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**UNITED STATES**  
**SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

**Form 10-Q**

(Mark One)

**Quarterly Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934**

For the quarterly period ended September 30, 2003 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**  
(State or Other Jurisdiction of  
Incorporation or Organization)

**04-2652826**  
(I.R.S. Employer  
Identification No.)

**375 West Street,**  
**West Bridgewater, Massachusetts**  
(Address of Principal Executive Offices)

**02379-1040**  
(Zip Code)

**(508) 580-1900**

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     No

Indicate by check mark whether the registrant is an accelerated filer (as defined in Exchange Act Rule 12b-2).

Yes     No

The number of shares outstanding of the Registrant's common stock as of October 31, 2003 was 6,827,592.

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**Part I. Financial Information**

**Item 1. Financial Statements**

**BOSTON BIOMEDICA, INC. AND SUBSIDIARIES**

**CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS**

(Unaudited)

	For the three months ended September 30,		For the nine months ended September 30,	
	2003	2002	2003	2002
<b>REVENUE:</b>				
Products	\$ 3,524,740	\$ 2,868,300	\$ 10,186,266	\$ 9,431,905
Services	2,304,295	3,007,672	7,308,630	7,253,277

Total revenue	5,829,035	5,875,972	17,494,896	16,685,182
<b>COSTS AND EXPENSES:</b>				
Cost of products	1,892,686	1,542,111	5,406,894	4,832,634
Cost of services	1,914,442	2,315,721	5,734,411	5,571,661
Research and development	491,190	708,284	1,311,757	2,097,083
Selling and marketing	827,688	803,956	2,418,182	2,534,297
General and administrative	986,489	1,016,087	3,253,526	3,242,397
Total operating costs and expenses	6,112,495	6,386,159	18,124,770	18,278,072
Operating loss from continuing operations	(283,460)	(510,187)	(629,874)	(1,592,890)
Interest income	1,988	9,966	17,619	34,744
Interest expense	(74,284)	(66,957)	(218,921)	(189,791)
Loss from continuing operations before income taxes	(355,756)	(567,178)	(831,176)	(1,747,937)
Provision for income taxes	—	—	(3,431)	—
Loss from continuing operations	(355,756)	(567,178)	(834,607)	(1,747,937)
<b>Discontinued operations (Note 8)</b>				
Income from discontinued operations of Clinical Laboratory segment, net of income taxes	—	225,000	—	225,000
Net loss	\$ (355,756)	\$ (342,178)	\$ (834,607)	\$ (1,522,937)
<b>Loss per share from continuing operations, basic &amp; diluted</b>				
	\$ (0.05)	\$ (0.08)	\$ (0.12)	\$ (0.26)
<b>Income per share from discontinued operations, basic &amp; diluted</b>				
	\$ —	\$ 0.03	\$ —	\$ 0.03
<b>Net loss per share, basic &amp; diluted</b>				
	\$ (0.05)	\$ (0.05)	\$ (0.12)	\$ (0.23)
<b>Number of shares used to calculate net income (loss) per share, basic and diluted</b>				
	6,824,075	6,782,175	6,804,972	6,618,338

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

**BOSTON BIOMEDICA, INC. AND SUBSIDIARIES**  
**CONDENSED CONSOLIDATED BALANCE SHEETS**

	(Unaudited) September 30, 2003	December 31, 2002
<b>ASSETS</b>		
<b>CURRENT ASSETS:</b>		
Cash and cash equivalents	\$ 1,255,572	\$ 975,649
Accounts receivable, less allowances of \$124,283 in 2003 and \$117,671 in 2002	3,294,912	3,701,105
Inventories	6,507,934	7,094,053
Prepaid expenses and other current assets	312,150	303,396
Restricted cash (Note 6)	—	1,000,000
Total current assets	11,370,568	13,074,203
Property and equipment, net	4,967,139	5,826,817
<b>OTHER ASSETS:</b>		
Goodwill and other intangible assets, net	762,066	798,542
Other long-term assets	228,178	143,807
Total other assets	990,244	942,349
<b>TOTAL ASSETS</b>	<b>\$ 17,327,951</b>	<b>\$ 19,843,369</b>
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
<b>CURRENT LIABILITIES:</b>		
Accounts payable	\$ 1,377,487	\$ 1,970,517
Accrued employee compensation	1,116,786	898,449
Other accrued expenses	571,102	506,823
Liabilities from discontinued operations (Note 8)	195,660	302,436
Current maturities of long term debt (Note 9)	56,092	79,875
Deferred rent and other current liabilities	83,512	118,609
Total current liabilities	3,400,639	3,876,709

LONG-TERM LIABILITIES:		
Long term debt, less current maturities (Note 9)	2,288,388	2,337,874
Liabilities from discontinued operations (Note 8)	260,998	408,005
Other liabilities	561,190	593,735
<b>Total liabilities</b>	<b>6,511,215</b>	<b>7,216,323</b>
STOCKHOLDERS' EQUITY:		
Common stock, \$.01 par value; 20,000,000 shares authorized, 6,827,592 and 6,786,335 issued and outstanding at September 30, 2003 and December 31, 2002, respectively	68,276	67,863
Additional paid-in capital	21,835,146	21,811,262
Accumulated deficit	(10,086,686)	(9,252,079)
Loan receivable from Director and former CEO (Note 6)	(1,000,000)	—
<b>Total stockholders' equity</b>	<b>10,816,736</b>	<b>12,627,046</b>
<b>TOTAL LIABILITIES &amp; STOCKHOLDERS' EQUITY</b>	<b>\$ 17,327,951</b>	<b>\$ 19,843,369</b>

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

**BOSTON BIOMEDICA, INC. AND SUBSIDIARIES**  
**CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS**  
(Unaudited)

	For the nine months ended September 30,	
	2003	2002
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Net loss	\$ (834,607)	\$ (1,522,937)
Less: income from discontinued operations	—	225,000
Loss from continuing operations	(834,607)	(1,747,937)
Adjustments to reconcile loss from continuing operations to net cash provided by (used in) operating activities:		
Depreciation and amortization	971,170	968,902
Gain on disposal of property and equipment	(548)	—
Provision for doubtful accounts	8,000	—
Changes in operating assets and liabilities:		
Accounts receivable	398,193	295,821
Inventories	586,119	(619,460)
Prepaid expenses and other current assets	(8,754)	(53,272)
Other long-term assets	(84,371)	9,530
Accounts payable	(593,030)	817,209
Accrued employee compensation	218,337	132,872
Other accrued expenses	64,279	(58,544)
Deferred rent and other current liabilities	(35,097)	(37,157)
Other liabilities	(32,545)	29,153
Net cash provided by (used in) operating activities	657,146	(262,883)
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Payments for additions to property and equipment	(88,468)	(578,417)
Proceeds from sale of property and equipment	14,000	—
Net cash used in investing activities	(74,468)	(578,417)
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>		
Proceeds from issuance of common stock	24,297	149,739
Repayments of long-term debt	(73,269)	(60,784)
Repayment of Loan by Director and former CEO	—	525,000
Pledge of restricted cash as security for loan from bank to Director and former CEO (Note 6)	—	(1,010,659)
Net cash used in financing activities	(48,972)	(396,704)
<b>INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS:</b>	533,706	(1,238,004)
Cash used in discontinued operations	(253,783)	(606,699)
Cash and cash equivalents, beginning of year	975,649	2,857,916
Cash and cash equivalents at end of period, excluding restricted cash of \$1,010,659 at September 30, 2002	\$ 1,255,572	\$ 1,013,213
<b>SUPPLEMENTAL DISCLOSURE OF NON-CASH INVESTING AND FINANCING ACTIVITIES:</b>		
Issuance of 29,155 and 600,000 common shares, respectively, associated with prepaid stock subscriptions	\$ 175,000	\$ 1,500,000
Conversion of Pledge of Restricted Cash as Security for Loan from Bank to Director		

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

**BOSTON BIOMEDICA, INC. AND SUBSIDIARIES**  
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**  
**(Unaudited)**

**1) Basis of Presentation**

The accompanying unaudited condensed consolidated financial statements have been prepared in accordance with generally accepted accounting principles for 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 nine months ended September 30, 2003 are not necessarily indicative of the results that may be expected for the year ending December 31, 2003. For further information, refer to the consolidated financial statements and footnotes thereto included in the Annual Report on Form 10-K filing for the fiscal year ended December 31, 2002 for Boston Biomedica, Inc. and Subsidiaries (“the Company” or “Boston Biomedica”) and the Company’s Form 10-Q filings for the three months ended March 31, 2003 and three and six months ended June 30, 2003, respectively.

***Stock-Based Compensation***

Statement of Financial Accounting Standards No. 123, “Accounting for Stock-Based Compensation” (SFAS 123), requires that companies either recognize compensation expense for grants of stock options and other equity instruments based on fair value or provide pro forma disclosure of net income (loss) and net income (loss) per share in the notes to the financial statements. Statement of Financial Accounting Standards No. 148, “Accounting for Stock-based Compensation — Transition and Disclosure — an amendment of FASB Statement No. 123,” (SFAS 148) amends SFAS 123 to provide alternative methods of transition for a voluntary change to the fair-value-based method of accounting for stock-based employee compensation. In addition, SFAS 148 amends the disclosure requirements of SFAS 123 to require disclosures in both annual and interim financial statements about the method of accounting for stock-based employee compensation and the effect of the method used on reported results. At September 30, 2003, the Company has six stock-based compensation plans, which are described in further detail in the Company’s Annual Report on Form 10-K for the year ended December 31, 2002. The Company accounts for those plans under the recognition and measurement principles of Accounting Principles Board Opinion No. 25 “Accounting for Stock Issued to Employees” (APB 25) and related interpretations. Accordingly, no compensation expense has been recognized under SFAS 123 for the Company’s employee stock option plans. Had compensation expense for awards under those plans been determined based on the grant date fair values, consistent with the method required under SFAS 123, the Company’s net (loss) and net (loss) per share would have been adjusted to the pro forma amounts indicated below:

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2003	2002	2003	2002
Net loss - as reported	\$ (355,756)	\$ (342,178)	\$ (834,607)	\$ (1,522,937)
Deduct: Stock-based employee compensation expense determined under fair value based methods for all awards, net of related tax effects	(180,116)	(91,425)	(415,714)	(618,223)
Net loss - pro forma	\$ (535,872)	\$ (433,603)	\$ (1,250,321)	\$ (2,141,160)
Basic and Diluted net loss per share - as reported	\$ (0.05)	\$ (0.05)	\$ (0.12)	\$ (0.23)
Basic and Diluted net loss per share - pro forma	\$ (0.08)	\$ (0.06)	\$ (0.18)	\$ (0.32)

Pro forma information regarding net income (loss) and earnings (loss) per share is required by SFAS 123 and has been determined as if the Company had accounted for its employee stock options under the fair value method of SFAS 123. The fair value of these options was estimated at the date of grant using the Black-Scholes option pricing model.

For purposes of pro forma disclosures, the estimated fair value of the options is amortized to expense over the options’ vesting period.

**(2) Recent Accounting Standards**

In May 2003, the FASB issued SFAS No. 150, “Accounting for Certain Financial Instruments with Characteristics of Both Liabilities and Equity,” which establishes standards for how an issuer classifies and measures certain financial instruments with characteristics of both liabilities and equity. It requires that an issuer classify a financial instrument that is within its scope as a liability (or

an asset in some circumstances). The Company does not expect the adoption of this new standard to have a material impact on its consolidated financial statements.

In April 2003, the FASB issued SFAS No. 149, "Amendment of Statement 133 on Derivative Instruments and Hedging Activities," which amends and clarifies financial accounting and reporting for derivative instruments, including certain derivative instruments embedded in other contracts and for hedging activities under FASB Statement No. 133, "Accounting for Derivative Instruments and Hedging Activities." The Company does not expect the adoption of this new standard to have a material impact on its consolidated financial statements.

In June 2002, the FASB issued SFAS No. 146, "Accounting for Costs Associated with Exit or Disposal Activities," which supersedes Emerging Issues Task Force Issue (EITF) 94-3, "Liability Recognition for Certain Employee Termination Benefits and Other Costs to Exit an Activity (Including Certain Costs Incurred in a Restructuring)." The standard affects the accounting for restructuring charges and related activities and generally will lengthen the timeframe for reporting of expenses relating to restructuring activities beyond the period in which a plan is initiated. The provisions of this statement are required to be adopted for exit or disposal activities that are initiated after 2002. The provisions of EITF 94-3 will continue to apply with regard to the Company's previously announced restructuring plans.

In November 2002, the FASB issued FASB Interpretation No. 45, "Guarantor's Accounting and Disclosure Requirements for Guarantees, Including Indirect Guarantees of Indebtedness of Others," (An interpretation of FASB Statements No. 5, 57, and 107 and rescission of FASB Interpretation No. 34") ("FIN 45"). FIN 45 requires that a guarantor recognize, at the inception of a guarantee, a liability for the fair value of the obligation undertaken by issuing the guarantee. The Interpretation also requires additional disclosures to be made by a guarantor in its interim and annual financial statements about its obligations under certain guarantees it has issued. The accounting requirements for the initial recognition of guarantees are applicable on a prospective basis for guarantees issued or modified after December 31, 2002. The disclosure requirements are effective for all guarantees outstanding, regardless of when they were issued or modified, for annual periods that end after December 15, 2002. The adoption of FIN No. 45 did not have a material impact on the Company's Condensed Consolidated Financial Statements. See Note 6 of Notes to Consolidated Financial Statements hereunder for additional information on the Company's limited guaranty and pledge of a \$1,000,000 interest bearing deposit, as of December 31, 2002, at a financial institution to provide additional security for loans in the aggregate amount of \$2,418,000 from the financial institution to an entity controlled by the former Chairman and Chief Executive Officer of the Company. In addition, BBI Clinical Laboratories, a discontinued operation, operated from a 15,000 square foot facility in New Britain CT pursuant to a lease which expires in July 2005 and which was guaranteed by the Company. In connection with the Company's decision to exit this business segment, the Company assumed the obligation to make the remaining lease payments, which is included in the Company's estimate of remaining liabilities associated with discontinued operations. See Note 8 of Notes to Condensed Consolidated Financial Statements.

In January 2003, the FASB issued FIN No. 46, "Consolidation of Variable Interest Entities, an Interpretation of ARB 51." The primary objectives of FIN No. 46 are to provide guidance on the identification of entities for which control is achieved through means other than through voting rights ("variable interest entities" or "VIEs") and how to determine when and which business enterprise should consolidate the VIE. This new model for consolidation applies to an entity for which either: (a) the equity investors (if any) do not have a controlling financial interest; or (b) the equity investment at risk is insufficient to finance that entity's activities without receiving additional subordinated financial support from other parties. In addition, FIN No. 46 requires that both the primary beneficiary and all other enterprises with a significant variable interest in a VIE make additional disclosures. The Company is required to apply FIN No. 46 to all new variable interest entities created or acquired after January 31, 2003. For variable interest entities created or acquired prior to February 1, 2003, the Company was required to apply FIN No. 46 on July 1, 2003. The Company does not have any VIE's.

In November 2002, the EITF reached a final consensus on EITF Issue No. 00-21, "Accounting for Revenue Arrangements with Multiple Deliverables." The provisions of EITF 00-21 are required to be adopted for revenue arrangements entered into by the Company after June 28, 2003. EITF 00-21 addresses arrangements with customers that have multiple deliverables, such as equipment and installation, and provides guidance as to when recognition of revenue for each deliverable is appropriate. The Company adopted EITF 00-21 as of July 1, 2003; such adoption did not have a material impact on the Company's consolidated financial position or statements of operations.

### (3) **Inventories**

Inventories, which include component parts used in the manufacture of laboratory instrumentation and PCT products, consisted of the following:

	September 30, 2003	December 31, 2002
Raw materials	\$ 3,161,702	\$ 3,170,988
Work-in-process	1,728,097	1,988,585
Finished goods	1,618,135	1,934,480
	<u>\$ 6,507,934</u>	<u>\$ 7,094,053</u>

### (4) **Segment Reporting and Related Information**

Operating segments are components of an enterprise for which separate financial information is available that is evaluated regularly by senior management in deciding how to allocate resources and in assessing the performance of each segment. The Company is organized into segments along business lines and senior management regularly reviews financial results for all business lines, focusing

primarily on revenue and operating income.

The Company had four operating segments as of September 30, 2003. 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 is a research and development center providing support for the other BBI business segments, as well as contract research, molecular and cell biology services, and repository services for the government and life sciences industry. The Laboratory Instrumentation segment sells diagnostic instruments primarily to the worldwide in vitro diagnostic industry on an OEM basis, and also performs in-house instrument servicing. The PCT segment consists of research and development primarily in pressure cycling technology ("PCT"). The Company performs research in the development of PCT, with particular focus in the areas of nucleic acid extraction and pathogen inactivation. The Company announced the availability for commercial sale of its PCT products in late September 2002. PCT revenue to date consists primarily of both private and public (National Institutes of Health) funding of segment research and, commencing in late 2002, the sale of PCT products. Most of the expenditures incurred by this segment are for research and development expenses, general management expenses and patent costs. See also Note 8 of Notes to Condensed Consolidated Financial Statements with respect to discontinued operations, which are no longer classified as an operating segment of the Company.

The Company's underlying accounting records are maintained on a legal entity basis for government and public reporting requirements. Inter-segment sales are recorded on a "third party best price" basis and are significant in measuring segment operating results. The following segment information has been prepared in accordance with the internal accounting policies of the Company, as described above.

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Operating segment revenue was as follows:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2003	2002	2003	2002
<b>Segment revenue:</b>				
Diagnostics	\$ 3,142,000	\$ 2,623,000	\$ 9,048,000	\$ 8,600,000
Biotech	2,404,000	2,982,000	7,283,000	7,308,000
Laboratory Instrumentation	427,000	536,000	1,380,000	1,889,000
PCT	90,000	166,000	498,000	547,000
Eliminations	(234,000)	(431,000)	(714,000)	(1,659,000)
Total Revenue	\$ 5,829,000	\$ 5,876,000	\$ 17,495,000	\$ 16,685,000

Operating segment income (loss) from continuing operations was as follows:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2003	2002	2003	2002
<b>Segment operating income (loss):</b>				
Diagnostics	\$ 489,000	\$ 206,000	\$ 1,348,000	\$ 893,000
Biotech	(104,000)	(29,000)	(149,000)	(405,000)
Laboratory Instrumentation	(260,000)	(197,000)	(737,000)	(352,000)
PCT	(408,000)	(490,000)	(1,092,000)	(1,729,000)
Operating loss from continuing operations	\$ (283,000)	\$ (510,000)	\$ (630,000)	\$ (1,593,000)

Identifiable corporate and operating segment assets are all located in the United States as follows:

	September 30, 2003	December 31, 2002
<b>Identifiable corporate and segment assets:</b>		
Corporate	\$ 1,493,000	\$ 2,141,000
Diagnostics	9,420,000	10,281,000
Biotech	3,984,000	4,844,000
Laboratory Instrumentation	1,347,000	1,359,000
PCT	1,084,000	1,218,000
Total assets	\$ 17,328,000	\$ 19,843,000

Certain amounts included in the prior period's financial statements have been reclassified to conform to the current period's presentation.

##### (5) **Computation of Net Income (Loss) per Share**

Basic earnings (loss) per share is computed by dividing net income (loss) by the weighted average number of common shares outstanding. Diluted earnings (loss) per share is computed by dividing net income (loss) by the weighted average number of common shares outstanding plus additional common shares that would have been outstanding if potentially dilutive 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 having a net effect of 46,540 and 6,001 common shares for the three and nine months ended September 30, 2003 and 132,855 and 215,259 common shares for the three and nine months ended September 30, 2002 were not included in the computation of diluted earnings (loss) per share because to do so would have been antidilutive.

The net loss per share computation for the first nine months of 2003 and 2002 reflects the issuance of 12,102 and 9,749 additional shares of common stock, respectively, purchased by employees through their participation in the Company's employee stock purchase plan. Additionally, the net (loss) per share computation for the first nine months of 2002 reflects the issuance of 600,000 additional shares of common stock in the first quarter of 2002. In December 2001, these shares of common stock were subscribed to and paid for by a group of investors for \$1,500,000 (before expenses).

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2003	2002	2003	2002
Weighted Average Shares				
Outstanding, basic	6,824,075	6,782,175	6,804,972	6,618,338
Net effect of dilutive common stock equivalents-based on treasury stock method using average market price	—	—	—	—
Weighted Average Shares				
Outstanding, diluted	6,824,075	6,782,175	6,804,972	6,618,338
Loss from continuing operations	\$ (355,756)	\$ (567,178)	\$ (834,607)	\$ (1,747,937)
Income from discontinued operations	—	225,000	—	225,000
Net loss	\$ (355,756)	\$ (342,178)	\$ (834,607)	\$ (1,522,937)
Loss per share from continuing operations, basic & diluted	\$ (0.05)	\$ (0.08)	\$ (0.12)	\$ (0.26)
Income per share from discontinued operations-basic & diluted	—	0.03	—	0.03
Net loss per share-basic & diluted	\$ (0.05)	\$ (0.05)	\$ (0.12)	\$ (0.23)

#### (6) Related Party Transaction

As of December 31, 2001, the Company had entered into a one-year loan of \$525,000 to Richard T. Schumacher, the Company's former Chairman and Chief Executive Officer and a current Director of the Company, renewable at the Company's option, and collateralized by 90,000 of Mr. Schumacher's shares of Boston Biomedica common stock. This loan constituted an increase from the \$350,000 that had been loaned as of September 30, 2001. Interest on the loan was payable monthly at the annual rate of 7%. In January 2002, the principal of the loan was repaid in full with a portion of the proceeds of the loans described in the next sentence. The Company's loan was replaced by the Company's limited guaranty and pledge of a \$1,000,000 interest bearing deposit at a financial institution to secure the Company's limited guaranty of loans in the aggregate amount of \$2,418,000 from the financial institution to an entity controlled by Mr. Schumacher. The loans are personally guaranteed by Mr. Schumacher. The Company's pledge is secured by a junior subordinated interest in the collateral provided by Mr. Schumacher to the financial institution. Such collateral includes certain of his real property and all of his Company common stock. The Company's original loan and subsequent pledge of \$1,000,000 were made to assist Mr. Schumacher in refinancing indebtedness related to, among other things, his divorce settlement and to enable him to avoid the need to sell his Company common stock on the open market to satisfy his debts. The Company's Board of Directors and, with respect to the decision to pledge the \$1,000,000 cash collateral, a special committee of the independent directors, evaluated a number of options and concluded that the original loan to Mr. Schumacher and the subsequent pledge were the best option and in the best interests of the Company's stockholders in the belief that it would, among other things, avoid selling pressure on the Company's common stock and relieve the financial pressures on Mr. Schumacher that could otherwise divert his attention from the Company. In January 2003, the \$1,000,000 account was used by the financial institution to satisfy the Company's limited guaranty obligation to the financial institution. The Company has now satisfied its obligation under the limited guaranty and pledge with the financial institution through the financial institution's calling of the Company's pledged cash. The Company continues to maintain its junior interest in the collateral pledged by Mr. Schumacher to the financial institution. The Company reflected the \$1,000,000 pledge as restricted cash on its balance sheet until the cash was used to satisfy the Company's limited guaranty in January 2003 and through September 30, 2003 has recorded a \$1,000,000 loan receivable on its balance sheet as a reduction of stockholders' equity.

At the end of each fiscal quarter, the Company reevaluates the recoverability of the loan receivable from Mr. Schumacher. The Company's review included an evaluation of the adequacy of the collateral associated with the loan. As described above, the collateral consists of certain real estate holdings and common stock of the Company and the Company's security interest in the collateral is a junior interest subordinated to the financial institution that provided the loan to the entity controlled by Mr. Schumacher. In evaluating the adequacy of the collateral, the Company considered the outstanding balance of the financial institution's loan to the entity controlled by Mr. Schumacher and the fact that the Company has a junior position in the collateral, as well as the liquidity and net realizable value of the assets underlying the collateral. The Company's analysis assumes transaction costs to sell the properties, and applies a liquidity discount to the trading value of the common stock. The ultimate value that may be recovered by the Company is dependent on numerous factors including market conditions relative to the real estate, the value of and ability to sell the Company's common stock, and the

financial status of Mr. Schumacher. At December 31, 2002, the Company performed a test for impairment of the restricted cash by analyzing the value of the collateral, and determined that the restricted cash was not impaired. While the restricted cash was not impaired as of December 31, 2002, the termination of Mr. Schumacher as the Company's Chairman and Chief Executive Officer by the Board of Directors in February 2003, together with the decline in the quoted market value of the Company's common stock subsequent to December 31, 2002, which comprises a major element of the collateral, are indicators of impairment. The Company reevaluated the adequacy of the value of the collateral as of September 30, 2003 and through October 31, 2003. The value of the collateral as of October 31, 2003 approximates the amount of the Company's recorded loan (including interest) as of September 30, 2003; the value of the collateral is based primarily on the changing market value of the Company's common stock which is pledged as collateral. Accordingly, the Company has not recorded any permanent impairment of loan value in the first nine months of 2003. If actual market conditions are less favorable or other factors arise in the future that are significantly different than those anticipated by management, the establishment of a valuation reserve against this asset might be required. Mr. Schumacher notified the Company of a payment to the financial institution against the loan during the second quarter of 2003 utilizing personal assets that were not pledged as collateral, thereby increasing the collateral to loan ratio.

On July 9, 2003, the Company announced Mr. Schumacher, the Company's former Chairman and Chief Executive Officer, agreed to accept an engagement with the Company as an Executive Project Consultant to advise the Company with respect to the strategic direction of the Company's PCT and BBI Source Scientific activities and the Company's ownership interest in Panacos Pharmaceuticals, Inc. BBI Source Scientific is the Company's California-based instrument subsidiary, which developed and manufactures the PCT Barocycler instrument. As part of this engagement, Mr. Schumacher is expected to reevaluate the ongoing business prospects for both the Laboratory Instrumentation segment and PCT activities prior to the end of year 2003.

## **(7) Stockholders' Equity**

### *Shareholders Purchase Rights Plan*

On March 3, 2003, the Company's Board of Directors adopted a shareholder purchase rights plan and has declared a distribution of one Right for each outstanding share of the Company's Common Stock to shareholders of record at the close of business on March 21, 2003. Initially, the Rights will trade automatically with the Common Stock and separate Right Certificates will not be issued.

The Rights Plan is designed to deter coercive or unfair takeover tactics and to ensure that all of the Company's shareholders receive fair and equal treatment in the event of an unsolicited attempt to acquire the Company. The Rights Plan was not adopted in response to any effort to acquire the Company, and the Board is not aware of any such effort. The Rights will expire on February 27, 2013 unless earlier redeemed or exchanged. Each Right entitles the registered holder, subject to the terms of a Rights Agreement, to purchase from the Company one one-thousandth of a share of the Company's Series A Junior Participating Preferred Stock at a purchase price of \$45.00 per one one-thousandth of a share, subject to adjustment. In general, the Rights will not be exercisable until a subsequent distribution date which will only occur if a person or group acquires beneficial ownership of 15% or more of the Company's Common Stock or announces a tender or exchange offer that would result in such person or group owning 15% or more of the Common Stock. With respect to any person or group who currently beneficially owns 15% or more of the Company's Common Stock, the Rights will not become exercisable unless and until such

person or group acquires beneficial ownership of additional shares of Common Stock.

Subject to certain limited exceptions, if a person or group acquires beneficial ownership of 15% or more of the Company's outstanding Common Stock or if a current 15% beneficial owner acquires additional shares of Common Stock, each holder of a Right (other than the 15% holder whose Rights become void once such holder reaches the 15% threshold) will thereafter have a right to purchase, upon payment of the purchase price of the Right, that number of shares of the Company's Common Stock which at the time of such transaction will have a market value equal to two times the purchase price of the Right. In the event that, at any time after a person or group acquires 15% or more of the Company's Common Stock, the Company is acquired in a merger or other business combination transaction or 50% or more of its consolidated assets or earning power are sold, each holder of a Right will thereafter have the right to purchase, upon payment of the purchase price of the Right, that number of shares of common stock of the acquiring company which at the time of such transaction will have a market value of two times the purchase price of the Right.

The Board of Directors of the Company may exchange the Rights (other than Rights owned by such person or group which have become void), in whole or in part, at an exchange ratio of one share of Common Stock per Right (subject to adjustment). At any time prior to the time any person or group acquires 15% or more of the Company's Common Stock, the Board of Directors of the Company may redeem the Rights in whole, but not in part, at a price of \$0.001 per Right.

### *Warrants*

In November 1999, the Company sold 29,155 equity units to MDBio, Inc. a Maryland not-for profit corporation. Each equity unit consists of one share of common stock and a warrant to purchase one share of common stock with an exercise price of \$10.00 per share. MDBio paid the Company \$175,000 for the equity units. These warrants expired unexercised at the close of business September 30, 2003.

On September 30, 1998 the Company acquired the remaining outstanding common stock (approximately 81%) of BioSeq, Inc., a development stage company with patent pending technology based on pressure cycling technology for \$879,000 in cash (net of cash acquired of \$121,000). In connection with the Company's acquisition of BioSeq, Inc., the Company issued warrants to purchase 100,000 shares of the Company's common stock at a purchase exercise price of \$2.50 per share (subject to annual increases). As of December 31, 2002, warrants to purchase 67,192 shares of common stock remained outstanding at an exercise price of \$3.66 per share. Subsequent to



the quarter ended September 30, 2003, all remaining warrants outstanding that were issued pursuant to this transaction expired unexercised at the close of business October 8, 2003.

#### **(8) Disposition of Assets**

In December 2000, the Company made a decision to exit the clinical laboratory testing services segment and in February 2001, BBI Clinical Laboratories, Inc. ("BBICL"), a wholly-owned subsidiary of the Company, sold the business and certain assets and liabilities of its clinical laboratory business to a third party for an adjusted purchase price of \$8,958,000. The escrow account was terminated in December 2001 by mutual agreement between the buyer and the Company, resulting in approximately \$358,000 being received by the Company from the escrow account. The Company has retained certain other assets and liabilities of BBICL, primarily property, plant and equipment, together with the facility lease subsequent to the closing date, which the Company is attempting to sublease. The Company has written down all of the retained assets not otherwise redistributed to other business units to their estimated net realizable value. In accordance with a transition services agreement, the Company operated the business until December 2001; substantially all costs associated with operating the business subsequent to the closing date were borne by the purchaser.

The Company's estimate of remaining short and long term accrued liabilities to exit the clinical laboratory testing business is \$457,000 as of September 30, 2003. The major component of this accrual is estimated lease exit and facility related costs (\$350,000), with the remainder for other miscellaneous costs associated with exiting this business segment. The Company recorded an after-tax gain of \$4,334,000 in 2001, and an additional \$225,000 in the third quarter of 2002; the remaining accrual may be subject to future adjustments as the Company completes the process of exiting this business and permanently closing the facility.

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#### **(9) Debt**

On April 5, 2000, the Company borrowed \$2,447,000, net of related costs, under a mortgage agreement on its West Bridgewater, MA facility, of which approximately \$2,334,000 remains outstanding as of September 30, 2003. The Company used the funds to reduce the outstanding balance of its then 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. Monthly payments on this mortgage are based on a twenty year amortization schedule with a balloon payment representing the remaining balance due in full in March 2010. The mortgage precludes the payment of dividends on the Company's common stock and contains certain other restrictive covenants. Under this mortgage agreement the Company is subject to certain financial covenants.

The Company failed to meet its debt service coverage covenant for the year ended December 31, 2002, but in the first quarter of 2003 the financial institution waived this default and other defaults relating to reports and the termination of the Company's former Chairman and Chief Executive Officer. The mortgage is collateralized by the Company's West Bridgewater, MA facility, which has a net book value of approximately \$1,945,000 as of September 30, 2003.

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

### **RECENT DEVELOPMENTS**

On February 14, 2003, the Company announced that the Company's Board of Directors had terminated Mr. Richard T. Schumacher as Chairman and Chief Executive Officer, effective immediately. Mr. Schumacher remains a Director of the Company. William A. Wilson, a Director, was named Chairman of the Board. Kevin W. Quinlan, President and Chief Operating Officer, continues to lead day-to-day operations. A Special Oversight Committee of the Board of Directors was appointed for the purpose of overseeing the management of the affairs of the Company until such time as a new Chief Executive Officer is employed.

On July 9, 2003, the Company announced Mr. Richard T. Schumacher, the Company's former Chairman and Chief Executive Officer, agreed to accept an engagement with the Company as an Executive Consultant to advise the Company with respect to the strategic direction of the Company's PCT and BBI Source Scientific activities and the Company's ownership interest in Panacos Pharmaceuticals, Inc. BBI Source Scientific is the Company's California-based instrument subsidiary which developed and manufactures the PCT Barocycler instrument. As part of this engagement, Mr. Schumacher is expected to reevaluate the ongoing business prospects for both the Laboratory Instrumentation segment and PCT activities prior to the end of year 2003.

Mr. R. Wayne Fritzsche and Calvin A. Saravis were elected Directors of the Company at its Special Meeting in Lieu of Annual Meeting of Stockholders held on Thursday, October 2, 2003. Mr. Francis Capitanio's term expired at that time. Both Mr. Fritzsche and Dr. Saravis will serve until the Company's Annual Meeting in 2006. At a Directors' meeting immediately following the Stockholders Meeting, Mr. Fritzsche was elected Chairman of the Board. Mr. William A. Wilson, a Director since 2001 and Chairman of the Board since February 2003, resigned from the Board on October 3, 2003 in order to pursue other activities.

### **CRITICAL ACCOUNTING POLICIES**

The critical accounting policies utilized by the Company in the preparation of the accompanying financial statements are set forth in

Part I, Item 7 of the Company's Form 10-K for the year ended December 31, 2002, under the heading "Management's Discussion and Analysis of Financial Condition and Results of Operations". There have been no material changes to these policies since December 31, 2002.

## RESULTS OF OPERATIONS

### THREE MONTHS ENDED SEPTEMBER 30, 2003 AND 2002

#### Revenue

Total revenue decreased 0.8%, or \$47,000, to \$5,829,000 in the third quarter of 2003 from \$5,876,000 in the third quarter of 2002. The decrease in revenue was the result of a decline in service revenue of 23.4% or \$704,000 to \$2,304,000 in the third quarter of 2003 from \$3,008,000 in the third quarter of 2002, substantially offset by an increase in product revenue of 22.9% or \$657,000 to \$3,525,000 in the third quarter of 2003 as compared to product revenue of \$2,868,000 in the third quarter of 2002.

Product Revenue. An increase in product revenue at the Diagnostics segment was associated with higher sales of Accurun® and Basematrix products in the third quarter of 2003 as compared to the third quarter of 2002, driven by strong sales of controls for nucleic acid testing and custom Basematrix.

Service Revenue. The decrease in service revenue was associated with a higher level of clinical trial activity in the third quarter of 2002 as compared to the current quarter on two service contracts related to HIV vaccine development (as a result of increased activity from a subcontractor) and Hepatitis C work at the Biotech segment. This was partially offset by an increase in repository services in the third quarter of 2003.

#### Gross Profit

Overall gross profit increased 0.2%, or \$4,000, to \$2,022,000 in the third quarter of 2003 from \$2,018,000 in the

third quarter of 2002. Product gross profit increased 23.1%, or \$306,000, to \$1,632,000 in the third quarter of 2003 from \$1,326,000 in the third quarter of 2002; product gross margin increased slightly to 46.3% in the third quarter of 2003 from 46.2% in the third quarter of 2002. Service gross profit decreased \$302,000 or 43.6% to \$390,000 in the third quarter of 2003 from \$692,000 in the third quarter of 2002; service gross margin declined to 16.9% in the third quarter of 2003 as compared to 23.0% in the third quarter of 2002.

Product Gross Margin. The slight increase in product gross margin was due to a more favorable overhead absorption performance.

Service Gross Margin. Service gross margin declined due to less profitable government research contracts at the Biotech segment in the third quarter of 2003 as compared to the third quarter of 2002. The third quarter of 2002 also benefited from increased service revenues at the Biotech segment associated with increased subcontract charges on two vaccine contracts.

#### Research and Development

Research and development expenditures declined 30.6%, or \$217,000, to \$491,000 in the third quarter of 2003 from \$708,000 in the third quarter of 2002. The decreased level of expenditures was associated primarily with a reduced level of activity on PCT related projects, which included work on optimization protocols for various tissue types performed in the third quarter of 2002. In addition, in the third quarter of 2002, there was an increase in development work on software and purified reagents.

#### Selling and Marketing

Selling and marketing expenses increased by 3.0%, or \$24,000, to \$828,000 in the third quarter of 2003 from \$804,000 in the third quarter of 2002. The Company has incurred a slightly higher level of marketing and promotion related costs in the third quarter of 2003 associated with both its Diagnostics and PCT segments, including the consulting costs of its former Chief Executive Officer.

#### General and Administrative

General and administrative expenses decreased 3.0%, or \$30,000, to \$986,000 in the third quarter of 2003 from \$1,016,000 in the third quarter of 2002. The decrease is due primarily to a decline in employee health care costs.

#### Operating Loss from Continuing Operations

Operating loss from continuing operations amounted to \$283,000 in the third quarter of 2003 compared to an operating loss from continuing operations of \$510,000 in the third quarter of 2002. The Diagnostics segment's operating income increased to \$489,000 in the third quarter of 2003 from \$206,000 in the third quarter of 2002, associated with a 26.4% increase in product revenue at the Diagnostics segment as explained above. The Biotech segment's operating loss amounted to \$104,000 in the third quarter of 2003 as compared to an operating loss of \$29,000 in the third quarter of 2002, due to reduced revenues in the third quarter of 2003 associated with work on two vaccine development contracts compared to the third quarter of 2002. The operating loss of the PCT segment decreased to \$408,000 in the third quarter of 2003 from \$490,000 in the third quarter of 2002 primarily due to reduced patents, trade show and research and development costs. The PCT segment, which includes both private and public (National Institutes of Health) funding of segment research,

continues to experience lower than expected product sales since commercial launch in September 2002 associated with a longer than expected selling cycle. The Laboratory Instrumentation segment's operating loss increased to \$260,000 in the third quarter of 2003 from \$197,000 in the third quarter of 2002, due to a decline in revenue.

#### Interest Expense

Interest expense is incurred primarily from the Company's outstanding mortgage and increased \$7,000 as compared to the third quarter of 2002. This increase was a result of a mortgage covenant waiver fee as the Company failed to meet its debt service coverage and other covenants for the year ended December 31, 2002.

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#### Evaluation of Financial Asset

As of September 30, 2003, the Company reevaluated the recoverability of the loan receivable from Mr. Richard T. Schumacher, the Company's former Chairman and Chief Executive Officer as discussed further in Note 6 of Notes to Condensed Consolidated Financial Statements. The Company's review included an evaluation of the adequacy of the collateral associated with the loan. The Company's security interest in this collateral is a junior interest subordinated to the financial institution that provided the loan to the entity controlled by Mr. Schumacher. The collateral consists of real estate holdings and common stock of the Company. In evaluating the adequacy of the collateral, the Company considered the outstanding balance of the financial institution's loan to the entity controlled by Mr. Schumacher and the fact that the Company has a junior position in the collateral, as well as the liquidity and net realizable value of the assets underlying the collateral. The Company's analysis assumes transaction costs to sell the properties, and applies a liquidity discount to the trading value of the common stock. The ultimate value that may be recovered by the Company is dependent on numerous factors including market conditions relative to the real estate, the value of and ability to sell the Company's common stock, and the financial status of Mr. Schumacher. At December 31, 2002, the Company performed a test for impairment of the restricted cash by analyzing the value of the collateral, and determined that the restricted cash was not impaired. The Company has reevaluated the adequacy of the value of the collateral as of September 30, 2003 and through October 31, 2003. The value of the collateral as of October 31, 2003 approximates the amount of the Company's recorded loan (including interest) as of September 30, 2003; the value of the collateral is based primarily on the changing market value of the Company's common stock which is pledged as collateral. Accordingly, the Company has not recorded any permanent impairment of loan value in the first nine months of 2003. If actual market conditions are less favorable or other factors arise in the future that are significantly different than those anticipated by management, the establishment of a valuation reserve against this asset might be required. Mr. Schumacher notified the Company of a payment to the financial institution against the loan during the second quarter of 2003 utilizing personal assets that were not pledged as collateral, thereby increasing the collateral to loan ratio.

#### Income Taxes

In 2000, the Company established a full valuation allowance for its deferred tax assets in accordance with Statement of Financial Accounting Standards No. 109 and in consideration of three consecutive years of losses; accordingly, the Company has not recognized an income tax benefit associated with the loss from operations in the third quarter of 2003 and the third quarter of 2002.

#### Loss from Continuing Operations

Loss from continuing operations amounted to \$356,000 for the quarter ended September 30, 2003 as compared to a loss of \$567,000 for the quarter ended September 30, 2002, as a result of the items discussed above.

#### Income from Discontinued Operations

In the third quarter of 2002, the Company adjusted its estimate of remaining accrued liabilities to exit the clinical laboratory testing business based upon new developments. The liability was reduced to \$855,000 as of September 30, 2002. The major component of the remaining accrual as of September 30, 2002 was estimated lease exit and facility related costs (\$532,000) with the remainder for health care claims, other regulatory audit adjustments, and for other miscellaneous costs associated with exiting this business segment. This resulted in recording an after tax gain of \$225,000 in the third quarter of 2002.

#### Net Loss

The Company had a net loss of \$356,000 in the third quarter of 2003 as compared to a net loss of \$342,000 in the third quarter of 2002.

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## **RESULTS OF OPERATIONS**

### **NINE MONTHS ENDED SEPTEMBER 30, 2003 AND 2002**

#### Revenue

Total revenue increased 4.9%, or \$810,000, to \$17,495,000 in the first nine months of 2003 from \$16,685,000 in the first nine months of 2002. The increase in revenue was the result of an increase in product revenue of 8.0% or \$754,000, to \$10,186,000 in the first nine

months of 2003 from \$9,432,000 in the first nine months of 2002, coupled with a 0.8% or \$56,000 increase in service revenue to \$7,309,000 in the first nine months of 2003 as compared to service revenue of \$7,253,000 in the first nine months of 2002.

Product Revenue. The increase in product revenue occurred in the Diagnostics segment and was due primarily to sales associated with newly released AccuRun products and custom (OEM) panels, which included one large custom order from an international distributor. In the first nine months of 2002, product revenue was adversely impacted by delays from several customers at the Diagnostics segment in getting final customer approval for shipment. The increase in product revenues was partially offset by a lower level of contract manufacturing work at the Laboratory Instrumentation segment.

Service Revenue. The increase in service revenue was primarily related to higher revenues associated with increased repository service work combined with an increased level of billable hours associated with government contract reimbursable work at the Biotech segment, partially offset by lower levels of contract research and instrument development activities and a lower level of grant revenues associated with PCT related activities.

#### Gross Profit

Overall gross profit increased 1.2%, or \$73,000 to \$6,354,000 in the first nine months of 2003 from \$6,281,000 in the first nine months of 2002. Product gross profit increased 4.0%, or \$185,000, to \$4,779,000 in the first nine months of 2003 from \$4,594,000 in the first nine months of 2002; product gross margin decreased to 46.9% in the first nine months of 2003 from 48.7% in the first nine months of 2002. Service gross profit decreased \$113,000 or 6.7% to \$1,574,000 in the first nine months of 2003 from \$1,687,000 in the first nine months of 2002, while service gross margin decreased to 21.5% in the first nine months of 2003 from 23.2% in the first nine months of 2002.

Product Gross Margin. The decline in product gross margin was due to a lower level of product sales at both the Laboratory Instrumentation and Biotech segments, partially offset by an increased level of product sales at the Diagnostics segment.

Service Gross Margin. The service gross margin decrease was primarily due to a lower level of PCT related grant revenue coupled with less profitable research contracts at the Biotech segment.

#### Research and Development

Research and development expenditures declined 37.4%, or \$785,000, to \$1,312,000 in the first nine months of 2003 from \$2,097,000 in the first nine months of 2002. The decreased level of expenditures was associated primarily with a reduced level of activity on PCT related projects. The Company announced the availability for commercial sale of its PCT products in late September 2002.

#### Selling and Marketing

Selling and marketing expenses decreased by 4.6%, or \$116,000, to \$2,418,000 in the first nine months of 2003 from \$2,534,000 in the first nine months of 2002. The Company incurred significant marketing and promotion related costs in the first nine months of 2002 associated with its introduction of the PCT Barocycler<sup>TM</sup> at an industry trade show as compared to the first nine months of 2003.

#### General and Administrative

General and administrative costs increased 0.4%, or \$12,000, to \$3,254,000 in the first nine months of 2003 from \$3,242,000 in the first nine months of 2002. This slight increase is associated with legal, audit and director fees

incurred by the Special Oversight Committee of the Company's Board of Directors, formed in February 2003, in conjunction with the termination of the Company's Chairman and Chief Executive Officer, for the purpose of overseeing the management of the affairs of the Company. The Company also incurred increased legal fees associated with the March 2003 adoption of a Shareholder Purchase Rights Plan. These increases were substantially offset by reduced compensation costs due to the elimination of the salary that would have been paid to the Company's former Chairman and Chief Executive Officer who was terminated in February 2003, and lower employee health care costs.

#### Operating Loss from Continuing Operations

Operating loss from continuing operations amounted to \$630,000 in the first nine months of 2003 compared to an operating loss from continuing operations of \$1,593,000 in the first nine months of 2002. The Diagnostics segment's operating income increased to \$1,348,000 in the first nine months of 2003 from \$893,000 in the first nine months of 2002, due to an increase in product sales associated with newly released AccuRun products and custom (OEM) panels, which included one large order from an international distributor in the first nine months of 2003. The Biotech segment's operating loss decreased to \$149,000 in the first nine months of 2003 from \$405,000 in the first nine months of 2002; higher revenues associated with increased repository services combined with an increased level of billable hours associated with government contract reimbursable work was partially offset by higher wages, supplies and facilities costs. The operating loss of the PCT segment decreased to \$1,092,000 in the first nine months of 2003 from \$1,729,000 in the first nine months of 2002 primarily due to reduced patents, trade show and research and development costs, partially offset by a lower level of PCT related grant revenues. The PCT segment, which includes both private and public (National Institutes of Health) funding of segment research, continues to experience lower than expected product sales since commercial launch in September 2002 associated with a longer than expected selling cycle. The Laboratory Instrumentation segment's operating loss increased to \$737,000 in the first nine months of 2003 from \$352,000 in the first nine months of 2002. This segment recorded a 25.7% decline in revenue due to a lower level of both contract

manufacturing work and instrument development services for PCT coupled with increased costs associated with a facility lease renewal effective February 1, 2002.

#### Interest Expense

Interest expense is incurred primarily on the Company's outstanding mortgage and increased \$29,000 in the first nine months of 2003 as compared to the first nine months of 2002. The increase was a result of a mortgage covenant waiver fee as the Company failed to meet its debt service coverage and other covenants for the year ended December 31, 2002.

#### Evaluation of Financial Asset

As of September 30, 2003, the Company reevaluated the recoverability of the loan receivable from Mr. Richard T. Schumacher, the Company's former Chairman and Chief Executive Officer as discussed further in Note 6 of Notes to Condensed Consolidated Financial Statements. The Company's review included an evaluation of the adequacy of the collateral associated with the loan. The Company's security interest in this collateral is a junior interest subordinated to the financial institution that provided the loan to the entity controlled by Mr. Schumacher. The collateral consists of real estate holdings and common stock of the Company. In evaluating the adequacy of the collateral, the Company considered the outstanding balance of the financial institution's loan to the entity controlled by Mr. Schumacher and the fact that the Company has a junior position in the collateral, as well as the liquidity and net realizable value of the assets underlying the collateral. The Company's analysis assumes transaction costs to sell the properties, and applies a liquidity discount to the trading value of the common stock. The ultimate value that may be recovered by the Company is dependent on numerous factors including market conditions relative to the real estate, the value of and ability to sell the Company's common stock, and the financial status of Mr. Schumacher. At December 31, 2002, the Company performed a test for impairment of the restricted cash by analyzing the value of the collateral, and determined that the restricted cash was not impaired. The Company has reevaluated the adequacy of the value of the collateral as of September 30, 2003 and through October 31, 2003. The value of the collateral as of October 31, 2003 approximates the amount of the Company's recorded loan (including interest) as of September 30, 2003; the value of the collateral is based primarily on the changing market value of the Company's common stock which is pledged as collateral. Accordingly, the Company has not recorded any permanent impairment of loan value in the first nine months of 2003. If actual market conditions are less favorable or other factors arise in the future that are significantly different than those anticipated by management, the establishment of a valuation reserve against this asset might be required. Mr. Schumacher notified the Company of a payment to the financial institution against the loan during the second quarter of 2003 utilizing personal assets that were not pledged as collateral,

thereby increasing the collateral to loan ratio.

#### Income Taxes

In 2000, the Company established a full valuation allowance for its deferred tax assets in accordance with Statement of Financial Accounting Standards No. 109 and in consideration of three consecutive years of losses; accordingly, the Company has not recognized an income tax benefit associated with the loss from operations in the first nine months of 2003 and the first nine months of 2002.

#### Loss from Continuing Operations

Loss from continuing operations amounted to \$835,000 for the nine months ended September 30, 2003 as compared to a loss of \$1,748,000 for the nine months ended September 30, 2002 as a result of the items discussed above.

#### Discontinued Operations

In the third quarter of 2002, the Company adjusted its estimate of remaining accrued liabilities to exit the clinical laboratory testing business based upon new developments. The liability was reduced to \$855,000 as of September 30, 2002. The major component of the remaining accrual as of September 30, 2002 was estimated lease exit and facility related costs (\$532,000) with the remainder for health care claims, other regulatory audit adjustments, and for other miscellaneous costs associated with exiting this business segment. This resulted in recording an after tax gain of \$225,000 in the third quarter of 2002.

#### Net Loss

The Company had a net loss of \$835,000 in the first nine months of 2003 as compared to a net loss of \$1,523,000 in the first nine months of 2002.

### **LIQUIDITY AND FINANCIAL CONDITION**

The Company's working capital position decreased slightly to \$7,969,000 as of September 30, 2003 from \$8,197,000 (excluding \$1,000,000 of restricted cash) as of December 31, 2002.

Net cash provided by operations for the nine months ended September 30, 2003 was \$657,000 as compared to net cash used by operations of \$263,000 for the nine months ended September 30, 2002. The improved cash flow from operations during the first nine months of 2003 was primarily the result of a lower year to date loss from operations as compared to the same period last year coupled with a continued reduced level of inventory purchases and favorable cash collections of accounts receivable. This was partially offset by a reduction in trade accounts payable. The operational use of cash during the first nine months of 2002 was primarily the result of the year to date loss and the buildup of raw materials inventory partially offset by an increase in trade accounts payable.

Net cash used in investing activities for the nine months ended September 30, 2003 was \$74,000 compared to \$578,000 for the nine months ended September 30, 2002. The Company has significantly curtailed current year capital expenditures to improve cash flow and in conjunction with its efforts to seek additional capital as discussed further hereunder.

Net cash used in financing activities for the nine months ended September 30, 2003 was \$49,000 compared to cash used of \$397,000 during the nine months ended September 30, 2002. In the first nine months of 2002, as discussed further under "Related Party Transaction" below, the Company pledged \$1,000,000 via a deposit in an interest bearing account at a financial institution in early 2002; this was partially offset by a \$525,000 repayment in 2002 to the Company of a loan by its former Chief Executive Officer ("CEO").

Based on current forecasts, management believes the Company has sufficient liquidity to finance operations for the next twelve months. Management's forecasts involve assumptions that could prove to be incorrect. If the Company continues to incur operating losses or negative cash flows, it may need to raise additional funds. There can be no assurance that these funds will be available when required on terms acceptable to the Company, if at all. If adequate funds are not available when needed, the Company may be required to further reduce certain of its costs and delay, scale back, or eliminate certain of its activities, any of which could have a material adverse long

term effect on its business, financial condition and results of operations. The Company is considering various sources of additional financing, including but not limited to, sale of business segments, strategic alliances and private placements of debt or equity securities, which could result in dilution to the Company's stockholders. On October 25, 2002, the Company retained an investment banking firm to advise the Company in the evaluation of strategic opportunities aimed at increasing shareholder value and liquidity by increasing the capital needed for growth; their engagement continues at this date.

The Company continues to evaluate the performance of the Laboratory Instrumentation segment and the PCT segment, both of which continue to experience significant operating losses. As discussed further in Note 4 of Notes to Condensed Consolidated Financial Statements included in Part I of this Form 10-Q, the net book value of assets associated with these two business segments is approximately \$2,431,000 as of September 30, 2003. The PCT segment, which includes both private and public (National Institutes of Health) funding of segment research, continues to experience lower than expected product sales since commercial launch in September 2002 associated with a longer than expected selling cycle. On July 9, 2003, the Company announced Mr. Richard T. Schumacher, the Company's former Chairman and Chief Executive Officer, agreed to accept an engagement with the Company as an Executive Project Consultant to advise the Company with respect to the strategic direction of the Company's PCT and BBI Source Scientific activities and the Company's ownership interest in Panacos Pharmaceuticals, Inc. BBI Source Scientific is the Company's California-based instrument subsidiary which developed and manufactures the PCT Barocycler instrument. As part of this engagement, Mr. Schumacher is expected to reevaluate the ongoing business prospects for both the Laboratory Instrumentation segment and PCT activities prior to the end of year 2003. If these segments do not become profitable, the Company may need to write off some or all of the current net book value of these assets.

#### Related Party Transaction

As of December 31, 2001, the Company had entered into a one year loan of \$525,000 to Mr. Richard T. Schumacher, the Company's former Chairman and Chief Executive Officer and a current Director of the Company, renewable at the Company's option, and collateralized by 90,000 of Mr. Schumacher's shares of the Company's common stock. This loan constituted an increase from the \$350,000 that had been loaned as of September 30, 2001. Interest on the loan was payable monthly at the annual rate of 7%. In January 2002, the principal of these loans was repaid in full with a portion of the proceeds of the loans described in the following sentence. The Company's loans were replaced by the Company's pledge of a \$1,000,000 interest bearing deposit at a financial institution to secure the Company's limited guaranty of loans in the aggregate amount of \$2,418,000 from the financial institution to an entity controlled by Mr. Schumacher. The loans are personally guaranteed by Mr. Schumacher. The Company's pledge is secured by a junior subordinated interest in the collateral provided by Mr. Schumacher to the financial institution. Such collateral includes certain of his real property and all of his common stock holdings in the Company. The Company's original loan and subsequent pledge of \$1,000,000 were made to assist Mr. Schumacher in refinancing indebtedness related to, among other things, his divorce settlement and to enable him to avoid the need to sell his common stock holdings in the Company on the open market to satisfy his debts. The Company's Board of Directors and, with respect to the decision to pledge the \$1,000,000 cash collateral, a special committee of the independent directors, evaluated a number of options and concluded that the original loan to Mr. Schumacher and the subsequent pledge were the best option and in the best interests of the Company's stockholders in the belief that it would, among other things, avoid selling pressure on the Company's common stock and relieve the financial pressures on Mr. Schumacher that could otherwise divert his attention from the Company. In January 2003, the \$1,000,000 account was used to satisfy the Company's limited guaranty obligation. The Company has now satisfied its obligation under the limited guaranty and pledge with the financial institution. The Company continues to maintain its junior interest in the collateral pledged by Mr. Schumacher to the financial institution. The Company reflected the \$1,000,000 pledge as restricted cash on its balance sheet until the cash was used to satisfy the Company's limited guaranty in January 2003 and since then has recorded a \$1,000,000 loan receivable on its balance sheet as a reduction of stockholders' equity. As discussed further above, the Company has reevaluated the adequacy of the value of the collateral as of September 30, 2003 and through October 31, 2003. The value of the collateral as of October 31, 2003 approximates the amount of the Company's recorded loan (including interest) as of September 30, 2003; the value of the collateral is based primarily on the changing market value of the Company's common stock which is pledged as collateral. Accordingly, the Company has not recorded any permanent impairment of loan value in the first nine months of 2003. If actual market conditions are less favorable or other factors arise in the future that are significantly different than those anticipated by management, the establishment of a valuation reserve against this asset might be required. Mr. Schumacher notified the Company of a payment to the financial institution against the loan during the second quarter of 2003 utilizing personal assets that were not pledged

as collateral, thereby increasing the collateral to loan ratio.

On February 14, 2003, the Company announced that the Company's Board of Directors had terminated Mr. Schumacher as Chairman and Chief Executive Officer, effective immediately. Mr. Schumacher remains a Director of the Company. William A. Wilson, a Director, was named Chairman of the Board. Kevin W. Quinlan, President and Chief Operating Officer, continues to lead day-to-day operations. A special committee of the Board of Directors was appointed for the purpose of overseeing the management of the affairs of the Company until such time as a new Chief Executive Officer is employed.

On July 9, 2003, the Company announced Mr. Richard T. Schumacher, the Company's former Chairman and Chief Executive Officer, agreed to accept an engagement with the Company as an Executive Project Consultant to advise the Company with respect to the strategic direction of the Company's PCT and BBI Source Scientific activities and the Company's ownership interest in Panacos Pharmaceuticals, Inc. BBI Source Scientific is the Company's California-based instrument subsidiary, which developed and manufactures the PCT Barocycler instrument. As part of this engagement, Mr. Schumacher is expected to reevaluate the ongoing business prospects for both the Laboratory Instrumentation segment and PCT activities prior to the end of year 2003.

## **CONTRACTUAL OBLIGATIONS**

As of September 30, 2003, there have been no significant changes in the Company's contractual obligations or commitments previously disclosed as of December 31, 2002.

## **FORWARD-LOOKING STATEMENTS**

This Quarterly Report on Form 10-Q contains forward-looking statements which involve risks and uncertainties, including statements regarding the Company's plans, objectives, expectations and intentions. In some cases, forward-looking statements are identified by terms such as "may", "will", "should", "could", "would", "expects", "plans", "anticipates", "believes", "estimates", "projects", "predicts", "potential", and similar expressions intended to identify forward-looking statements. Such statements include, without limitation, statements made regarding the expected recovery and value of the loan receivable from the Company's former Chairman and Chief Executive Officer, the Company's belief that it has sufficient liquidity to finance operations over the next twelve months, and the anticipated future financial performance or prospects of the Company and its products. These forward-looking statements are only predictions and involve known and unknown risks, uncertainties, and other factors that may cause the Company's actual results, levels of activity, performance, or achievements to be materially different from any future results, levels of activity, performance, or achievements expressed or implied by such forward-looking statements. Also, these forward-looking statements represent the Company's best estimates and assumptions only as of the date of this Report. Except as otherwise required by law, the Company expressly disclaims any obligation or undertaking to release publicly any updates or revisions to any forward-looking statement contained in the Report to reflect any change in the Company's expectations or any change in events, conditions, or circumstances on which any of the Company's forward-looking statements are based.

Factors which might cause actual results to differ materially from those projected in the forward-looking statements contained herein include the following: the Company may not be successful in commercializing its PCT products and services, or such activities may take longer than currently expected; the Company may not have sufficient resources to develop new or improved PCT products; demand for commercial applications of PCT may not materialize as expected or may take longer than expected to materialize; PCT may also not be adaptable to any other commercially viable applications; certain PCT applications may not fall within the claims of the Company's nine issued U.S. patents; individuals and groups utilizing PCT may be able to license such technology from entities other than the Company; due to operational, scientific or technical difficulties in the implementation of the Company's strategies and changes in customer demand, the Company's sales to IVD test kit manufacturers and sales of ACCURUN and other quality control products may decline; the Company may be unable to develop the end-user market for its quality control products; the Company may be unable to grow the sales of Source Scientific, Inc. to the extent anticipated; the uncertainty of the renewal and full funding of contracts with National Institutes of Health (NIH); the Company may be unable to obtain an adequate supply of the unique and rare specimens of plasma and serum necessary for certain of its products; the potential for significant reductions in purchases by any of the Company's major customers; the Company may be unable to obtain the necessary government approvals for certain of its products; the Company may be unable to compete effectively due to rapid changes in technology; the Company may be unable to attract and retain a qualified individual to serve as Chief Executive Officer; the

collateral securing the Company's loan receivable from its former Chairman and Chief Executive Officer may be impaired, and the Company may not be able to fully collect the principal and interest due on a \$1,000,000 receivable from the former Chairman and Chief Executive Officer; and if expenses are higher than anticipated, or if revenues are lower than anticipated, the Company may require additional capital sooner than expected and there can be no assurance that the Company will be able to obtain additional financing or capital on acceptable terms, or that it will be successful in eliminating or scaling back certain of its activities. 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 Annual Report on Form 10-K for the year ended December 31, 2002.

## **ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK**

There have been no material changes in the reported market risks since December 31, 2002.

## **ITEM 4. CONTROLS AND PROCEDURES**

We maintain disclosure controls and procedures that are designed to ensure that information required to be disclosed in our Securities Exchange Act reports is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms, and that such information is accumulated and communicated to our management, including our Principal Executive Officer/Principal Financial Officer, as appropriate, to allow timely decisions regarding required disclosure. In designing and evaluating the disclosure controls and procedures, management recognized that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired control objectives, as ours are designed to do, and management necessarily was required to apply its judgment in evaluating the cost-benefit relationship of possible controls and procedures.

As of September 30, 2003, we carried out an evaluation, under the supervision and with the participation of our management, including our Principal Executive Officer/Principal Financial Officer, of the effectiveness of the design and operation of our disclosure controls and procedures, as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934. Based upon that evaluation, our Principal Executive Officer/Principal Financial Officer concluded that our disclosure controls and procedures are effective in enabling us to record, process, summarize and report information required to be included in our periodic SEC filings within the required time period.

There have been no changes in our internal control over financial reporting that occurred during the period covered by this report that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

## **PART II. OTHER INFORMATION**

### **ITEM 1. LEGAL PROCEEDINGS**

None.

### **ITEM 2. CHANGES IN SECURITIES AND USE OF PROCEEDS**

#### Warrants

In November 1999, the Company sold 29,155 equity units to MDBio, Inc. a Maryland not-for profit corporation. Each equity unit consists of one share of common stock and a warrant to purchase one share of common stock with an exercise price of \$10.00 per share. MDBio paid the Company \$175,000 for the equity units. These warrants expired unexercised at the close of business September 30, 2003.

On September 30, 1998 the Company acquired the remaining outstanding common stock (approximately 81%) of BioSeq, Inc., a development stage company with patent pending technology based on pressure cycling technology for \$879,000 in cash (net of cash acquired of \$121,000). In connection with the Company's acquisition of BioSeq, Inc., the Company issued warrants to purchase 100,000 shares of the Company's common stock at a purchase exercise price of \$2.50 per share (subject to annual increases). As of December 31, 2002, warrants to purchase 67,192 shares of common stock remained outstanding at an exercise price of \$3.66 per share. Subsequent to the quarter ended September 30, 2003, all remaining warrants outstanding that were issued pursuant to this transaction expired unexercised at the close of business October 8, 2003.

### **ITEM 3. DEFAULTS UPON SENIOR SECURITIES**

None.

### **ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS**

There were no matters submitted to a vote of security holders in the third quarter of 2003.

Subsequent to September 30, 2003, the Company held a Special Meeting in Lieu of Annual Meeting of Stockholders on October 2, 2003 (the "Meeting"). A total of 6,071,106 shares, or 88.99%, of the Company's Common Stock issued, outstanding and entitled to vote as of the record date, were represented in person or by proxy, at the Meeting. At the Meeting, one proposal was acted upon. The result of the proposal was as follows:

1. Dr. Calvin A. Saravis and Mr. R. Wayne Fritzsche were elected as Class I Directors of the Company, to serve as such until the 2006 Annual Meeting of Stockholders and until their successors have been duly elected and qualified, with 4,895,357 shares voting in favor, 1,175,749 votes withheld for Dr. Saravis, and 4,896,907 shares voting in favor, 1,174,199 votes withheld for Mr. Fritzsche, respectively.

The terms of office of Directors Richard T. Schumacher, Kevin W. Quinlan and William A. Wilson continued immediately after the Meeting. Mr. Francis Capitanio, a Director of the Company since 1986, did not stand for reelection as a Director and accordingly, his term expired on October 2, 2003 when his successor was duly elected and qualified. See also Part II, Item 5 "Other Information" hereunder.

Dr. Calvin A Saravis was not nominated pursuant to any arrangement or understanding with any person. Mr. R. Wayne Fritzsche was nominated to the Board of Directors pursuant to an Agreement dated as of June 30, 2003 between the Company and Richard T. Schumacher (the "Nominee Agreement"). In April 2003, Mr. Schumacher nominated Mr. Fritzsche and Russell B. Richardson for election as directors at the Company's forthcoming Annual Meeting of Stockholders. At the time of their nomination, Mr. Schumacher's



nominees agreed to support the reinstatement of Mr. Schumacher as Chief Executive Officer of the Company. Pursuant to the Nominee Agreement the Company agreed that Mr. Capitanio would not stand for reelection, and following a further review and consideration of the candidates, the Board of Directors would select one of Mr. Fritzsche or Dr. Richerson as the nominee to fill the vacancy on the Board of Directors created by Mr. Capitanio not standing for reelection. Under the Nominee Agreement, Mr. Schumacher withdrew his two nominees and agreed not to proceed with or undertake any proxy solicitation for the Meeting. The Board of Directors selected Mr. Fritzsche as the nominee.

## ITEM 5. OTHER INFORMATION

At a Directors' meeting immediately following the Special Meeting in Lieu of Annual Meeting of Stockholders held on October 2, 2003, Mr. R. Wayne Fritzsche was elected Chairman of the Board. Mr. William A. Wilson, a Director since 2001 and Chairman of the Board since February 2003, resigned from the Board on October 3, 2003 in order to pursue other activities. The Company is presently seeking to fill one vacancy on its Board of Directors.

Boston Biomedica, Inc. was notified on August 22, 2003 that PricewaterhouseCoopers LLP ("PwC") had resigned as the Company's independent accountants, effective August 22, 2003. The Company had a close working relationship with PwC over the past ten years since their engagement in 1993 as the Company's independent accountants, and the Company expressed its disappointment at this development. During the fiscal years ended December 31, 2000, December 31, 2001 and December 31, 2002, and through August 22, 2003, there were no

disagreements with PwC on any matter of accounting principles or practices, financial statement disclosure, or auditing scope or procedure, which disagreements, if not resolved to the satisfaction of PwC, would have caused PwC to make reference thereto in their reports on the financial statements for such years. On November 5, 2003, the Audit Committee of the Board of Directors of the Company engaged Weinberg & Company, P. A. to act as the Company's independent accountants for the remainder of fiscal 2003 effective immediately. During the fiscal years ended December 31, 2001 and 2002 and through the date hereof, neither the Company nor anyone on its behalf consulted with Weinberg & Company P.A. with respect to any matters or events including any matters or events set forth in Items 304 (a) (2) (i) and (ii) of Regulation S-K.

## ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K

### (a) Exhibits:

Exhibit No.		Reference
3.1	Amended and Restated Articles of Organization of the Company	A**
3.2	Amended and Restated Bylaws of the Company	A**
3.3	Amendment to Amended and Restated Bylaws of the Company	C**
4.1	Specimen Certificate for Shares of the Company's Common Stock	A**
4.2	Description of Capital Stock (contained in the Restated Articles of Organization of the Company filed as Exhibit 3.1)	A**
4.3	Form of warrants issued in connection with Paradigm Group	H**
4.4	3% Senior Subordinated Convertible Debenture issued to GCA Strategic Investment Fund Limited	K**
4.5	Warrant issued to GCA Strategic Investment Fund Limited	K**
4.6	Warrant issued to Wharton Capital Partners, Ltd.	K**
4.7	Warrant issued to DP Securities, Inc.	K**
4.8	Registration Rights Agreement, dated as of August 25, 2000, by and among Boston Biomedica, Inc., Wharton Capital Partners, Ltd., DP Securities, Inc. and GCA Strategic Investment Fund Limited	K**
4.9	3% Senior Subordinated Convertible Debenture issued to Richard P. Kiphart	K**
4.10	3% Senior Subordinated Convertible Debenture issued to Shoreline Micro-Cap Fund, L.P.	K**
4.11	Warrant issued to Richard P. Kiphart	K**
4.12	Warrant issued to Shoreline Micro-Cap Fund, L.P.	K**

4.13	Registration Rights Agreement dated as of August 25, 2000, by and among Boston Biomedica, Inc., Richard P. Kiphart and Shoreline Micro-Cap Fund, L.P. L.P.	K**
4.14	Rights Agreement dated as of February 27, 2003 between Boston Biomedica, Inc., and Computershare Trust Company, Inc.	P**
10.1	Lease Agreement, dated July 28, 1995, for New Britain, Connecticut Facility between MB Associates and the Company	A**
10.2	1987 Non-Qualified Stock Option Plan*	A**
10.3	Employee Stock Option Plan*	A**

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10.4	1999 Non-Qualified Stock Option Plan*	I**
10.5	1999 Employee Stock Purchase Plan*	I**
10.6	Underwriters Warrants, each dated November 4, 1996, between the Company and each of Oscar Gruss & Son Incorporated and Kaufman Bros., L.P.	B**
10.7	Loan Agreement dated March 31, 2000	C**
10.8	First Amendment to lease dated as of December 12, 2001 by and between Cabot Industrial Properties, L. P. and BBI Source Scientific, Inc.	D**
10.9	Lease Agreement, dated May 16, 1997, for Gaithersburg, Maryland facility between B.F. Saul Real Estate Investment Trust and the Company	E**
10.10	Lease Agreement dated January 30, 1995 for Garden Grove, California facility between TR Brell, Cal Corp. and Source Scientific, Inc., and Assignment of Lease, dated July 2, 1997, for Garden Grove, California facility between Source Scientific, Inc. and BBI Source Scientific	F**
10.11	Contract, dated July 1, 1998, between the National Institutes of Health and the Company (NO1-A1-85341)	G**
10.12	Contract, dated July 1, 1998, between the National Heart Lung and Blood Institute and the Company (NO1-HB-87144)	G**
10.13	Agreement with Paradigm Group for the purchase of warrants dated August 18, 1999	H**
10.14	Agreement with MDBio for the purchase of common stock and common stock warrants, dated September 30, 1999	J**
10.15	Lease Agreement dated September 30, 1999, for Frederick, Maryland facility, between MIE Properties, Inc., and the Company.	J**
10.16	Repository Contract with National Institute of Allergy and Infectious Disease, Division of AIDS (NO1-A1-95381), dated August 16, 1999.	J**
10.17	Securities Purchase Agreement dated as of August 25, 2000, by and among Boston Biomedica, Inc., and GCA Strategic Investment Fund Limited.	K**
10.18	Securities Purchase Agreement dated as of August 25, 2000, by and among Boston Biomedica, Inc., Richard P. Kiphart and Shoreline Micro-Cap Fund, L.P.	K**
10.19	Mortgage and Security Agreement dated March 31, 2000	L**
10.20	Asset Purchase Agreement dated February 20, 2001, by and between BBI Clinical Laboratories, Inc., Boston Biomedica, Inc., and Specialty Laboratories, Inc.	M**
10.21	Promissory Note dated July 10, 2001, as amended on October 4, 2001, by and among Boston Biomedica, Inc. and Richard T. Schumacher.	N**
10.22	Subscription Agreement dated as of December 6, 2001 by and between Boston Biomedica, Inc., Richard P. Kiphart, Andrew Gluck, David Valentine, Rebecca Kiphart and Arthur Hill.	O**
10.23	Junior Participation Agreement dated as of January 15, 2002, by and between	O**

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10.24	Pledge and Security Agreement dated as of January 15, 2002, by and between Richard T. Schumacher, Boston Biomedica, Inc., and Commerce Bank and Trust Company.	O**
10.25	Pledge Agreement effective as of January 15, 2002, by and between Boston Biomedica, Inc. and Commerce Bank and Trust Company.	O**
10.26	Limited Guaranty dated as of January 15, 2002, by and between Boston Biomedica, Inc. and Commerce Bank and Trust Company.	O**
10.27	Description of Compensation for Certain Directors*	D**
10.28	Consultant Agreement between Boston Biomedica, Inc. and Richard T. Schumacher	Filed Herewith
10.29	Agreement between Boston Biomedica, Inc. and Richard T. Schumacher	Filed Herewith
31.1	Certification Pursuant to Item 601(b)(31) of Regulation S-K, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002	Filed Herewith
32.1	Certification Pursuant to Item 601(b)(32) of Regulation S-K, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002	Filed Herewith

- A Incorporated by reference to the registrant's Registration Statement on Form S-1 (Registration No. 333-10759) (the "Registration Statement").
- B Incorporated by reference to Exhibit No. 10.17 of the Registration Statement.
- C Incorporated by reference to the registrant's Annual Report on Form 10-K for the fiscal year ended December 31, 2002.
- D Incorporated by reference to the registrant's Quarterly Report on Form 10-Q for the fiscal quarter ended March 31, 2002.
- E Incorporated by reference to the registrant's Quarterly Report on Form 10-Q for the fiscal quarter ended June 30, 1997.
- F Incorporated by reference to the registrant's Annual Report on Form 10-K for the fiscal year ended December 31, 1997.
- G Incorporated by reference to the registrant's Quarterly Report on Form 10-Q for the fiscal quarter ended June 30, 1998.
- H Incorporated by reference to the registrant's Quarterly Report on Form 10-Q for the fiscal quarter ended September 30, 1999.
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- J Incorporated by reference to the registrant's Annual Report on Form 10-K/A for the fiscal year ended December 31, 1999.
- K Incorporated by reference to the registrant's Report on Form 8-K filed September 8, 2000.
- L Incorporated by reference to the registrant's Quarterly Report on Form 10-Q for the fiscal quarter ended June 30, 2000.
- M Incorporated by reference to the registrant's Report on Form 8-K filed March 8, 2001.
- N Incorporated by reference to the registrant's Quarterly Report on Form 10-Q for the fiscal quarter ended September 30, 2001.
- O Incorporated by reference to the registrant's Annual Report on Form 10-K for the fiscal year ended December 31, 2001.
- P Incorporated by reference to Exhibit 4 of the registrant's Current Report on Form 8-K filed March 12, 2003.

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\* Management contract or compensatory plan or arrangement.

\*\* 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, which documents are hereby incorporated by reference.

#### (b) Reports on Form 8-K.

The Company filed a Form 8-K, dated August 15, 2003, relative to the Company's issuance of a press release on August 15, 2003 announcing its financial results for the second quarter ended June 30, 2003. The Company filed a Form 8-K, dated August 22, 2003, relative to the resignation of PricewaterhouseCoopers LLP ("PwC"), as the Company's independent accountants.

#### 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.  
(Registrant)

Date: November 14, 2003

By: /s/ Kevin W. Quinlan  
Kevin W. Quinlan  
President and Chief Operating Officer and Treasurer  
(Principal Accounting and Financial Officer)

**EXHIBIT INDEX**

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- J Incorporated by reference to the registrant's Annual Report on Form 10-K/A for the fiscal year ended December 31, 1999.
- K Incorporated by reference to the registrant's Report on Form 8-K filed September 8, 2000.
- L Incorporated by reference to the registrant's Quarterly Report on Form 10-Q for the fiscal quarter ended June 30, 2000.
- M Incorporated by reference to the registrant's Report on Form 8-K filed March 8, 2001.
- N Incorporated by reference to the registrant's Quarterly Report on Form 10-Q for the fiscal quarter ended September 30, 2001.
- O Incorporated by reference to the registrant's Annual Report on Form 10-K for the fiscal year ended December 31, 2001.
- P Incorporated by reference to Exhibit 4 of the registrant's Current Report on Form 8-K filed March 12, 2003.

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\* Management contract or compensatory plan or arrangement.

\*\* 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, which documents are hereby incorporated by reference.

**Boston Biomedica Inc. – Consultant Agreement**

This Agreement is entered into as of the 30th day of June, 2003, between Boston Biomedica Inc. (“the Company”) and Richard T. Schumacher (“the Consultant”).

WHEREAS, the Company desires to assure itself that the benefits of the consulting abilities and talents of the Consultant relative to certain aspects of the Company’s business will be available to the Company;

NOW, THEREFORE, in consideration of the mutual covenants and promises herein contained, the receipt and sufficiency of which is hereby acknowledged, and intending to be legally bound, it is hereby agreed by and between the parties as follows:

1. Consulting Engagement. Subject to the terms and conditions of this Agreement, the Company hereby engages the Consultant as an Executive Project Consultant to perform the services set forth herein, and the Consultant hereby accepts such engagement.
2. Term. The Term of the Consultant’s engagement hereunder shall commence on the date hereof and extend through December 31, 2003 unless sooner terminated as hereinafter provided.
3. Duties. Subject to the terms and conditions in this Agreement, the Consultant’s duties as Executive Project Consultant shall be to take an advisory role in directing the Company’s PCT and Source activities and the Company’s ownership interest in Panacos Pharmaceuticals, Inc. (“Panacos”), each as further described below, and such other duties as may be assigned to him by the President of the Company or the Board from time to time. The Consultant shall report to, be specifically accountable to and shall follow the directions of the President of the Company for all day to day activities. The Consultant shall also report and be responsible to, and be subject to the authority of the Board. The Consultant shall devote substantially all his business time and energy and will use his best efforts to perform his duties hereunder. The Consultant will be given reasonable access to Company personnel to assist the Consultant in the fulfillment of his duties and responsibilities under this Agreement.
4. Compensation. During the term of the Consultant’s engagement under this Agreement, the Consultant shall be paid \$4,807.90 per week, which is equivalent to an annualized salary of \$250,000.00, prorated for the number of weeks between the date hereof and December 31, 2003 and based on a 52 week year. Such amounts shall be paid periodically in accordance with the Company’s normal payroll practices. In addition to his salary, for the sole purpose of determining compensation and benefits, the Consultant shall be considered a full time employee and as such will be entitled to participate in and immediately eligible for health and medical insurance, disability insurance, group life insurance, group travel insurance, and 401(k) retirement plan applicable to all full time employees of the Company as they may be in effect from time to time. The Consultant’s prior service with the Company shall be attributed to Consultant in determining eligibility to participate in and the extent of benefits from such benefit plans. There shall be no waiting period for participation in any such plan. The Consultant shall be eligible for vacation, holidays and sick days in accordance with the Company’s policies applicable to all full time employees.
5. PCT, Source and Panacos. The Consultant shall assume an advisory role in directing the Company’s PCT and Source Divisions and the Company’s ownership interest in Panacos. The heads of the Company’s PCT and Source Divisions shall report to the Consultant.

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6. PCT Division. The Consultant shall produce a robust business plan for the PCT business by July 25, 2003. The business plan shall be in such form as shall be mutually agreed upon between the Company and the Consultant, and the business plan shall be acceptable to the Board. The business plan shall contain all information reasonably requested by the Board to be included therein and shall comply with the funding sources and limitations identified and imposed by the Board. Without limiting the foregoing, such business plan shall include an operating budget, and shall include a financial model for 5 years that includes a statement of operations, balance sheet and cash flows, with all the drivers of the business metrics modeled. In performing his PCT duties set forth in Paragraph 7 above, until such time as the business plan, including the operating budget, is approved by the Board, the Consultant shall limit the monthly losses from the PCT Division to an amount equal to or less than the average monthly amount of losses that have been incurred by the PCT Division since January 1, 2003. For this purpose, however, the Consultant’s salary and related expenses will not be considered in the calculation of PCT’s losses. The Consultant further understands and agrees that if the President of the Company, representing the Board, so determines based on the Company’s overall financial condition, it may be necessary to further limit the amount of losses incurred by the PCT Division.
7. Source Business Plan. By September 30, 2003, the Consultant will prepare and present to the Board an initial plan to substantially reduce and subsequently eliminate all losses from the Source Division by March 31, 2004.
8. Payment of the Commerce Loan. With the proceeds (net of required taxes) Consultant may receive from the sale of any personal assets, the Consultant shall promptly apply all such net proceeds to repay all amounts due to Commerce Bank & Trust Company (“Commerce Bank”), whether owed personally or by any affiliate of the Consultant, including Resort Accommodations International LLC (“RAI”) (the “Commerce Bank Loan”) and all amounts owed to the Company by the Consultant or any such affiliate pursuant to (i) that certain Limited Guaranty by the Company for the benefit of Commerce Bank dated January 15, 2002, (ii) that certain Junior Participation Agreement also dated January 15, 2002 by and between Commerce Bank, RAI and the Company, (iii) that certain Pledge Agreement also dated January 15, 2002 by and between the Company and Commerce Bank, and (iv) that certain Pledge and Security Agreement dated as of January 15, 2002 by and between the Consultant, the Company and Commerce Bank. By entering into this Agreement, the Consultant hereby ratifies, confirms and acknowledges his obligations to the Company under such agreements referred to in clauses (i) through (iv) above (the “Company’s Guarantee”). Notwithstanding the foregoing, if and to the extent the Consultant or his affiliates has funds or assets in excess of ordinary and routine living expenses, the Consultant shall repay the Commerce Bank Loan

and the Company's Guarantee. For purposes of the preceding sentence, funds or assets of the Consultant's spouse shall only include any funds or assets transferred by the Consultant to his spouse at any time in the past or in the future, but not including that certain real estate interest known as Unit 5235 (four quarters) in the Marriott Grand Residence in South Lake Tahoe or any proceeds therefrom.

9. Expenses. During the term of this Agreement, the Consultant shall obtain prior approval for any and all out-of-pocket expenses incurred in connection with the performance of his duties hereunder and otherwise in accordance with the Company's reimbursement policy and procedure as in effect from time to time. If approved in advance, the Consultant shall submit invoices for such approved expenses in accordance with the Company's expense reimbursement procedures, and the Company shall reimburse him for all such approved out-of-pocket expenses.

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10. Written Reports. The Company may request that plans, progress reports and results reports be provided by the Consultant on a weekly or monthly basis as requested by the Company. The reports shall be in such form and setting forth such information and data as is reasonably requested by the Company.
11. Inventions. Any and all inventions, discoveries, developments and innovations conceived by the Consultant during this engagement relative to the duties under this Agreement shall be the exclusive property of the Company; and the Consultant hereby assigns all right, title, and interest in the same to the Company. Any and all inventions, discoveries, developments and innovations conceived by the Consultant prior to his engagement hereunder and utilized by him in rendering duties to the Company are hereby licensed to the Company for use in its operations and for an infinite duration. This license is non-exclusive, and may be assigned without the Consultant's prior written approval by the Company to a wholly-owned subsidiary of the Company.
12. Confidentiality. The Consultant acknowledges that during his engagement hereunder, he will have access to and become acquainted with various trade secrets, inventions, innovations, processes, information, records and specifications owned or licensed by the Company and/or used by the Company in connection with the operation of its business including, without limitation, the Company's business and product processes, methods, customer lists, accounts and procedures. The Consultant agrees that he will not disclose any of the aforesaid, directly or indirectly, or use any of them in any manner, either during his engagement hereunder or at any time thereafter, except as required in the course of his engagement by the Company. All files, records, documents, blueprints, specifications, information, letters, notes, media lists, original artwork/creative, notebooks, and similar items relating to the business of the Company whether prepared by the Consultant or otherwise coming into his possession during his engagement hereunder, shall remain the exclusive property of the Company. The Consultant shall not retain any copies of the foregoing without the Company's prior written permission. Upon the termination of his engagement hereunder, or whenever requested by the Company, the Consultant shall immediately deliver to the Company all such files, records, documents, specifications, information, and other items in his possession or under his control.
13. Disclosure. The Consultant shall not disclose the terms of this Agreement to any person without the prior written consent of the Company. The Company shall issue a press release to announce the Consultant's engagement. The Company shall promptly submit the press release to the Consultant for his review and approval prior to release to the public.
14. Conflicts of Interest; Non-hire Provision. The Consultant represents that he is free to enter into this Agreement, and that this engagement does not violate the terms of any agreement between the Consultant and any third party. Further, the Consultant, in rendering his duties shall not utilize any invention, discovery, development, improvement, innovation, or trade secret in which he does not have a proprietary interest. If the Company is not in breach of its obligations under this Agreement, for a period of one year following termination of his engagement hereunder, the Consultant shall not, directly or indirectly hire, solicit, or encourage to leave the Company's employment, any employee, consultant, or contractor of the Company or hire any such employee, consultant, or contractor who has left the Company's employment or contractual engagement within one year of such employment or engagement, (other than such employees, consultants and contractors who have been involuntarily terminated by the Company).
15. Right to Injunction. The parties hereto acknowledge that the services to be rendered by the Consultant under this Agreement, the rights and privileges granted to the Company under the Agreement, the benefits to be received by the Consultant and the obligations of the

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Company hereunder are of a special, unique, unusual, and extraordinary character which gives them a peculiar value, the loss of which cannot be reasonably or adequately compensated by damages in any action at law, and the breach by either party of any of the provisions of this Agreement will cause the other irreparable injury and damage. The parties expressly agree that each party shall be entitled to injunctive and other equitable relief in the event of, or to prevent, a breach of any provision of this Agreement by the other party. Resort to such equitable relief, however, shall not be construed to be a waiver of any other rights or remedies that such party may have for damages or otherwise. The various rights and remedies of the parties under this Agreement or otherwise shall be construed to be cumulative, and no one of the them shall be exclusive of any other or of any right or remedy allowed by law.

16. Termination. The Consultant's engagement hereunder may be terminated prior to December 31, 2003 as follows:
- (i) With Cause. The Board may terminate the Consultant's engagement hereunder at any time and without further obligation for cause. If the Board terminates the engagement for cause, then it shall only owe the Consultant compensation that has accrued and has not yet been paid as of the date of termination (calculated on a daily basis). For purposes of this Agreement, "cause" shall mean the occurrence of any of the following events:



- (A) any material act of personal dishonesty, or serious misconduct in connection with the Consultant's responsibilities to the Company under this Agreement;
- (B) the commission by the Consultant of any crime classified as a felony under any Federal, state or local law or the Consultant engaging in any acts of moral turpitude;
- (C) continued material violations, breach or noncompliance by the Consultant of the Consultant's obligations or covenants under this Agreement after there has been delivered to the Consultant a written demand for performance or compliance from the Company which describes the basis for the Company's belief that the Consultant has violated, breached or failed to comply with the Consultant's duties or complied with the Consultant's obligations or covenants under this Agreement and such violations, breach or noncompliance have not been corrected or cured by the Consultant within ten (10) business days following such demand;
- (D) continued failure or refusal to comply with the written policies or reasonable directives of the Company after there has been delivered to the Consultant a written demand for performance or compliance from the Company which describes the basis for the Company's belief that the Consultant has failed or refused to comply with such policies or directives and such failure or refusal have not been corrected or cured by the Consultant within ten (10) business days following such demand; or
- (E) the use by the Consultant of a controlled substance without a prescription or the abuse of alcohol which in any way impairs the Consultant's ability to carry out Consultant's duties and responsibilities under this Agreement.

- 17. Termination of Duties, Responsibilities and Authority. Although the Consultant's engagement hereunder shall continue through December 31, 2003, the Board may reduce, limit or terminate part or all of the Consultant's duties, responsibilities and authority to provide any services under this Agreement at any time without cause, provided however, that if the Board reduces, limits or terminates part or all of such duties, responsibilities and authority without cause prior to December 31, 2003, it shall continue to pay the Consultant all of the compensation, including benefits, which otherwise would have been paid through December 31, 2003 had the Board not so terminated such duties, responsibilities and authority. In such event, the Consultant shall continue to be referred to as the Company's Executive Project Consultant.
- 18. Taxes. The Company shall withhold taxes with respect to the Consultant's compensation hereunder.
- 19. Successors and Assigns. All of the provisions of this Agreement shall be binding upon and inure to the benefit of the parties hereto and their respective heirs, if any, successors, and assigns, provided, however, the Consultant shall not assign any of his rights under this Agreement, or delegate the performance of any of his duties hereunder, without the prior written consent of the Company.
- 20. Choice of Law. The laws of the Commonwealth of Massachusetts shall govern the validity of this Agreement, the construction of its terms and the interpretation of the rights and duties of the parties hereto.
- 21. Arbitration. Any controversies arising out of the terms of this Agreement or its interpretation shall be settled in Massachusetts in accordance with the rules of the American Arbitration Association, and the judgment upon award may be entered in any court having jurisdiction thereof.
- 22. Headings. Section headings are not to be considered a part of this Agreement and are not intended to be a full and accurate description of the contents hereof.
- 23. Waiver. No failure or delay by either part in exercising any right under this Agreement will operate as a waiver of such right or any other right under this Agreement. Waiver by one party hereto of breach of any provision of this Agreement by the other shall not operate or be construed as a continuing waiver.
- 24. Notices. Any and all notices, demands, or other communications required or desired to be given hereunder by any party shall be in writing and shall be validly given or made to another party if personally served, or if deposited in the United States mail, certified or registered, postage prepaid, return receipt requested. If such notice or demand is served personally, notice shall be deemed constructively made at the time of such personal service. If such notice, demand or other communication is given by mail, such notice shall be conclusively deemed given five days after deposit thereof in the United States mail addressed to the party to whom such notice, demand or other communication is to be given as follows:

If to the Consultant:

Richard T. Schumacher  
65 Black Pond Lane  
Taunton, MA 02780

If to the Company:

Boston Biomedica, Inc.  
375 West Street  
West Bridgewater, MA 02379

Any party hereto may change its address for purposes of this paragraph by written notice given in the manner provided above.

25. Modification or Amendment. No amendment, change or modification of this Agreement shall be valid unless in writing signed by the parties hereto.
26. Entire Understanding. This document and any exhibit attached constitute the entire understanding and agreement of the parties, and any and all prior agreements, understandings, and representations whether written or oral are hereby terminated and canceled in their entirety and are of no further force and effect.
27. Unenforceability of Provisions. If any provision of this Agreement, or any portion thereof, is held to be invalid and unenforceable, then the remainder of this Agreement shall nevertheless remain in full force and effect.
28. Counterparts. This Agreement may be executed in multiple counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument.
29. Captions. Captions have been inserted solely for the convenience of reference and in no way define, limit or describe the scope or substance of any provisions of this Agreement.

IN WITNESS WHEREOF the undersigned have executed this Agreement as of the day and year first written above. The parties hereto agree that facsimile signatures shall be as effective as if originals.

Boston Biomedica Inc.

Consultant:

By: /s/ Kevin W. Quinlan  
Its: President and Chief  
Operating Officer

/s/ Richard T. Schumacher  
Richard T. Schumacher

## Boston Biomedica Inc. — Agreement

This Agreement is entered into as of the 7th day of July, 2003, between Boston Biomedica Inc. (“the Company”) and Richard T. Schumacher (“Schumacher”).

WHEREAS, Schumacher has proposed two nominees for election to the Board of Directors of the Company (the “Board”) at the next Annual Meeting of Stockholders and is willing to withdraw such nominations and not proceed with any proxy solicitation for such Annual Meeting of Stockholders in consideration of the Company’s entering into this Agreement;

NOW, THEREFORE, in consideration of the mutual covenants and promises herein contained, the receipt and sufficiency of which is hereby acknowledged, and intending to be legally bound, it is hereby agreed by and between the parties as follows:

1. **Board of Directors.** Upon expiration of the term of Fran Capitanio as a member of the Board, he will not stand for reelection. The Board, following a further review and consideration of the qualifications of R. Wayne Fritzsche and Russell B. Richerson as candidates to fill the vacancy, will select one of these individuals as the nominee of the Board to fill the vacancy on the Board left by Fran Capitanio. The Company currently anticipates holding its 2003 Annual Meeting of Stockholders before the end of September 2003.
2. **Proxy Solicitation.** By entering into this Agreement, Schumacher hereby withdraws his two nominees for election to the Board for the Company’s 2003 Annual Meeting of Stockholders, or special meeting in lieu thereof. Schumacher shall not proceed with or undertake any proxy solicitation for such Annual Meeting of Stockholders, or special meeting in lieu thereof, provided that the Company has complied with all of its agreements with Schumacher.
3. **Disclosure.** Promptly following the execution of this Agreement, Schumacher shall amend his Schedule 13D filing with the Securities and Exchange Commission to reflect the withdrawal of his nominees for election as directors for the Company’s next Annual Meeting of Stockholders and his agreement not to proceed with the solicitation of any proxies for such meeting. He shall submit such amendment to Schedule 13D to the Company for its review and comment prior to filing with the Securities and Exchange Commission. The Company shall issue a press release to announce Schumacher’s amendment to his Schedule 13D. The Company shall promptly submit the press release to Schumacher for his review and approval prior to release to the public.
4. **Right to Injunction.** The parties hereto acknowledge that the actions to be taken by Schumacher under this Agreement, the rights and privileges granted to the Company under the Agreement, the benefits to be received by Schumacher and the obligations of the Company hereunder are of a special, unique, unusual, and extraordinary character which gives them a peculiar value, the loss of which cannot be reasonably or adequately compensated by damages in any action at law, and the breach by either party of any of the provisions of this Agreement will cause the other irreparable injury and damage. The parties expressly agree that each party shall be entitled to

injunctive and other equitable relief in the event of, or to prevent, a breach of any provision of this Agreement by the other party. Resort to such equitable relief, however, shall not be construed to be a waiver of any other rights or remedies that such party may have for damages or otherwise. The various rights and remedies of the parties under this Agreement or otherwise shall be construed to be cumulative, and no one of the them shall be exclusive of any other or of any right or remedy allowed by law.

5. **Successors and Assigns.** All of the provisions of this Agreement shall be binding upon and inure to the benefit of the parties hereto and their respective heirs, if any, successors, and assigns, provided, however, Schumacher shall not assign any of his rights under this Agreement, or delegate the performance of any of his duties hereunder, without the prior written consent of the Company.
6. **Choice of Law.** The laws of the Commonwealth of Massachusetts shall govern the validity of this Agreement, the construction of its terms and the interpretation of the rights and duties of the parties hereto.
7. **Arbitration.** Any controversies arising out of the terms of this Agreement or its interpretation shall be settled in Massachusetts in accordance with the rules of the American Arbitration Association, and the judgment upon award may be entered in any court having jurisdiction thereof.
8. **Headings.** Section headings are not to be considered a part of this Agreement and are not intended to be a full and accurate description of the contents hereof.
9. **Waiver.** No failure or delay by either part in exercising any right under this Agreement will operate as a waiver of such right or any other right under this Agreement. Waiver by one party hereto of breach of any provision of this Agreement by the other shall not operate or be construed as a continuing waiver.
10. **Notices.** Any and all notices, demands, or other communications required or desired to be given hereunder by any party shall be in writing and shall be validly given or made to another party if personally served, or if deposited in the United States mail, certified or registered, postage prepaid, return receipt requested. If such notice or demand is served personally, notice shall be deemed constructively made at the time of such personal service. If such notice, demand or other communication is given by mail,

such notice shall be conclusively deemed given five days after deposit thereof in the United States mail addressed to the party to whom such notice, demand or other communication is to be given as follows:

If to Schumacher:

Richard T. Schumacher  
65 Black Pond Lane  
Taunton, MA 02780

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If to the Company:

Boston Biomedica, Inc.  
375 West Street  
West Bridgewater, MA 02379

Any party hereto may change its address for purposes of this paragraph by written notice given in the manner provided above.

11. Modification or Amendment. No amendment, change or modification of this Agreement shall be valid unless in writing signed by the parties hereto.
12. Entire Understanding. This document and any exhibit attached constitute the entire understanding and agreement of the parties, and any and all prior agreements, understandings, and representations whether written or oral are hereby terminated and canceled in their entirety and are of no further force and effect.
13. Unenforceability of Provisions. If any provision of this Agreement, or any portion thereof, is held to be invalid and unenforceable, then the remainder of this Agreement shall nevertheless remain in full force and effect.
14. Counterparts. This Agreement may be executed in multiple counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument.
15. Captions. Captions have been inserted solely for the convenience of reference and in no way define, limit or describe the scope or substance of any provisions of this Agreement.

IN WITNESS WHEREOF the undersigned have executed this Agreement as of the day and year first written above. The parties hereto agree that facsimile signatures shall be as effective as if originals.

Boston Biomedica Inc.

By: /s/ Kevin W. Quinlan  
Kevin W. Quinlan  
President, Chief Operating  
Officer and Treasurer

/s/ Richard T. Schumacher  
Richard T. Schumacher

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**CERTIFICATION PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002**

I, Kevin W. Quinlan, President, Chief Operating Officer and Treasurer of Boston Biomedica, Inc., certify that:

1. I have reviewed this report on Form 10-Q of Boston Biomedica, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. I am responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant and I have:
  - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under my supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to me by others within those entities, particularly during the period in which this report is being prepared;
  - b) (Omitted)
  - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report my conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. I have disclosed, based on my most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent functions):
  - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial data; and
  - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls.

Date: November 14, 2003

/s/ Kevin W. Quinlan  
Kevin W. Quinlan  
President, Chief Operating Officer and Treasurer  
(Principal Executive Officer and Principal Financial Officer)

**Certification**  
**Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002**  
**(Subsections (a) and (b) of Section 1350, Chapter 63 of Title 18, United States Code)**

In connection with the Quarterly Report on Form 10-Q of Boston Biomedica, Inc., a Massachusetts corporation (the "Company") for the period ended September 30, 2003 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Kevin W. Quinlan, President, Chief Operating Officer and Treasurer of Boston Biomedica, Inc., a Massachusetts corporation (the "Company"), do hereby certify, pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (subsections (a) and (b) of Section 1350, Chapter 63 of Title 18, United States Code) that:

(1) The Report of the Company fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Dated: November 14, 2003

*/s/ Kevin W. Quinlan*

\_\_\_\_\_  
Kevin W. Quinlan  
President, Chief Operating Officer and Treasurer  
(Principal Executive Officer and Principal Financial Officer)

A signed original of this written statement required by Section 906 has been provided to Boston Biomedica, Inc. and will be retained by Boston Biomedica, Inc. and furnished to the Securities and Exchange Commission or its staff upon request.