 for state purposes. The Company has established a valuation allowance to reserve for this entire loss. In addition, the Company has a federal net operating loss carryforward at December 31, 1999 of approximately $300,000 which expires in 2019. The Company has state net operating loss carryforwards at December 31, 1999 of approximately $3,000,000 which expire at various dates from 2002 through 2019.

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

THREE MONTHS ENDED JUNE 30, 2000 AND 1999

Total revenue increased 8.6%, or $615,000, to $7,754,000 for the three months ended June 30, 2000 as compared to $7,139,000 in the second quarter of 1999. This overall increase was the result of an increase in product revenue of 1.4%, or $49,000, from $3,491,000 to $3,540,000 coupled with a 15.5%, or $567,000, increase in service revenue from $3,647,000 to $4,214,000. The overall $615,000 increase in total revenue was focused in two operating segments: Diagnostics and Biotech. Diagnostics revenue increased 15.8%, or $441,000, to $3,229,000 due primarily to continued strong sales of its Accurun and TQS panel products to the end-user market. Biotech revenue increased 45.1%, or $666,000, to $2,142,000 due to the combination of new government contracts for both its repository and research services and operating at increased staffing levels on all of its contracts in the second quarter of 2000. These operating segment increases were partially offset by slightly lower revenue at the Company's Clinical Laboratory Services ("CLS") and Laboratory Instrumentation segments. CLS revenue decreased 7.8%, or $192,000, to $2,272,000 as a result of lower volume of molecular testing due to the loss of a large customer during the second quarter of 2000. Laboratory Instrumentation revenue declined 31.8%, or $284,000, to $608,000 as a result of a lower volume of contract manufacturing business, which primarily relates to the timing of orders received from a large customer. The Company is actively working to increase revenue at both these operating segments.

Gross profit increased 6.1%, or $164,000, to $2,839,000 for the three months ended June 30, 2000 from $2,675,000 in the prior year period. Product margins increased from 47.8% in 1999 to 51.3% in 2000 while service margins decreased from 27.5% to 24.3%. The increase in product margins is due primarily to the Diagnostics segment, which benefited from increased demand for Accurun products and certain custom OEM products within its quality control product line. The decrease in service margins is primarily due to the Biotech segment, which earned its increased revenue from low margin government contracts.

Research and development expenditures remained flat in the second quarter of this year as compared to the same period last year. As was the case last quarter, the Company continued to emphasize development efforts within the Other segment which includes BBI BioSeq ("BioSeq") and Panacos Pharmaceuticals ("Panacos"). The increased research and development expenditures in the areas of Pressure Cycling Technology ("PCT") and Drug Discovery Program ("DDP") were primarily focused on technical progress in the lab, writing grant applications seeking financial support, and designing the next generation of the PCT instrument ("Barocycler"). Also, the Clinical Laboratory segment experienced higher R & D expenditures on new molecular tests. These increased expenditures were offset by a decrease at the Laboratory Instrumentation segment, as the PlateMate program was discontinued. Additionally, in September 1999, BBI BioSeq was moved from its pre-acquisition location in Woburn, MA to Gaithersburg, MD, where it shares space with the Biotech segment. This move has resulted in increased efficiencies for the PCT effort, lower facility costs, and greater access to both scientific professionals and laboratory equipment.

Selling and Marketing expenses decreased by 6.4%, or $71,000, to $1,031,000 for the three months ended June 30, 2000 from $1,102,000 in the prior year. This decrease was a result of a slight reduction in promotion costs and turnover in some key positions at the Diagnostics segment. Some of these positions were filled early in the third quarter of 2000.

General and administrative costs increased 19.7%, or $220,000, to $1,337,000 for the three months ended June 30, 2000 from $1,117,000 in the prior year as a result of several factors. The corporate reorganization (announced in July 1999)

added several executive level employees to the general and administrative financial statement line item of the income statement. Additionally, $98,000 of the general and administrative personnel expenses incurred during the second quarter of 1999 were capitalized into the enterprise resource planning ("ERP") system implementation in accordance with applicable accounting standards. The Company completed the project in November 1999; therefore, these costs are expensed as incurred during 2000.

Consolidated loss from operations decreased to $259,000 in the second quarter of 2000 versus a $273,000 loss in the second quarter of 1999. The Diagnostics segment's operating income increased to $527,000 from $479,000 as a result of the 15.8% revenue growth. Biotech had operating income in the second quarter of $136,000 versus a loss last year of $123,000 on the strength of a significant increase in revenues from low margin government contracts. The Clinical Laboratory Services segment had an operating loss of $67,000 for the second quarter of 2000 versus income of $60,000 for the same period last year due to competitive pricing pressure resulting in lower gross margin, higher R&D expenditures on new molecular tests, increased promotion expenses, and increased management costs. The Laboratory Instrumentation segment's operating loss remained approximately the same at $300,000 for each period, due to lower than expected sales. Management does not expect a return to profitability before the end of 2000. Additionally, the segment has contributed significant technical expertise to the design and development of the prototype pressure cycling technology Barocycler instruments. The operating loss of the Other segment increased to $551,000 from $395,000 in the prior year's period due to planned, higher R&D expenditures. The Company continues to invest heavily in the areas of pressure cycling technology and the drug discovery program, through its subsidiaries BBI BioSeq and Panacos Pharmaceuticals, respectively. Management intends to reduce the operating losses of the Other segment in the area of PCT through research and development alliances, which will supplement the expenditures of the Company.

The Company now expects to relinquish control of Panacos, by the end of the year, by the sale of more than fifty percent of that company's common stock to third party investors. This will cause a change from consolidation to equity accounting of the Panacos results.

Net interest expense increased from $89,000 in 1999 to $211,000 in 2000. Throughout the second quarter of 2000, the Company carried a higher average debt balance than in the prior year period. In addition to a higher borrowing balance, the Company continued to feel the effects of rising interest rates.

The Company continued to benefit for income taxes at a 38% rate. Management has reviewed the realizability of its tax assets and has determined that based on its plan to return to profitability, and anticipated utilization of such assets, this benefit rate is appropriate.

Net loss increased to $292,000 in the second quarter 2000 from $225,000 in the comparable prior year period as a result of the items discussed above.

SIX MONTHS ENDED JUNE 30, 2000 AND 1999

Total revenue increased 4.3%, or $601,000, to $14,585,000 for the six months ended June 30, 2000 versus $13,984,000 for the comparable period of 1999. This increase was the result of a $1,412,000 increase in service revenue from $7,036,000 to $8,448,000, partially offset by a $811,000 decrease in product revenue from $6,947,000 to $6,136,000. The decrease in product revenue is associated with lower than expected sales of Basematrix, and Seroconversion and Performance Panels at the Diagnostics segment in the first quarter of 2000, and a lower level of contract manufacturing at the Laboratory Instrumentation segment. The Diagnostics segment revenue in the first quarter of 2000 was adversely

impacted by turnover in the sales and marketing and the materials management workforces, as well as transitional issues with its ERP business system newly implemented in November 1999. The first quarter of 2000 was the first full period of operation under this system and new procedures in materials, manufacturing, and purchasing caused some inefficiencies. Most of these procedures have since been resolved. This was partially offset by strong sales increases in the Accurrun product line and characterized sera sales as compared to the first half of 1999. The $1,411,000 increase in service revenue was primarily a result of the Biotech operating segment, which realized significant revenue increases in contract research and repository services, led by an AIDS vaccine support contract and two new repository contracts.

Gross profit decreased 3.7%, or $197,000, to $5,044,000 for the six months ended June 30, 2000 versus $5,241,000 for the comparable period of 1999. Product margins increased from 47.7% in 1999 to 50.8% in 2000 while service margins decreased from 27.3% to 22.7%. The increase in product margins is primarily due to the Diagnostics segment, which benefited from increased demand for Accurun products and certain custom OEM products within its quality control product line. The decrease in service margins was primarily due to two factors: increased competition in the testing market faced by the Clinical Laboratory Services segment; and lower margins at the Biotech segment as their significant revenue growth was earned from low margin government contracts.

Research and development expenditures remained flat in the first half of 2000 as compared to the same period in the prior year. The Company continued to focus its development efforts within the Other segment, which includes BioSeq and Panacos. The increased research and development expenditures in the areas of PCT and DDP were primarily focused on technical progress in the lab, writing grant applications to provide financial support, legal support for patent applications by Panacos, and designing the next generation of the Barocycler. These increased expenditures were partially offset by decreased R&D expenditures at the Laboratory Instrumentation segment, as the PlateMate program was discontinued. Additionally, in September 1999, BioSeq was moved from its pre-acquisition location in Woburn, MA to Gaithersburg, MD, where it shares space with the Biotech segment. This move has resulted in increased efficiencies for the PCT effort, lower facility costs, and greater access to both scientific professionals and laboratory equipment.

Selling and Marketing decreased 7.4%, or $155,000, to $1,953,000 for the six months ended June 30, 2000 from $2,108,000 in the prior year. This decrease was a result of the turnover in some key positions at the Diagnostics segment, which temporarily reduced personnel and travel costs. Some of these positions were filled early in the third quarter of 2000.

General and administrative costs increased 24.2%, or $535,000, to $2,747,000 for the six months ended June 30, 2000 from $2,212,000 in the prior year period as a result of several factors. The corporate reorganization (announced in July 1999) added several executive level employees to the general and administrative financial statement line item of the income statement. Additionally, $166,000 of the general and administrative personnel expenses incurred during the first and second quarters of 1999 were capitalized into the ERP system implementation in accordance with applicable accounting standards. The Company completed the project in November 1999; therefore, these costs are expensed as incurred during 2000. The Company also incurred significant professional fees during the first quarter as it transferred the technology of its Drug Discovery Program into a separate subsidiary, Panacos Pharmaceuticals, Inc. During the first half of 2000, the Company continued to move forward with its plan to sell a significant equity position in Panacos to third party investors which would have the benefits of raising significant capital required to develop Panacos' technology and to cause BBI to relinquish control of Panacos thus allowing a change from consolidation to equity accounting relative to the Company's share of Panacos' losses.

Consolidated loss from operations increased to $1,148,000 for the first half of 2000 versus a loss of $570,000 in the prior period of 1999. The Diagnostics segment operating income decreased to $833,000 from $1,038,000 as a result of higher expenditures on R&D in 2000 compared to last year and the beneficial affect on 1999's operating income of capitalized salaries for the ERP System implementation. Biotech operated at breakeven for the first half of 2000 versus a loss of $241,000 for the same period last year on the strength of significantly higher revenue from government contracts, which more than offset their relatively low gross margins. The Clinical Laboratory Services segment had an operating loss of $194,000 for the first half of 2000 versus income of $135,000 for the same period last year due to a combination of circumstances: competitive pricing pressure resulting in lower gross margins, higher R&D expenditures for new molecular tests, increased promotion expenses, and increased management costs as a result of the reorganization. The Laboratory Instrumentation segment's operating loss increased slightly to $590,000 as compared to $502,000 for the same period in the prior year, primarily due to lower revenue. Management does not expect a return to profitability before the end of 2000. Additionally, the segment has contributed significant technical expertise to the design and development of the prototype Barocycler instruments. The operating loss of the Other segment increased to $1,181,000 from $1,000,000 in the prior year period due to planned, higher R&D expenditures. The Company continues to invest heavily in the areas of pressure cycling technology and the drug discovery program, through its subsidiaries BBI BioSeq and Panacos Pharmaceuticals, respectively. Management intends to reduce the operating losses of the Other segment in the area of PCT through research and development alliances, which will supplement the expenditures of the Company.

As mentioned above, the Company now expects to relinquish control of Panacos, by the end of the year, by the sale of more than fifty percent of that company's common stock to third party investors. This will cause a change from consolidation to equity accounting of the Panacos results.

Net interest expense increased from $176,000 in 1999 to $405,000 in 2000. Throughout the first half of 2000, the Company carried a higher average debt balance than in the comparable prior year period. In addition to a higher borrowing balance, the Company continued to feel the effects of rising interest rates.

The Company continued to benefit for income taxes at a 38% rate. Management has reviewed the realizability of its tax assets, and has determined that based on its plan to return to profitability, and anticipated utilization of such assets, this benefit rate is appropriate.

Net loss increased to $962,000 in the first half of 2000 from $462,000 in the comparable prior year period as a result of the items discussed above.

LIQUIDITY AND FINANCIAL CONDITION

At June 30, 2000, the Company had cash and cash equivalents of approximately $260,000, and working capital of $4,888,000. Gross trade accounts receivable decreased $72,000 as cash receipts slightly outpaced new sales. Inventory increased $629,000 or 9.1% due to increased purchases of critical raw materials, and production of HIV subtype viral stocks under a Material Transfer Agreement signed with the NIH. Management intends to continue to focus its efforts on utilizing existing inventory where possible, while continuing to purchase those critical, hard to find raw materials in short supply.

The Company's working capital position as of June 30, 2000 was adversely affected by the classification of its $5,820,000 line-of-credit balance as short-term debt. The Company reclassified the debt because in the first and second quarters of

2000, it violated a financial covenant limiting the amount of allowable losses. There have been no payment defaults. The Company expects to complete negotiations and close on a new facility in the near future. In the meantime, there have been no changes in the financial terms or availability formula under the existing line-of-credit agreement.

On April 5, 2000, the Company borrowed $2,446,573 (net) under a mortgage agreement on its West Bridgewater, MA facility. The Company used these funds to reduce the outstanding balance on its line-of-credit. The mortgage is due on March 31, 2010. During the first five years the note carries an interest rate of 9.75%; after five years the rate charged will be 0.75% greater than the bank base rate then in effect. Under this mortgage agreement the Company is subject to certain financial covenants by which a default in its line-of-credit covenants will cause a default on this note. The Company has received a waiver from this lending institution regarding the covenant violation. Payments due on this mortgage are based on a 20 year amortization schedule.

In February of 2000, the Company received notice that certain warrant holders exercised warrants to purchase 500,000 shares of the Company's common stock. This exercise will result in proceeds to the Company of approximately $2,100,000. The holders of the warrants are required to pay the exercise price when the registration of the underlying shares is effective. The Company currently expects the registration of the underlying shares to be declared effective by the Securities and Exchange Commission in the next few months.

Net cash used in operations for the six months ended June 30, 2000 was $904,000 as compared to cash use of $516,000 in the comparable period last year. This increase in operational use of cash was primarily the result of inventory raw material purchases.

Cash used in investing activities was $1,069,000 in the first six months of 2000 versus $1,181,000 for the comparable prior year period. During the six months ended June 30, 2000, the Company's Biotech segment invested $561,000 to build-out its new repository facility in Frederick Maryland. In addition, significant investments were made for laboratory and manufacturing equipment. The Company capitalized approximately $166,000 of general and administrative expenses relative to the implementation of its ERP system in the first six months of 1999.

Cash provided by financing activities was $1,919,000 in the first six months of 2000 versus $1,804,000 for the comparable prior year period. During the six months ended June 30, 2000, the net cash provided by debt consisted of the mortgage loan of approximately $2,446,573 (net) discussed above, less net repayments on the line-of-credit of $1,183,000. In addition, cash of approximately $655,000 was received from the exercise of stock options and warrants, exclusive of the 500,000 warrants awaiting registration discussed above.

The Company believes that existing cash balances, the borrowing capacity available under the existing line of credit (or its replacement), and proceeds from the exercise of the 500,000 warrants to purchase the Company's common stock, are sufficient to fund operations and anticipated capital expenditures in 2000. However, the Company is also exploring additional financing options, including issuing equity or subordinated convertible debt, to strengthen its cash position.

YEAR 2000 COMPUTER SYSTEMS COMPLIANCE

Our Year 2000 ("Y2K") program was designed to minimize the possibility of serious Year 2000 interruption. In 1997 the Company decided to significantly upgrade its "business system" (all computer hardware and software used to run its business including its operations management, administration and financial systems).

Specifications were developed for desired capabilities, including Year 2000 compliance, and the Company began to assess various enterprise resource planning systems ("ERP System") in 1998. Additionally, the Company organized a task force

at each operating segment to review other infrastructure areas including communications systems, building security systems, and embedded technologies in areas such as laboratory instruments and manufacturing equipment. The Company also began to survey mayor suppliers, distributors, and customers to determine the status and schedule for their Year 2000 compliance.

During the fourth quarter of 1999 the Company completed the ERP implementation at two of the Company's subsidiaries. The other subsidiaries received upgraded, Year 2000 compliant versions of existing software. The Company spent less than $200,000 to prepare for Y2K. This amount includes the cost to upgrade existing software packages to compliant versions, use of existing resources to execute surveys and measure results, and incremental costs associated with other infrastructure areas. This amount excludes all costs associated with the implementation of the ERP Systems, which was completed for reasons beyond Y2K compliance.

Possible Year 2000 worst case scenarios include the interruption of significant parts of our business as a result of internal business system failure or the failure of the business systems of the Company's suppliers, distributors or customers. Any such interruption may have a material adverse impact on our future results. Although no significant problems have been noted to date, the Company acknowledges that there is still risk that such problems may occur. Any such interruption could have a material adverse impact on the future results of the Company.

FORWARD-LOOKING STATEMENTS

This Quarterly Report on Form 10-Q contains forward-looking statements concerning the Company's financial performance and business operations. The Company wishes to caution readers of this Quarterly Report on Form 10-Q that actual results might differ materially from those projected in any forward-looking statements.

Factors which might cause actual results to differ materially from those projected in the forward-looking statements contained herein include the following: inability of the Company to develop the end user market for quality control products; inability of the Company to integrate the laboratory instrumentation business into the Company's business; inability of the Company to grow laboratory instrumentation sales to the extent anticipated; failure to obtain the renewal and full funding of contracts with National Institutes of Health (NIH), National Heart, Lung and Blood Institute (NHLBI) and other government agencies; continued pricing pressure from increasing competition in the specialty testing market; the possibility that the Company may not be successful in commercializing current R&D projects, may not have the resources to complete the projects, may not be able to complete the development of certain technologies, or that the projects may take longer than expected to complete; inability of the Company to secure equity financing for Panacos; inability of the Company to obtain an adequate supply of the unique and rare specimens of plasma and serum necessary for the production of certain of its products; significant reductions in purchases by any of the Company's major customers; and the potential insufficiency of Company resources, including capital, human resources, plant and equipment and management systems, to accommodate any future growth. Certain of these and other factors which might cause actual results to differ materially from those projected are more fully set forth under the caption "Risk Factors" in the Company's Registration Statement on Form S-1 (SEC File No. 333-10759) and in its annual report on Form 10-K for the year ended December 31, 1999 and its quarterly report on Form 10-Q for the quarter ended March 31, 2000.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

There have been no material changes in the reported market risks since December 31, 1999.

BOSTON BIOMEDICA, INC.

PART II. OTHER INFORMATION

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

The June 30, 2000 balance sheet reflects the classification of the Company's outstanding line-of-credit balance, in the amount of $5,820,000 as of June 30, 2000, as short-term debt. The Company reclassified the debt because in the first and second quarters of 2000, it violated a financial covenant limiting the amount of allowable losses. There have been no payment defaults. The Company expects to complete negotiations and close on a new facility in the near future. In the meantime, there have been no changes in the financial terms or availability formula under the existing line-of-credit agreement.

ITEM 6. EXHIBITS AND REPORTS ON FORM 8K

(a) EXHIBITS

EXHIBIT NO.

3.1 Amended and Restated Articles of Organization of the Company*

3.2 Amended and Restated Bylaws of the Company*

4.1 Specimen Certificate for Shares of the Company's Common Stock*

4.2 Description of Capital Stock (contained in the Amended and Restated Articles of Organization of the Company filed as Exhibit 3.1)*

10.22 Mortgage and Security Agreement dated March 31, 2000

27 Financial Data Schedule

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* In accordance with Rule 12b-32 under the Securities Exchange Act of 1934, as amended, reference is made to the documents previously filed with the Securities and Exchange Commission, as exhibits to the Company's Registration Statement on Form S-1 (Registration No. 333-10759), which documents are hereby incorporated by reference. The number set forth herein is the number of the Exhibit in said registration statement.

(b) REPORTS ON FORM 8K

None

SIGNATURES

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

BOSTON BIOMEDICA, INC.

Date: AUGUST 14, 2000 By /s/ KEVIN W. QUINLAN
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Kevin W. Quinlan
President and Chief Operating Officer
and Principal Accounting and
Financial Officer

BOSTON BIOMEDICA, INC

EXHIBIT INDEX

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Exhibit 10.22

MORTGAGE AND SECURITY AGREEMENT

Boston Biomedica, Inc., a corporation organized pursuant to the laws of the Commonwealth of Massachusetts with a principal place of business at 375 West Street, West Bridgewater, Massachusetts (the "Mortgagor"), for consideration paid, hereby grants to Commerce Bank & Trust Company, a trust company organized pursuant to Massachusetts General Laws, Chapter 172, with a principal place of business at 386 Main Street, Worcester, Worcester County, Massachusetts, (the "Mortgagee"), with MORTGAGE COVENANTS, to secure the payment of Two Million Nine Hundred Thousand and 00/100($2,900,000.00) Dollars with interest and any other charges thereon payable as provided in the Mortgagor's Note of even date (the "Note"), to secure the payment and performance of all covenants and agreements contained herein and any other instruments securing said Note, (hereafter the "Loan Documents"), and also to secure the payment of any and all liabilities (as hereafter defined) of the Mortgagor to the Mortgagee, the land, situated at 375 West Street, West Bridgewater, Massachusetts, described in Exhibit A annexed hereto, together with any and all improvements now or hereafter situated thereon (the "Premises").

The Mortgagor covenants with the Mortgagee as follows:

1. The Mortgagor will pay the principal sum of the Note and the interest thereon at the time and place and in the manner provided in the Note.

2. In the event of a default, the Mortgagor shall deposit with the Mortgagee on each day when any payment under the Note is required to be made in addition to the payments therein required, a monthly apportionment of one-twelfth (1/12th) of the sum estimated by the Mortgagee to be sufficient to make all payments of all real estate taxes and governmental charges and assessments upon the Premises as they become due and any balance due for such payments shall be paid by the Mortgagor to the Mortgagee upon demand. The Mortgagee is hereby specifically authorized to pay when due or at any time thereafter all of said payments and to charge the same to the account of the Mortgagor. Every such deposit may, at the option of the Mortgagee, be applied directly against the obligation with reference to which it was made, or, to the fullest extent permissible according to law, any other obligation of the Mortgagor secured hereby; such deposits may be commingled with other assets of the Mortgagee and, in the discretion of the Mortgagee, invested by the Mortgagee for its own account, without any obligation to pay income from such investment, or interest on such deposits, to the Mortgagor, or to account to the Mortgagor for such income in any manner, unless otherwise provided by law. The Mortgagor grants the Mortgagee in the event of a default hereunder full power and authority as attorney irrevocable of the Mortgagor, coupled with an interest, to apply for and prosecute claims for the abatement of taxes and to collect and endorse any checks issued on account of the Mortgagor and to retain and apply the same to the debt secured hereby.

3. The Mortgagor shall keep the Premises in good order, repair and condition, damage from casualty or condemnation expressly not excepted, and shall not permit or commit waste on the Premises, nor remove or alter anything which constitutes a part of the Premises without the prior written consent of the Mortgagee and shall permit the Mortgagee, its agents or employees to enter

the Premises, at any reasonable time, for the purpose of inspecting the Premises to determine whether the Mortgagor is in compliance with its obligations under this Mortgage; and Mortgagor further covenants that each and every part of the Premises shall be maintained and used in accordance with all restrictions, encumbrances or agreements affecting the Premises and with all zoning and building codes and applicable laws, ordinances, rules and regulations of all public authorities having jurisdiction over the Premises.

4(a). The Mortgagor shall pay for and maintain insurance with respect to the Premises against loss or damage by fire and such other hazards as the Mortgagee shall from time to time require, including without limitation, rent insurance and fire insurance; such insurance policies or, at Mortgagee's option, certificates thereof, to be deposited (along with evidence of payment of premiums thereon) with and first payable in case of loss to the Mortgagee and to be written by such companies, on such terms, in such form and for such periods and amounts as the Mortgagee shall from time to time approve. Throughout the term of the Note, Mortgagor will provide Mortgagee with the renewal policy, or at Mortgagee's option, certificates thereof (along with evidence of payment of premiums thereon) at least fifteen (15) days prior to expiration of an existing policy. All such policies shall provide that they shall not be cancelled or amended without at least thirty (30) days prior written notice to the Mortgagee. Such insurance shall provide that the same shall be payable to Mortgagee notwithstanding any defense the insurer may have to the payment of the same to Mortgagor or to any person holding any interest in the Premises. No settlement on account of any loss covered by such insurance shall be effected without the prior written consent of the Mortgagee. Mortgagor authorizes Mortgagee, at its option, to adjust and compromise any losses under such insurance for and on behalf of Mortgagor and any such adjustment and compromise shall be binding on Mortgagor. The Mortgagor shall deposit monthly with the Mortgagee, at the option of the Mortgagee, such sums as the Mortgagee estimates will provide amounts sufficient to pay, when due, premiums for such insurance, hereby granting to the Mortgagee, in the event of foreclosure, full authority as attorney irrevocable of the Mortgagor, coupled with an interest, to cancel such insurance and retain such premiums as may be returned, or to transfer such insurance to any person or persons claiming title to the Premises or any part thereof by virtue of foreclosure proceedings. The Mortgagee shall have the option of applying the proceeds which it receives under any such insurance policies after deducting therefrom all costs and expenses of the Mortgagee in collecting such proceeds (i) to the repair or replacement of the Premises or any portion thereof upon such conditions as the Mortgagee may prescribe and/or (ii) to or toward the indebtedness secured hereby in such order as the Mortgagee may determine; PROVIDED, HOWEVER, that in the event of a partial loss to or destruction of the Premises rendering less than 50% of the buildings thereon unusable, and provided further that there exists no Event of Default, Mortgagor shall have the option to use the insurance proceeds to rebuild, in which event the Mortgagee shall hold and disburse the insurance proceeds to the Mortgagor on a construction loan basis. The Mortgagee shall pay to the Mortgagor all such insurance proceeds, to the extent of the Mortgagor's interest therein, remaining in the Mortgagee's possession after the full and complete payment of all such amounts due and payable under this Mortgage or the Note and/or such application as aforesaid.

4(b) Mortgagor will also cause appropriate liability insurance to be maintained in such

amounts as Mortgagee shall request and shall deliver to Mortgagee evidence of such insurance.

5. Any awards of damages on account of any condemnation for public use of or injury to the Premises shall be paid to the Mortgagee. The Mortgagee shall have the option of applying the proceeds which it receives from any such awards, after deducting therefrom all costs and expenses of the Mortgagee in collecting such proceeds, (i) to the restoration of that portion of the Premises which remains upon such conditions as the Mortgagee may prescribe and/or (ii) to or toward the indebtedness secured hereby in such order as the Mortgagee may determine. Any balance remaining in the Mortgagee's possession after the full and complete payment of all amounts secured hereby and/or such application as aforesaid shall, if Mortgagee shall no longer be obligated to make any advances or otherwise extend credit to Mortgagor and to the extent of the Mortgagor's interest therein, be paid to the Mortgagor; otherwise the same shall be held by Mortgagee without interest as Collateral Security for the Liabilities secured hereby.

6. The Mortgagor shall perform such further acts and shall execute, acknowledge and deliver to the Mortgagee such instruments as the Mortgagee may require to confirm the grant of this Mortgage.

7. This Mortgage shall be deemed a grant and conveyance of, and a lien upon all buildings, additions to said buildings, fixtures, structures and appurtenances which may now or hereafter be located upon or used in connection with the Premises and all such buildings, additions to said buildings, fixtures, structures and appurtenances shall be a part of the real estate covered by this

Mortgage and shall be subject to all of the terms covenants and conditions hereof and shall be security for the payment and performance of all liabilities and indebtedness secured hereby and any further advances which may be made hereunder or otherwise to the Mortgagor with the same force and effect as if such buildings, additions to the said buildings, fixtures, structures and appurtenances were now owned by the Mortgagor and specifically included herein.

8. Mortgagor shall maintain full and correct books and records showing in detail the earnings and expenses of the Premises and will permit Mortgagee or its representatives to examine said books and records, and all supporting vouchers and data, at any time and from time to time upon request by Mortgagee.

9. The Mortgagor, for itself and for all who may claim through or under it, hereby expressly waives and releases all right to have the Premises, or any part thereof, or any other property which may hereafter be conveyed or transferred by it to the Mortgagee as security for the liabilities and indebtedness hereby secured, marshalled upon any foreclosure sale or other enforcement of the rights of the Mortgagee hereunder.

10. The Mortgagor shall not suffer nor permit any mechanics lien, judicial liens or other liens of any kind to be created, on the Premises, and if any should arise or be created, the Mortgagor shall remove, discharge or vacate the same or cause the same to be bonded or otherwise discharged within ten (10) days after the same shall arise or be created, and if the Mortgagor shall fail to

discharge such lien or claim for lien, the Mortgagee may discharge such lien or claim for lien, and the amount of any expenditure so incurred by the Mortgagee shall be added to and become part of the liabilities and indebtedness secured hereby.

11. If this Mortgage, by its terms, is now, or at any time, subject or subordinate to a prior mortgage, Mortgagor shall not, without consent of Mortgagee agree to the modification, amendment, or extension of such prior mortgage, and Mortgagor will perform all obligations of Mortgagor under such Mortgage.

12. Mortgagor agrees to pay, when due, all fees and expenses incurred by Mortgagee incident to the loan transaction evidenced by the Note and secured by this Mortgage, the assurance of the security represented by the Mortgage, and incident to the enforcement by Mortgagee of the terms of its rights under the Note and this Mortgage, including, without limitation, attorney's fees and expenses. From time to time, Mortgagor shall provide Mortgagee, at Mortgagor's expense, with an updated appraisal of the Premises or any portion thereof designated by the Mortgagee within thirty (30) days of a written request from Mortgagee such appraisal to be in form and prepared by an appraiser satisfactory to Mortgagee.

13(a) The Mortgagor shall at the request of the Mortgagee submit for examination, all leases then affecting the Premises and on demand shall assign and deliver to the Mortgagee any or all such leases, such assignments to be made by instruments in form and substance satisfactory to the Mortgagee; Mortgagor hereby irrevocably granting to the Mortgagee full authority as the Mortgagor's true and lawful attorney-in-fact coupled with an interest, with full power of substitution, to make, execute, acknowledge and deliver such assignments.

13(b) The Mortgagor hereby irrevocably transfers, assigns and conveys to the Mortgagee all rentals, revenue and other sums (hereafter referred to as the "rentals") now due or which may hereafter become due under all leases or agreements presently in force or which may hereafter be entered into with respect to the Premises or any part thereof. The Mortgagor shall have the right, while no event of default shall have occurred, to collect such rentals for its own account from month to month, but for not more than one month in advance. Upon default by the Mortgagor under this Mortgage or the Note, the Mortgagee shall have the right to enter upon the Premises, and take possession thereof without the consent of the Mortgagor and without the commencement of any action to foreclose this Mortgage. After the Mortgagee has notified the tenants of such right and such default, it shall be entitled to receive, and to collect or cause to be collected, and the tenants shall be obligated to pay to the Mortgagee without further inquiry as to the existence of any default, all rentals then owing or which may thereafter become payable, and the Mortgagee may give a good and sufficient receipt therefor. The Mortgagee shall incur no obligations with respect to this assignment, shall not be bound, unless it so agrees, to collect the rental, and shall not be liable for any loss or damage resulting from the noncollection thereof. Any rental collected by the Mortgagee may be applied by it, in its sole and absolute discretion, in whole or in part, first to Mortgagee's commission as set forth herein, then to the repayment of any indebtedness secured hereby, in such order as the Mortgagee shall determine; to the maintenance, operation and administration of the

Premises; to the payment or reduction of taxes or other charges affecting the Premises; or to payments for repairs, renewals or other expenses incurred by the Mortgagee in and upon the Premises. The Mortgagee shall be entitled to charge and recover a resonable commission not to exceed six (6%) percent on all or any rentals collected by virtue of this section. In the event of the exercise by the Mortgagee of its rights under this section, it shall have the right, as agent for the Mortgagor, to renew leases and to enter into new leases respecting the Premises upon such terms and conditions as the Mortgagee may determine. The Mortgagor agrees to execute such further documents as the Mortgagee may require to give effect to this section and, upon receiving notice of the exercise by the Mortgagee of its rights hereunder, shall transfer and deliver to the Mortgagee all leases and other agreements which affect the Premises. The Mortgagee shall have the right, but without any obligation to do so, to subordinate this Mortgage and its rights hereunder to any lease or leases of the Premises, and upon execution and recording of any instrument by the Mortgagee which purports to effect such subordination, this Mortgage shall be subordinate to the lease or leases referred to in such instrument with the same force and effect as if such lease or leases had been executed and delivered prior to the execution, delivery and recording of this Mortgage.

14. This Mortgage constitutes a security agreement under the Uniform Commercial Code and creates and Mortgagor grants to Mortgagee a security interest in all improvements to the Premises and fixtures now owned or hereafter acquired by Mortgagor and used or acquired for use on or in connection with the Premises together with all accessions thereto and substitutions therefore and replacements thereof and parts therefore and all cash and non-cash proceeds of any of the foregoing. Mortgagor shall take all necessary action to maintain and preserve the lien by the delivering, filing, refiling, recording or re-recording of any financing statements, continuation statements or other security agreements, and the giving of such instruments of further assurance as Mortgagee may from time to time reasonably request to protect the lien of this Mortgage with respect to such property. Without limiting the foregoing, Mortgagor hereby irrevocably appoints Mortgagee attorney-in-fact for Mortgagor to execute, deliver and file such instruments for and on behalf of Mortgagor; provided, however, that Mortgagee is not under any duty to Mortgagor to protect, secure, perfect or insure the lien of this Mortgage or any other security agreements referred to herein nor shall Mortgagee have any obligation for, among other things, the filing of any financing statements under the Uniform Commercial Code. Notwithstanding any release of any or all of that property included in the Mortgage or its satisfaction of record, the terms hereof shall survive as a security agreement with respect to the security interest created hereby evidenced by the Note. Mortgagor will pay or cause to be paid all taxes and fees incident to any such filing, refiling, recording and re-recording, and all reasonable counsel fees and other expenses, taxes and other governmental charges incident thereto.

15. Any transfer, mortgage or pledge of the interest, or any part of the interest, in the Premises of Mortgagor or of the Obligations of Mortgagor without the written consent of Mortgagee, voluntarily, involuntarily, or by operation of law, shall be deemed a default under the Mortgage. Any consent to any one transfer, mortgage or pledge shall not be a waiver of the requirement of consent for any further transfer, mortgage or pledge. If Mortgagor's rights become vested in a person other the a Mortgagor named herein, Mortgagee may deal with that person to extend or modify this

Mortgage or the payments hereunder or the indebtedness secured hereby or release part of the Premises without releasing or diminishing the liability or obligation of the Mortgagor.

16. The proceeds of loan or loans evidenced by the Note shall be used exclusively for business purposes and no part of the proceeds shall be used for personal, family, household or agricultural purposes.

17. Mortgagor warrants that there has been no release nor is there a present threat of a release of oil or hazardous material as such terms are defined by Massachusetts General Laws, Chapter 21E ("Chapter 21E") on or in the Mortgaged Property and that the Mortgagor will prevent any such release or threat of release on or in the Mortgaged Property during the term of this Mortgage. Mortgagor also warrants that it has not received any notification from the Commonwealth of Massachusetts or any of its agencies under Section 4 of Chapter 21E, or any order under Section 9 of Chapter 21E. Mortgagor covenants to strictly comply with the requirements of Chapter 21E and to promptly notify Mortgagee of any release or threat of release of oil or hazardous material on or in the Mortgaged Property, and any notice or orders received pursuant to Sections 4 and 9, respectively, of Chapter 21E. Mortgagor hereby covenants to protect, indemnify and hold Mortgagee harmless from and against all loss, liability, damage and expense, including attorneys' fees, suffered or incurred by Mortgagee under or on account of Chapter 21E, including without limitation, the filing of a lien against the Mortgaged Property in favor of the Commonwealth of Massachusetts. The provisions of the paragraph shall survive the discharge of this mortgage.

In the event that the Mortgagor shall fail to strictly comply with the requirements of Chapter 21E, or any other federal, state or local law, by-law, rule or regulation regulating the use or disposal of hazardous materials which may be applicable to the Mortgaged Property, the whole sum of principal and interest then remaining unpaid under the Note or other loan documents shall become immediately due and payable, at the option of the Mortgagee.

Mortgagee, at its election and in its sole discretion, may (but is not obligated to) cure any failure on the part of Mortgagor to comply with Chapter 21E, including, without limitation, the following:

(a) arrange for the prevention and/or the cleanup of any release or threat of a release of oil or hazardous material on or in the Mortgaged Property, and pay for such prevention and/or clean-up costs and associated costs;

(b) pay, on behalf of Mortgagor, any fines or penalties imposed on Mortgagor by the Commonwealth of Massachusetts in connection with such release or threat of release of oil or hazardous material; and

(c) make any other payment or perform any other act which will prevent a lien by the Commonwealth of Massachusetts from attaching to the Mortgaged Property.

Any partial exercise by Mortgagee of the remedies herein set forth, or any partial undertaking on the part of Mortgagee to cure Mortgagor's failure to comply with Chapter 21E, shall not obligate Mortgagee to complete the actions taken or require Mortgagee to expend further sums to cure Mortgagor's noncompliance; neither shall the exercise of any such remedies operate to place upon Mortgagee any responsibility for the operation, control, care, management or repair of the Mortgaged Property or make Mortgagee the "Operator" of the Mortgaged Property within the meaning of Chapter 21E or a so-called "lender in possession".

Any amount paid or costs incurred by Mortgagee as a result of the exercise by Mortgagee of any of the rights herein set forth, together with interest thereon at the rate equal to the rate then accruing in respect of the Note secured hereby from the date of payment, shall be immediately due and payable by Mortgagor to Mortgagee, and until paid shall be added to and become a part of the obligations secured hereby, and the same may be collected as part of the obligations secured hereby, and the same may be collected as part of the obligations in any suit hereon or upon the Note or any other instrument executed in connection herewith; and Mortgagee, by making any such payment or incurring any such costs, shall be subrogated to any rights of Mortgagor to seek reimbursement from any third parties, including, without limitation, a predecessor-in-interest to Mortgagor's title who may be a "responsible party" under Chapter 21E in connection with any such release or threat of release of oil or hazardous material.

18. If there shall be a breach in any condition or covenant of this Mortgage, the Mortgagee shall have the right, but without any obligation to do so, to cure such default for the account of the Mortgagor, and to add amounts expended for such purpose to the principal sum secured hereby, and the Mortgagee may, but shall not be obligated to, apply any deposits or any sums credited by or due from the Mortgagor to Mortgagee to cure such default without first enforcing any other rights of the Mortgagee against the Mortgagor, or against any surety, endorser or guarantor of the indebtedness secured hereby, or against the Premises. In case redemption is had by the Mortgagor after foreclosure proceedings have been initiated, the Mortgagee shall be entitled to collect all costs, charges and expenses, including attorneys' fees, incurred up to the time of

redemption.

19. The Mortgagor acknowledges that the occurrence of any of the following shall be an Event of Default: (a) failure of Mortgagor to pay when due any amount owing by Mortgagor to Mortgagee; (b) failure of Mortgagor to perform any covenant or agreement with, or obligation to Mortgagee, other than one for the payment of money; (c) any statement, warranty or representation heretofore or hereafter made to the Mortgagee by or on behalf of the Mortgagor shall prove to have been false or misleading in any material respect when made; (d) insolvency or business failure of Mortgagor or the appointment of a trustee, receiver, guardian, conservator or liquidator for any of them or any material part of the property of it; (e) assignment for the benefit of creditors by; execution of a trust mortgage or other arrangement with creditors by; commencement of any proceedings under any bankruptcy, insolvency or other law relating to the relief of debtors by or against the Mortgagor, but in the case of involuntary proceedings, the same shall not have been dismissed within thirty (30) days after the commencement thereof; (f) any property, real or personal, of Mortgagor (including Premises) or of anyone else, which constitutes collateral security for any of Mortgagor's indebtedness, liabilities or obligations to Mortgagee, is condemned, taken by eminent domain, attached, levied upon, seized, encumbered, mortgaged or a lien is permitted or suffered to exist thereon or is destroyed, damaged, lost, stolen or sold (unless specifically permitted by the terms of the Loan Documents); (g)Mortgagor is in default, breach or violation under any agreement by which it or any of its property (including the Premises) are bound; or (h)any event occurs or the financial condition of Mortgagor is such that in Mortgagee's opinion Mortgagor's ability to pay or perform any of its obligations to Mortgagee in a timely fashion is or may be impaired.

A Default shall mean any event or occurrence which, with the passage of time or giving of notice or both would constitute an Event of Default.

20. So long as any Event of Default shall have occurred and be continuing, then Mortgagee in addition to, and not in limitation of, any and all other rights or remedies available to it by law or by any other provision of any of the instruments given to secure the Note, shall have the right, without notice:

(a) To enter upon and take possession of the Premises or any part thereof, and to perform any acts Mortgagee shall deem necessary or proper to conserve or enhance the Premises or their value (including, without limitation, the making of repairs, replacements and alterations), to manage and operate the Premises, to collect and receive all rents, issues and profits from the Premises, past due and thereafter accruing, and to exercise all other rights of Mortgagor with respect to the Premises.

(b) To have a receiver appointed to enter and take possession of the Premises or any part thereof and to perform any acts said receiver shall deem necessary or proper to conserve or enhance the Premises or their value, (including, without limitation, the making of repairs, replacements and alterations), to manage and operate the premises and to apply the profits from the Premises past due and thereafter accruing obligations, and to exercise all other rights of Mortgagor with respect to the Premises.

(c) To accelerate the maturity of the indebtedness secured by this Mortgage.

(d) To sell the Premises at public auction upon such terms and conditions as Mortgagee shall determine, subject to the requirements of this Mortgage and applicable laws; or to foreclose this Mortgage in any other manner permitted by law.

(e) To obtain judgement and execution for the indebtedness secured by this Mortgage, to the extent not otherwise satisfied.

21(a) If Mortgagee shall exercise any of the rights described in section 20, Mortgagor shall be liable to Mortgagee in an amount of equal to all of the expenses (including, without limitation, receiver's fees and counsel fees) incurred pursuant to the powers herein contained which shall be secured hereby. Mortgagee shall apply such rents, issues and profits as shall be received by it first to the payment of all costs and expenses incurred and thereafter to the indebtedness secured hereby in such order of priority as Mortgagee, in its sole discretion, shall determine; and the exercise of such rights and disposition of such funds shall not constitute a waiver of any foreclosure, once commenced, nor preclude the later commencement of foreclosure for breach hereof.

(b) Mortgagor agrees that all rights of Mortgagee as to personal property security and real estate security may be exercised together or separately and further agrees that, in exercising its power of sale, Mortgagee may sell the personal property security or any part thereof either separately from, or together with, the real estate security or any part thereof, in such order as Mortgagee may, in its discretion, elect, and whether or not the aggregate proceeds thereof exceed the indebtedness secured by this Mortgage. At any sale any combination of or all of the security may be offered for sale for one (1) total price and the proceeds of such sale accounted for in one (1) account without distinguishing between the items of security or assigning to the separate securities proportions, of the proceeds, and, in case Mortgagee, in the exercise of the power of sale herein given, elects to sell in parts or parcels, said sales may be held from time to time and the power shall not be fully executed until all of the personal property security and real estate security not previously sold shall have been sold.

(c) Upon completion of any sale, Mortgagee shall execute and deliver an instrument conveying, assigning and transferring all right, title and interest in the property and rights solely in the name of Mortgagor, or in the name of Mortgagee, and the same shall operate to divest all right, title and interest of Mortgagor in any property or right so sold and shall be a perpetual bar, both at

law and in equity, against Mortgagor and all persons, claiming under Mortgagor.

(d) No forbearance on the part of the Mortgagee or extension of the time for the payment of the whole or any part of the liabilities secured hereby, whether or not for additional interest or other consideration paid or payable to the Mortgagee and whether oral or in writing, or any other indulgence given by the Mortgagee to the Mortgagor or to any other party claiming any interest in or to the Premises, shall operate to release or in any manner affect the original liability of the Mortgagor, or the priority of this Mortgage or to limit, prejudice or impair any right of the Mortgagee, including, without limitation, the right to realize upon the security, or any part thereof, for the liabilities secured hereby, the notice of any such extension, forbearance or indulgence being hereby waived by the Mortgagor and all those claiming by, through or under the Mortgagor; and no consent or waiver, to or of any default by the Mortgagor shall be construed as a consent or waiver, express or implied, by the Mortgagee to or of any further default in the same or any other term, condition, covenant or provision of this Mortgage or of the obligation secured hereby. All remedies provided in this Mortgage are distinct and cumulative to any other right or remedy under this Mortgage or afforded by law or equity, and may be exercised concurrently, independently or successively.

(e) In case redemption is had by Mortgagor after foreclosure proceedings have begun, Mortgagee shall be entitled to collect all costs, charges and expenses incurred up to the time of redemption; and, in case of foreclosure sale, Mortgagee shall be entitled to retain one percent (1%) of the purchase money in addition to the costs, charges and expenses allowed by law.

22. Acceleration of maturity, once claimed hereby by Mortgagee, may, at its option, be rescinded in a written acknowledgement to that effect without waiving the default or any rights, including the right to accelerate again, with respect thereto. The tender and acceptance of partial payment of amounts after such acceleration, or the commencement of any foreclosure action, shall not in any way affect, rescind or terminate such acceleration of maturity or such foreclosure action.

23. Wherever notice, demand or a request may properly be given to the Mortgagor under this Mortgage, the same shall always be sufficient to serve as a notice, demand or request hereunder if in writing and sent by registered or certified mail, postage prepaid, return receipt requested, addressed to the Mortgagor at the address given in this Mortgage as the Mortgagor's address or the business address of the Mortgagor last known to the Mortgagee and any such notice, demand or request shall be treated as having been given upon such deposit in the United States mails; and a notice so addressed shall always be a sufficient notice, notwithstanding a change in the ownership of the Premises, whether or not consented to by the Mortgagee; and where more than one person constitutes the Mortgagor, one notice sent to the address given in this Mortgage as the Mortgagor's address or the last known business address of any one of them shall constitute sufficient notice to all.

24. The term "liabilities" as used herein shall include without limitation, any and all

liabilities, debts and obligations of the Mortgagor and of the makers of the Note to the Mortgagee, including those contained in the Note and all liabilities, debts and obligations of each and every maker, surety, endorser or guarantor of the obligations of the Mortgagor and of the makers of the Note to the Mortgagee of every kind and description including, without limitation, all loans, advances, indebtedness, notes, obligations and amounts, liquidated or unliquidated, owing by the Mortgagor and by the makers of the Note to the Mortgagee at any time, including any notes or other obligations of the Mortgagor assigned to or held by the Mortgagee, of any kind, nature or description now existing or arising in the future, and whether secured or unsecured, absolute or contingent, or by reason of any cause of action which the Mortgagee may have against the Mortgagor or against the makers of the Note. The term "liabilities" shall also include all interest and other charges chargeable to the Mortgagor or due from the Mortgagor to the Mortgagee from time to time, and all costs or expenses incurred or paid by the Mortgagee to enforce this or any other agreement between the Mortgagor and the Mortgagee, including without limitation, attorney's fees and all of the Mortgagee's executive, administrative and staff costs and expenses in excess of those which would normally be incurred in the administration of a financial transaction similar to that between the Mortgagor and the Mortgagee in which no event of default shall have occurred.

25. If Mortgagee shall be made party to any action suit or proceeding by reason of the execution of this Mortgage or the Note, or in which the priority of the lien of this Mortgage shall be challenged, Mortgagor shall reimburse to the Mortgagee, immediately upon demand, all sums of money paid by Mortgagee, including attorneys fees, to defend said action and uphold the lien created thereby.

26. If Mortgagor shall be the Trustees of a Trust, the Trustees hereby certify, pursuant to the provisions of such Trust that said Trust is in full force and effect, that said Trust has not been amended and that they are the said Trustees of said Trust.

27. Mortgagor is not now in default under any instruments or

obligations relating to the Premises and no party has asserted any claim of default relating to the Premises. The execution and delivery of, and performance of Mortgagor's obligations under the Loan Documents and the consummation of the transactions hereby and thereby contemplated will not result in any breach of, or constitute a default under, any contract, mortgage, lease, bank loan or credit agreement, trust indenture, or other instrument to which Mortgagor is a party or by which Mortgagor the premises or any other property of Mortgagor is or may be bound or affected and do not violate or contravene any law, order, decree, rule or regulation to which Mortgagor, the premises or any other property of Mortgagor is or may be subject; nor do any such instruments compose or contemplate any obligations which are or will be inconsistent with any other obligations imposed on Mortgagor under any other instruments heretofore or hereafter delivered by Mortgagor.

28. All statements, financial or otherwise, submitted to Mortgagee in connection with this transaction are true and correct in all respects, and with respect to the financial statements have been prepared in accordance with generally accepted accounting principals consistently applied and fairly present the financial condition of the parties or entities covered by such statements as of the date

thereof and the results of operations of such parties or entities during the period reflecting thereon. No additional borrowings and no material additional indebtedness have been made or incurred by such parties or entities, or any of them, since the date thereof, nor have Mortgagor or the Premises experienced a material adverse change since the date thereof. Mortgagor is now in a solvent condition.

29. If the laws now in force for the taxation of mortgages or of debts secured by mortgages (including, without limitation, laws exempting from taxation amounts invested in mortgages) shall be changed to the detriment of Mortgagee, then Mortgagee may, at its election accelerate the maturity of the Note, and upon the exercise of such election the maturity will be accelerated, unless within ninety (90) days after maturity for said reason, Mortgagor, if permitted by law, shall pay to Mortgagee an amount equal to such additional tax for which Mortgagee shall have become liable or be affected.

30. The word "Mortgagee" as used herein shall mean the mortgagee named herein and any subsequent holder or holders hereof; the word "Mortgagor" as used herein shall mean the mortgagor named herein and any subsequent owner or owners of the equity of redemption of the Premises; and all of the covenants and agreements of the Mortgagor herein contained shall be binding upon the Mortgagor, its heirs, executors, administrators, successors and assigns.

31. The rights and obligations hereunder shall be governed by the laws of The Commonwealth of Massachusetts. In the event that any provisions or clause of this Mortgage or the Note shall be held invalid in any circumstance, such invalidity shall not effect any other provision or circumstance.

Mortgagor waives all rights of homestead exemption in the Premises and relinquishes all rights of curtesy and dower in the Premises.

This Mortgage is upon the STATUTORY CONDITION and upon further condition that all covenants and agreements on the part of the Mortgagor and of the makers of the Note contained herein and in the Note and in the Loan Documents shall be kept and fully performed, for any breach of which, including without limitation the occurrence of any Event of Default, the Mortgagee shall have the STATUTORY POWER OF SALE and any other powers given by law.

WITNESS the execution hereof under seal this____ day of March, 2000.

Boston Biomedica, Inc.

By: Richard T. Schumacher, its duly
authorized Chief Executive Officer
and Assistant Treasurer

COMMONWEALTH OF MASSACHUSETTS

Suffolk, ss. March 31, 2000

Then personally appeared the above-named Richard T. Schumacher CEO and Assistant Treasurer and acknowledged the foregoing instrument to be the free act and deed of Boston Biomedica, Inc., before me.

Notary Public: Howard L. Levin
My Commission Expires: 10-13-2006

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